



Mr. Fabrice Demarigny
Secretary General
The Committee of European Securities Regulators

Paris

Budapest, 5 February 2003

Re: CESR's Consultative Paper on "Advice on possible Level 2 Implementing Measures for the Proposed Prospectus Directive"

Dear Mr. Demarigny,

First of all, I would like to thank you for the opportunity to be informed about the current situation of the European securities legislation, as regards the possible implementing measures for the prospectus directive.

For us at the Hungarian Financial Supervisory Authority, it is the first time to have the chance to comment on a proposal prepared by CESR. In order to begin with the task of reviewing proposals of EU legal instruments, we decided to enhance market participants' awareness and communicate all material received from CESR to them. Concerning the present Advice, the HFSA has consulted the Budapest Stock Exchange and some of the relevant listed companies in order to discuss the elements of the consultation paper. Following the detailed analysis of the Advice, it has been agreed that most of the issues dealt by the consultative document, constitute a part of existing Hungarian laws and regulation.

We are aware of the act, that the original consultation period ended on 31 December 2002 and the deadline to give comments to the Addendum of the Advice will end on 6 February 2003. Additionally, almost all of the proposals included in the Advice can be accepted, as the Hungarian laws and regulations are in line with them. However, please let us inform you about some of our concerns and remarks, relating to specific parts of the consultation paper, namely 1) the content of prospectuses with 2) special regard to risk factors, and 3) the scope of financial plans and accounting.

1. As prospectuses constitute a comprehensive summary of data concerning the issue and the issuer company itself, the HFSA generally supports the idea of extending the scope of information to be given to investors. Detailed information on companies' existing and future investments has a great importance, which should be accessed by all interested parties.

With respect to the differing requirements for companies involved in different business activities, the HFSA suggests to increase the list of activities gaining specific regulation. In our opinion, issuers involved in information technology operations or issuers carrying out financial services may deserve specific rules. Some companies have various agencies and accordingly divert obligations; therefore the HFSA is of the opinion that it is necessary to include specific data in the prospectus on these matters.

2. The list of different risk factors cannot be exhaustive, for this reason it may not be regulated in a directive or an implementing measure. The disclosed documents - related to the issue - should give a general indication about the risk-level, but specific information regarding the different risk factors might be unnecessary.
3. The HFSA considers it necessary to indicate any kind of departure from the applicable accounting rules. The HFSA is of the opinion that it would be preferable to disclose as much information about the financial state of the issuer company as possible, which should not be restricted to comparable information only. On the other hand, disclosure of information should not overload investors with irrelevant data. Financial reports and economic statements need to be verified by an independent chartered auditor. According to Hungarian law this is a condition for a licence, while the issuer company also has to prepare and publish financial plans for three years. The HFSA considers this necessary for the transparent operation of the capital market and informing investors.

I hope that the above comments will be for your assistance.

Yours sincerely,

Károly Szász
President