

[LETTERHEAD OF VILLE DE MONTRÉAL]

BY E-MAIL

October 30, 2003

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

Dear Sir,

**Re: CESR's Advice on Level 2 Implementing Measures for the
Prospectus Directive-Consultation Paper**

We are writing in response to the Committee of European Securities Regulators ("CESR") Consultation Paper dated July 2003 (Ref.: CESR/03-210b) relating to CSER's Advice on level 2 Implementing Measures for the Prospectus Directive ("CP").

As a Local Authority having offered several of its debt issues in Europe, we wish to provide you with our responses and comments to the questions you have raised in the CP in respect of those paragraphs that are intended to apply to local authorities being paragraphs 23-42.

We have assumed that we are correct in concluding that the other paragraphs of the paper do not apply to local authorities and therefore have not addressed them.

In particular, it is our understanding that there will not be a requirement for a local authority to prepare or file financial statements in accordance with internationally accepted accounting standards. If any of our assumptions or understandings are incorrect, please advise us.

**Question 30°: Do you agree with the approach described in
paragraphs 23-29? If not, please give your reasons?**

A local authority although a public body should not be akin to a corporation in its structure.

A local authority is not a business enterprise. It does not rely on its ability to produce revenues from the capital it has invested in its business. Investors purchasing debt securities issued by a local authority are concerned generally about the economic and political stability of the state in question and possibly the strength of its currency. Generally, investors will want to know if the securities they purchase will give rise to a claim against the general fund of that local authority and thus carry the full faith and credit of the local authority or if the securities represent a claim against a sub-division of the state or local authority alone.

Question 32: Do you agree with this list as more fully described in Annex D?

We believe that certain items in Annex D are somewhat confusing and appear to have been compiled by taking headings out of existing sovereign offering circular disclosures. Further clarification will be required. It should be recognised that certain items are only relevant to the national government of a country (e.g. foreign trade, balance of payment figures) and not to its regional or local authorities.

1. Persons responsible

It is not practical for the numerous individuals who compile the information regarding the City that is included in a prospectus filed by it to take personal responsibility for that information.

2. Risk factors

We respectfully submit that the other disclosure requirements of the Prospectus will give to the investor all the pertinent informations that will enable him to evaluate the risk factors, if any; it is the objective of the others disclosure requirements. Could you be more clear as to the types of risk factors you are referring to?

4. Public Finance and trade

(a) The tax and budgetary systems

This item needs clarification. The CP seems to suggest that this item is essentially selected financial information from the City's audited accounts and budget. However, this item appears to require a narrative as it refers to "systems". Moreover, it is hard to see why it is necessary to describe other than the tax system or budgetary system

currently applicable as opposed to those “for the two fiscal years prior to the date of the registration document”.

- (b) Public debt including a summary of the debt and debt payment record

Is there a requirement to describe each outstanding debt issue or just aggregate debt?

- (c) Foreign trade and balance of payments figures

Ville de Montréal is not involved in foreign trade as such; this requirement may not be relevant for other than the state i.e. Canada itself.

- (e) Financial position and resources

Are you referring to the annual Financial Reports of Ville de Montréal? What is this item meant to elicit exactly? Surplus and deficit? What are resources?

As noted in the fourth paragraph of this letter above, it should be made clear somewhere in this annex D that the financial information is not required to be extracted from statements prepared in accordance with IAS/ISA. This item would appear to be an appropriate place to insert such a clarification.

- 5. Significant change

We suggest that this requirement for updated disclosure in a prospectus should cover only changes not previously disclosed in filings made under, for example, the Transparency Obligations Directive (TOD) and the Market Abuse Directive (MAD).

- 7. Statement by experts and Declarations of any interest

It is not clear to whom you are referring as an expert. The obvious experts are the auditor and law firms that provide opinions as to matters, such as taxation. If those are the experts in question, in principle, we do not object to such a requirement. However, if it is intended that every economic report or survey we may refer to in our information document must be expertised, we believe that such a requirement could not be complied with. Some clarification is required.

- 8. Documents on display

We suggest that in addition to our annual report, the core documents that create or govern a particular issue of debt securities be required to be on display; i.e. the constitutional documents of the issuer in effect at the time of the issue, the form of debt security, any trust indenture or fiscal agency agreement governing the rights of holders of those debt securities and any underwriting, subscription or similar agreement relating to the initial sale and distribution of those debt securities. The ongoing disclosure of information regarding an issuer or the State, on behalf of which an issue is made, should be governed by the TOD and the MAD. We believe strongly that the PD needs to be implemented so as to establish disclosure at the time of an issue of the securities to which it relates and that a particular prospectus should only be required to be supplemented during the period that the distribution of the specific securities to which it relates is being completed, or in the case of a programme for debt issuances, during the period between the date of filing the prospectus and the date on which it is required to be updated. Once a distribution has been completed, such prospectus is no longer relevant as investors will then rely on the information required to be filed annually or pursuant to the TOD or the MAD. Otherwise, the three directives will overlap and create confusion for both issuers and investors.

Question 33: Is there any other information which you consider relevant for States and their regional or local authorities and should be included in the Annex?

No.

Question 35: Do you consider that it is appropriate to have such a disclosure requirement? If so, do you believe that the selected indicators are those relevant to make an investment decision? Please give your reason

No, we are of the opinion that the items enumerated in section 4 of Annex D are more than sufficient to give an investor the appropriate economic indicators as to the soundness of his investment.

Question 40: Do you deem that Investments and development plans should be included in the Annex for Member States and regional and local authorities? If so, please give your reasons.

We can envisage circumstances where the disclosure of “major” and “exceptional” investments and development plans of a local authority, e.g.

a municipality, could be appropriate given the expenditures involved and the size of its revenue or taxation base. However, we believe that a requirement for such disclosure by the City should be left either to the general disclosure obligation in Article 5 of the Prospectus Directive (PD) or to the specific Risk Factor disclosure item of Annex D.

Contrary to a corporation, or even to a state, a local authority is rarely involved in investments and developments plans. Its major expenditures relate to capital expenditures financed by borrowing by-laws approved by the State, which equally approve its loans. The relevance of these expenses being already very much controlled by the State, we do not see the necessity for a local authority to disclose them.

Please indicate to what type of investments and developments plans you are referring to.

Question 42: Do you consider that potential conflicts of interest should be disclosed? If so, do you consider that the warding used will be sufficient to capture such conflicts?

It is not clear to whom you are referring to as an expert in this context. In any event we have difficulty identifying circumstances that would give rise to a conflict of interest for any expert used by the City.

We are also continuing to review the TOD and related consultation paper and the MAD and related consultation papers. We are concerned that at present it is not clear how these directives inter-relate. We urge you to implement them together in a manner that is seamless and will facilitate your overall objectives as stated above.

Yours truly,

Jacques Marleau
 Directeur
 Financement Trésorerie & Gestion des caisses de retraite

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