Keith S. Sherin
Senior Vice President, Finance and
Chief Financial Officer

General Electric Company
3135 Easton Turnpike, Fairfield, CT 06431
203 373-3735 Fax: 203 373-3362
Dial Comm: 8*229-3735 Fax: 8*229-3362

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Mr. David Wright
European Commission
DG Internal Market
Directorate G: Financial Markets
Rue de la Loi 200
B-1049 Brussels, Belgium

Dear Sir:

I am writing to express GE's views regarding implementing measures proposed by the Committee of European Securities Regulators (CESR) related to the European Union's Prospectus Directive. We strongly support the key objectives of the Prospectus Directive and the EU's broader goal of building a strong pan-European capital market. However, if the expert advice we are receiving is accurate, we have significant concerns regarding the intent of specific provisions contained in the implementing measures proposed by CESR that would impose considerable and largely unnecessary financial reporting burdens on U.S.-based companies that issue securities in EU markets. Specifically, we have been advised that under the guidance prepared by CESR we may be required, by a competent authority, to provide financial statements prepared in accordance with International Accounting Standards (IAS) accompanied by an audit opinion based on international auditing standards. I would like to take the opportunity to provide our views on this issue and other aspects of proposals that warrant further consideration by CESR and the Commission.

The objective of the Prospectus Directive is to improve the framework for investing and raising capital on a pan-European basis. We agree that a consistent set of regulations would lower the cost of raising capital in the EU, thus benefiting issuers and investors alike. At the core of the Prospectus Directive is the need to provide investors with high quality, transparent financial information on a timely basis. Hence, the desire to require financial statements prepared and audited in accordance with high quality international standards. Financial statements prepared in accordance with US accounting and auditing standards have been used as the basis for securities offerings in international markets for decades and regulators in major capital markets have accepted them as suitable for that purpose. For reasons discussed below we believe that US accounting and auditing standards should continue to meet the definition of acceptable international standards for purposes of the Prospectus Directive and that this should be made clear in the level 2 proposals so that no competent authority can require otherwise.

We believe that both US and IAS standards provide the basis for high quality accounting and financial reporting that meet the needs of investors. While differences between those standards exist, we do not believe that they are of sufficient importance to preclude use of one in favor of the other in securities offerings. We believe that to be the case whether the securities are to be listed on the New York Stock Exchange, the Luxembourg Stock Exchange or the Stock Exchange in London. Moreover, the Financial Accounting Standards Board and the International Accounting Standards Board are actively pursuing joint projects to further reduce differences between their standards. In a similar vein, we believe that the objectives and requirements of U.S. and international auditing standards are sufficiently comparable to obviate imposing a second, and arguably redundant, audit requirement. We therefore strongly endorse reciprocity between the US and the EU on accounting and auditing standards to be used in cross-border securities filings in both jurisdictions and we will be taking appropriate steps to support that initiative in the near future.

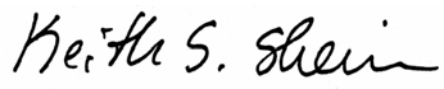
At GE, a core objective is to ensure that we provide the highest quality financial information to our investors. Over the past two years we have increased the amount of information provided in our financial statements by 70% to meet this objective. We strongly believe that our US GAAP financial statements provide the requisite information to meet the objectives of the Prospectus Directive. We would therefore be reluctant to incur the substantial costs as well as time and effort to convert or reconcile those financial statements to IAS. In addition to the costs and delay of such an effort, we are not convinced that the resulting financial statements would better assist investors. In most cases, the differences in accounting between US GAAP and IAS cannot be neatly categorized as one being better or worse than the other. Rather they represent different approaches that would be expected to converge over time as a result of cooperative efforts between the IASB and the FASB. We believe it is important that investors seem to understand financial statements prepared under comprehensive rules such as US GAAP and IAS and we have never been requested by users to convert our financial statements to comply with a different body of accounting standards.

The implementing measures proposed by CESR also raise the question of fairness and the appropriateness of applying them to non-EU issuers in the manner proposed. GE is as large a part of the European economy as many of largest companies that are headquartered in Europe. European capital markets are a key source of funding for our European operations, where we employ nearly 70,000 people and earned more than $24 billion in revenues during 2002. Our manufacturing presence includes facilities that produce power generation equipment, major home appliances, plastics, automated industrial equipment, and medical equipment, in addition to providing a broad range of financial services. It is therefore not surprising that GE, through its wholly owned subsidiary GE Capital, is one of the largest issuers of debt securities in the EU. As of December 31, 2002, we had an aggregate principal amount of approximately $46 billion Medium-Term Notes outstanding and listed on the Luxembourg Stock Exchange. In the first fiscal quarter of 2003 alone, GE Capital has issued $6.7 billion of such notes, which is 43% of the total debt financings that we have done during this time. To introduce a wholesale change that could potentially be effective as of January 1, 2004, would clearly have an adverse effect on our ability to raise funds in EU markets – an adverse effect without any identifiable benefit to either issuers or the investor community.

