

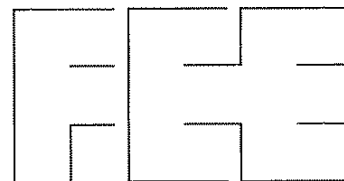
Date
15 December 2004

Le Président

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Mr. Fabrice Demarigny
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The Committee of European Securities Regulators
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E-mail: secretariat@cesr-eu.org (via website)

Dear Mr. Demarigny,

Re: Concept Paper on Equivalence of Certain Third Country GAAP and on Description of Certain Third Countries Mechanisms of Enforcement of Financial Information

1. FEE (Federation of European Accountants, Fédération des Experts Comptables Européens) welcomes the opportunity to provide you with our views and thoughts on the CESR Consultation Paper on Equivalence of Certain Third Country GAAP with IFRS based on the discussions we have had within FEE.
2. We believe it is appropriate for us as the representative organisations of the accountancy profession in Europe to provide views on the draft Concept Paper. However, we will not be in the position to comment extensively on the detailed assessments of Third Country GAAP, given our resources and priorities.

Equivalence

3. FEE supports global standards and in our paper "FEE Position Call for Global Standards: IFRS" we underlined the objective of "endorsed IFRS" to be the same as IFRS. Only global standards will meet the wider objectives of financial stability, efficiency and transparency and provide the benefits of increasing confidence in financial markets, reducing the cost of capital and facilitating global investments. Worldwide comparability of financial statements of European companies should be aimed at as a result of the introduction of the IAS Regulation.
4. We support the proposed definition of equivalence, focusing on the ability of investors to arrive at similar decisions under IFRS and Third Country GAAP. We also suggest that a distinction should be made according to the type of issuer: issuer of securities or only of debt securities. Investors' needs may be different according to the issuer's situation. However, we are of the opinion that it is not realistic to assume that EU investors will have a good knowledge of Third Country GAAP. It is reasonable to assume that investors will have sufficient knowledge of IFRS. Furthermore, the level of knowledge will depend on the type of investor: retail or institutional investor.

We do not think that the knowledge of reporting standards should have any impact on the equivalence assessment. In addition we think that it will be useful that CESR further inquires with international investors organisations on their needs of international comparisons between an issuer using US GAAP, Japanese GAAP or Canadian GAAP and identify their investment decision-making process on the basis of these standards.

5. The Commission's mandate mentions IAS / IFRS as endorsed at EU level. The proposed Concept Paper, however, refers to IAS / IFRS and it remains uncertain whether full IAS / IFRS is meant or IAS / IFRS as endorsed at EU level. The Commission has indicated that it expects differences between full IAS / IFRS and IAS / IFRS as endorsed in Europe to be of a temporary nature, or caused by delay in the endorsement process. It needs to be clarified whether the CESR Concept Paper is based on IAS / IFRS as endorsed at EU level or on full IAS / IFRS. Also the question of Third Country GAAP being a direct translation of full IAS / IFRS needs to be addressed.
6. We are of the opinion that the review of the general principles should also cover the IASC Framework comparison with the Third Country GAAP framework as well as the requirement or the hierarchy of available material to consider, when there is no relevant standard or interpretation that specifically applies to the transaction, other event or condition (IAS 8.10)
7. If there are fundamental differences between specific Third Country accounting requirements and IFRS, there might be no or only minor differences between financial statements based on these different sets of standards, because under the specific circumstances of the economic position and transactions of the reporting enterprise the different requirements do not apply. On the other hand assumed minor differences between the reporting standards might result in material differences in the financial statements prepared under the specific circumstances. Therefore the equivalence of the financial statements in respect of each individual case may be important.

A general assessment of the equivalence of national GAAP and IFRS may not achieve the objective, that the financial statements should lead to similar economic decisions in similar situations. Accordingly, equivalence can as a matter of principle be only ensured by an explanation of significant differences between the financial statements based on Third Country GAAP and IFRS financial statements on a company per company basis. The explanations might be given - as identified by CESR - through additional disclosures, reconciliations or additional financial statements depending on the situation of the particular company concerned.

8. Requiring explanations as explained in the previous paragraph on the part of non-European entities, will simultaneously cause pressure for the convergence of the respective national GAAP with IFRS, or for it to be replaced by IFRS following the European example. This accommodates the objectives, as mentioned above, namely, to improve the comparability of European financial statements not only within Europe but also on a world-wide scale. However, it should be realised that there are implications for example for the attractiveness of the EU stock exchanges and the relationship with enforcement bodies outside the EU.
9. Furthermore, we observe that any general assessment by CESR on Third Country GAAP might be subject to challenge and CESR would have to produce evidence and reasoning of its decision, particularly when the GAAP of additional countries needs to be assessed. Any such decision will bear consequences on the attractiveness of the European capital market and will therefore by nature contain elements of a political decision.
10. It is important that the financial markets, investors and companies have certainty on the (non) equivalence of Third Country GAAP and the remedies as soon as possible so that they can collect the proper information for the additional information to be disclosed under the possible remedies. The present uncertainty is of great concern to investors and issuers and may even make European markets less attractive at this stage.

Enforcement

11. It is generally accepted that high quality financial reporting involves high quality financial reporting standards, external audit subject to appropriate quality assurance systems and effective external enforcement. High quality financial reporting standards by themselves are not sufficient. A detailed discussion can be found in the FEE Discussion Papers of 2002 on Enforcement of IFRS within Europe and of 2003 on European Enforcement Coordination. We are therefore of the opinion that next to the audit requirement the enforcement system in the Third Country cannot be ignored and should have a role in the equivalence assessment, whereby the CESR standards can form a basis. We therefore disagree with paragraph 9 of the Concept Paper, although we appreciate that in Section 2.2 a description of the enforcement systems is envisaged. We believe that it should be considered whenever companies in other countries using Third Country GAAP, when this is considered to be equivalent, that the enforcement system to which the company is subject presents the quality features felt necessary in Europe.

Significance

12. In general we agree with the suggested approach although we have difficulty to see how it would concretely work in practice.
13. We are of the opinion that there is a need to define the term "significant" and to explain how it differs from the term "material" which is a standard audit term. Moreover, we note that in paragraph 46 of the Concept Paper both the term "significant" and the term "material" are used without any indication of the difference between the two terms.

Consequences of non-Equivalence

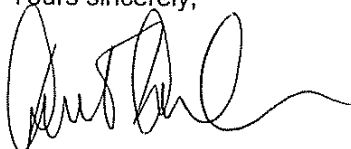
14. In case the non-equivalence remedy forms part of the notes to the financial statements we see no need for a separate mention thereof in the audit opinion. However if the remedy consists of supplementary or additional statements a separate reference in the audit opinion would be appropriate.

Early Warning Mechanisms

15. We support the underlying idea that an equivalence assessment is a continuing process and that there is a need for monitoring of changes to standards and environment including enforcement. We do not see the need for newly created bodies and are of the opinion that this task could be undertaken by the enforcement body that is a member of the European Enforcement Coordination or a similar body that exists in the third country.

We would be pleased to discuss in more detail any of the issues raised in this letter.

Yours sincerely,



David Devlin
President