

March 28, 2003

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

Re: Proposed New EU Prospectus Directive

Dear Mr. Demarigny:

The Federal Home Loan Mortgage Corporation (Freddie Mac) welcomes the opportunity to contribute its comments in response to the Second Call of 7 February 2003 by The Committee of European Securities Regulators (CESR) for Evidence in connection with the Proposed Prospectus Directive.

Freddie Mac is a share-holder owned corporation chartered by the United States Congress in June 1970. Our express statutory purpose, among others, is to increase the liquidity of mortgage investments and to improve the distribution of investment capital available for residential mortgage lending in the United States. We fulfill this purpose by purchasing mortgages and mortgage-related securities from mortgage lenders, other mortgage sellers and securities dealers, and we finance those purchases by issuing guaranteed mortgage securities, debt securities, other liabilities and equity capital. Our international borrowing efforts play a vital role in helping us meet our statutory purposes. For example, since April 1998, Freddie Mac has issued more than 80 series of global securities, and our total global debt issuance for 2002 is greater than USD 80 billion. You will see therefore that Freddie Mac is a very active issuer in the euromarket and attaches great importance to its ability to access funding through that market.

We are writing to express our concern at the proposal for this new EU Prospectus Directive. If the Directive is adopted in its present form, it will have a significant effect on our ability and willingness to seek a listing of our securities in the European Union and, in some cases, on our ability to sell our securities to certain EU institutional investors.

We have seen the responses that the International Primary Market Association (IPMA) has prepared in connection with CESR's calls for evidence, and we are broadly in support of IPMA's comments. In addition, we would particularly ask you to note the following:

- As a non-EU issuer that is neither a private sector corporate nor a sovereign body, we wish to ensure that it will remain possible for an issuer such as ourselves to continue to access the euromarket under the Prospectus Directive regime. Because the rules so far do not contain a category of issuer into which we fit, we are concerned that it will no longer be possible for us to issue in the euromarket.
- We believe that the disclosure requirements are too detailed and inflexible. If, on a particular issue, it is not clear how we might meet the requirements, we would need approval from the European Securities Committee rather than, as at present, from the relevant competent regulatory authority. As the European Securities Committee will not be in permanent session, obtaining such approval in a timely manner will not be possible, adversely impacting our ability to issue securities as and when appropriate.
- We believe that some of the disclosure requirements are inappropriate, if strictly interpreted. For example, the Directive and CESR's detailed proposals require "international accounting standards" accounts and international audit standards. U.S. accounting standards should be deemed to be equivalent since they provide comparable disclosure standards with which the European investor base is already familiar and comfortable. We believe that the scope of "international accounting standards" should be revised to clarify that it covers accounting standards that are prevalent in the international market place, which would include U.S. GAAP accounting standards. We understand that there are efforts underway to synchronize U.S. GAAP and international GAAP standards. For example, the U.S. Financial Accounting Standards Board is considering requiring U.S. companies to record expense related to stock options, which is the standard for many non-U.S. companies (and which Freddie Mac is already doing, in any event). Permitting the marketplace to lead the standardization of GAAP standards applied on a worldwide basis may be the most efficient and effective way to accomplish the objective the Directive seeks to achieve.
- The proposed regime for wholesale securities is much too restrictive. Institutional investors have become familiar with and understand how to interpret U.S. style securities disclosure. We do not believe these investors need to have it translated into the EU equivalent standards. Examples of this include disclosure of related party transactions, directors' conflicts of interest and major shareholdings.
- When we issue debt securities, we wish to retain the flexibility to market them both in the US and the rest of the world, however, U.S. investors prefer not to buy securities having denominations over US \$1,000. In order to come within the wholesale disclosure regime that is contemplated by the Directive, the denomination of Freddie Mac's securities to be sold in the EU will have to be E50,000 (perhaps US \$75,000 when translated and rounded). These larger denominations to be required by the EU Prospectus Disclosure wholesale regime would greatly impede Freddie Mac's flexibility to issue securities in different markets and institutional investors' ability to allocate securities easily to their subaccounts.

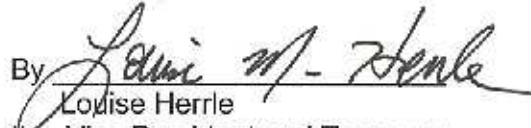


We should be grateful if you would clarify the ambiguities and areas of uncertainty that we have identified. This will reaffirm our confidence in the regulation of the euromarket and help ensure our continued participation in capital raising activities in the EU. We would be pleased to discuss any of our comments in this letter. You may contact Itai Benosh at (571) 382-3588 for that purpose.

Sincerely,

The Federal Home Loan Mortgage Corporation

By

  
Louise Herrle

Its: Vice President and Treasurer