We believe it would be unfortunate for all parties concerned if the Prospectus Directive (and related regulations) effectively closes significant portions of the EU capital markets to non-EU issuers. Instead of benefiting investors and issuers, as is clearly the objective of the Directive, it would harm them by depriving the investors of the depth and liquidity that is the hallmark of well-functioning capital markets. If the European capital markets contract as a result of these new requirements, investors in the EU will be denied desirable investment opportunities, which will migrate to other jurisdictions that demand quality financial reporting but do not impose artificial barriers to raising capital.

We have provided more detailed comments on the Directive and related proposals in Attachment A to this letter. While we commend and support the objectives of the Directive, we urge CESR and the Commission to carefully consider the potential consequences of the implementing measures proposed on both issuers and the EU capital markets. We welcome an opportunity to meet with you in order to further explain the concerns that we have expressed.

Sincerely,



cc: Mr. Fabrice Demarigny
Secretary General, CESR

Attachment A

Our comments on specific aspects of the implementing measures related to the Prospectus Directive as presently proposed by CESR follow:

- The Directive and CESR's detailed proposals contained in, for example, Annex I appear to require that the accounts of non-EU issuers, such as GE Capital, comply with "international accounting and auditing standards." However, there is substantial ambiguity as to whether "international accounting and auditing standards" refers solely to International Accounting Standards issued by the IASB and international auditing standards issued under the auspices of IFAC, or other standards that are generally accepted in international capital markets, such as US accounting and auditing standards. We have been advised that when referring to international accounting standards CESR intended to refer to the former, even though US accounting and auditing standards are commonly accepted in securities filings in many international capital markets. As discussed further in the cover letter, it would be quite expensive and difficult for US companies and their subsidiaries, to adopt dual accounting and auditing procedures. In this vein, we would recommend that the implementing measures clarify that registrants are permitted to provide financials prepared in accordance with either International Accounting Standards GAAP or US GAAP without reconciliation, and audited in accordance with the relevant auditing standards.
- In order to have freedom to choose where our debt securities are listed in the EU, we will have to ensure that they are denominated in the US dollar equivalent of €5,000. As currently drafted, the currency-based thresholds are arguably applicable for the life of the issue in question, not just at the time of issuance. We believe that it should be made clear that compliance with any currency-based thresholds should only be measured at time of issuance. Otherwise, we would be compelled to select a far higher threshold (such as €50,000) to be comfortable that we would remain in compliance over the life of a proposed issuance. Even so, it becomes effectively impossible to issue long-dated securities in the EU market, as issuers will not be willing to take the risk that over a 30-year life, for instance, inflation will not overtake even the most conservative upward adjustment. Ideally, as in the US, we believe the Directive should be changed to enable wholesale offerings with denominations of US$1,000. This may be particularly relevant if we (and other issuers) were to contemplate "global offerings" in the US and the EU.
- Under the current proposals, there is a requirement that each of our funding companies listed in the base prospectus for a program provide separate financial statements as subsidiary issuers. We refer to the rules of the United States Securities and Exchange Commission that, in effect, exempt wholly owned and guaranteed subsidiary issuers from having to prepare separate financial statements. We firmly believe that investors would gain nothing from the separate financials since investors rely wholly upon the credit quality and worthiness of the guarantor. It also needs to be clear that only one competent authority needs to approve any such base prospectus.

- As currently drafted the Directive would be retroactively applied to all of our Notes outstanding under the Programme. The consequence would be that we would have to incur significant costs over a tightly compressed timeframe in order to be in compliance with the requirements of the Directive. Traditionally we have noted that new legislation is generally not retroactively applied to existing transactions because of the deleterious effects that such ex post facto legislation can have. Therefore, we would recommend that CESR include a provision that excludes issuers of securities currently outstanding from having to file revised prospectuses and periodic filings, if applicable, on this new basis.

We also wish to provide our views with respect to two other directives currently in the early stages of exposure for public comment. The Transparency Obligations Directive ("TOD") suggests that EU listed issuers file quarterly (or, if wholesale issuers only, semi-annual) reports, including a brief summary of significant events that have occurred in the issuer's business during the report period. The Market Abuse Directive ("MAD"), also currently undergoing due process, requires disclosure of all "significant events" at any time regardless of whether the issuer is offering securities at the time.

Under the Securities Exchange Act of 1934, GE Capital is subject to a mandatory quarterly reporting requirement (via Form 10-Ks and Form 10-Qs) and material event disclosure requirement (via Form 8-Ks), but on a different basis than that proposed in the aforementioned proposed requirements. To rework our current US reports in accordance with the disclosure requirements proposed in the TOD and MAD will require significant effort, at considerable cost with little, if any, incremental benefit for investors. We therefore would propose that issuers that are already subject to local requirements that share the same objectives as those proposed by the EC, such is the case in the U.S., be permitted to file those documents in lieu of providing what the TOD and MAD would require. We also note that the SEC has a requirement for disclosure of "significant events". However, the SEC standard permits no comment if the issuer does not have a duty to disclose. Similar to the previous point, we believe that the EC should consider permitting non-EU issuers to file documents prepared in accordance with local requirements if they are similar in nature and purpose.