



**Linda K. Knight**

Senior Vice President and Treasurer  
Treasurer's Office

3900 Wisconsin Avenue, NW  
Washington, DC 20016-2892

202 752 6113

202 752 4889 (fax)

[linda\\_k\\_knight@fanniemae.com](mailto:linda_k_knight@fanniemae.com)

March 31, 2003

Mr. Fabrice Demarigny  
Secretary General  
Committee of European Securities Regulators  
11-13 Avenue de Friedland  
Paris, France 75008

Re: Prospectus Directive and Transparency Obligations Directive

Dear Mr. Demarigny:

Fannie Mae is pleased to have this opportunity to respond to the proposal of the Committee of European Securities Regulators (the "Committee") to establish a new European Union Prospectus Directive and Transparency Obligations Directive (together, the "Directives"). We are writing this comment letter to express some of our concerns about the proposed Directives, which we believe will make it impractical for us to list some of our debt securities in the European capital markets.

Fannie Mae is a stockholder-owned corporation that is chartered under United States law. We issue a variety of callable and non-callable debt securities with a wide range of maturities in the global capital markets in order to help us meet our business objectives. In 2002, European investors purchased approximately US\$7.775 billion of new issue Fannie Mae debt securities that were listed on a European stock exchange, and we hope to remain an active participant in the European capital markets in the future.

We applaud the Committee's efforts to establish universal standards for securities offerings and to improve disclosure to investors; however, we believe the proposed Directives are unduly burdensome on US publicly-traded companies such as Fannie Mae, and will not provide additional information that will be of benefit to investors of debt securities. We are concerned that the increased expense and effort that would result from compliance with the proposed Directives could discourage some of our future funding activities in the EU.

Our primary concerns about the Directives are as follows:

- The Prospectus Directive requires the use of accounting principles that are “determined according to international accounting standards.” We believe that US accounting standards should be deemed to meet these international standards because US accounting standards provide detailed financial disclosure that is accepted around the world. It would be prohibitively expensive for us to calculate our financial statements using US GAAP and then recalculate the same financial statements in accordance with International Accounting Standards. We urge the Committee to clarify that the reference to “international accounting standards” in the Prospectus Directive was intended to include accounting standards such as US GAAP that are widely accepted throughout the international marketplace.
- The audit standards described in the Prospective Directive specify that the financial statements of a company must present a “true and fair” view of that company’s financial condition. In contrast, the standard for audit opinions in the US is that financial statements “present fairly” a company’s financial position. We believe it would be both unnecessary and burdensome for the Prospectus Directive to require US public companies to comply with separate audit standards. We ask the Committee to clarify that US audit standards are deemed to meet the audit standards required by the Prospectus Directive.
- The additional disclosure framework for the sale of securities to institutional investors should not be applicable to US public companies, because disclosures of the type required by the Prospectus Directive are already required by US law and are publicly available. Examples of US public company disclosures that are publicly available include: (i) related party transactions, (ii) directors’ conflicts of interests, (iii) significant shareholders, and (iv) material contracts. Compliance with overlapping US and EU disclosure standards would create additional costs for US issuers without providing additional benefit to European investors. We ask the Committee to give serious consideration to existing US disclosure requirements and the availability of this disclosure to the investing public. We also ask the Committee to permit these disclosures to be incorporated by reference into a prospectus.
- The Transparency Obligations Directive would require listed issuers to file quarterly (or, if wholesale issuers only, semi-annual) disclosure reports. Fannie Mae and other US public companies currently generate annual and quarterly disclosure reports in accordance with US law that are publicly available. We urge the Committee to clarify that these quarterly and annual reports (which are filed with US securities regulators) satisfy the periodic reporting requirements of the Transparency Obligations Directive.
- In order to comply with the proposed wholesale disclosure framework, the required minimum denomination for securities offerings is €50,000. In the

United States, the vast majority of companies, including Fannie Mae, issue debt securities to large institutional investors in minimum denominations of US\$1,000. Offerings in minimum denominations of US\$1,000 significantly enhance the liquidity of our securities. Institutional investors purchasing in the European capital markets may not wish to purchase debt securities with denominations in excess of US\$1,000, because larger denominations may impede the ability of such investors to allocate securities into sub-accounts. We ask that the Committee permit minimum denominations of US\$1,000 for wholesale offerings.

We applaud the Committee's efforts to establish universal standards for securities offerings in the EU and to improve company disclosure. We believe that disclosure by US public companies in many cases satisfies or is comparable to the proposed disclosure requirements in the Directives, and consequently the Committee can achieve these goals without placing unnecessary and expensive burdens on US public companies operating in the European capital markets.

In closing, we would like to thank the Committee for the opportunity of allowing us to comment on the Directives, and we would be very appreciative if the Committee would consider addressing the areas of concern identified within this letter as it continues to revise the Directives. Please contact me or Scott Lesmes at 202 752-7801 if you have any questions concerning any of the matters discussed in this letter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Martin L. Luzzatto".