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November 20 , 2003

Re: Organismo Italiano di Contabilità (OIC): Answers to the "Draft Recommendation for additional guidance regarding the transition to IFRS".

Dear Mr. Demarigny,

I am pleased to inform you that the Executive Committee of the OIC ("Comitato Esecutivo") has issued its answers to the "Draft Recommendation for additional guidance regarding the transition to IFRS", enclosed herewith.

Yours Sincerely

Prof. Angelo Provasoli
(OIC Chairman)

Attachments

Comments on the CESR document "Draft Recommendation for additional guidance regarding the transition to IFRS"

Q.1 The answer is yes as the measures envisaged come within the Regulators' remit of monitoring the evolution of financial markets.

Q.2
Q.3

The listed companies are encouraged to provide information about the transition to IFRS. The term encourage relates to a concept of "moral suasion", which is considered rather weak.

The recommendation could have a different "strength" regarding the years 2003 and 2004; for example, it could be an "invitation" concerning the figures for 2003 and become compulsory for 2004.

Q.4 (A) We agree with the information required for the financial statements for the year 2003 concerning the "development stage" of the transition to IAS/IFRS where it concerns procedural and organisational aspects that have been addressed in order to meet the scheduled deadlines.

Indeed, we would suggest that such disclosure be made <u>obligatory</u> as it concerns an important operational matter.

We disagree with idea, expressed in § 9 of the document, to indicate (even in narrative form only) the major differences identified as at the date of drawing up the financial statements for 2003 for the following reasons:

(i) We do not believe that partial quantitative information would be useful; on the contrary, it could be misleading owing to it being incomplete (perhaps with only the differences with "positive" effects being identified and not those with "negative" effects or vice versa....).

(ii) "Non-quantified" information on greater/lower values of assets/liabilities resulting from the application of IAS/IFRS could give rise to more confusion than useful information. Therefore, it would seem more appropriate that the information on the differences be provided only when it is complete and quantified with a reasonable degree of accuracy.

(B) Whether the information refers only to organisational and procedural aspects or whether it indicates quantified differences, it should be included in the annual report as in the former case it concerns organisational aspects and in the latter case it relates to a "first estimate" of quantitative information, and it should not be included in the notes to the financial statements.

(C) Furthermore, it is clear that the inclusion of such quantitative data in the notes to the financial statements would require that they be audited, thereby incurring additional costs for the companies.
Moreover, it should not be forgotten that the auditor has the task of checking the reconciliation (consistency) of the annual report with the accounts (the Directive amending the Fourth and Seventh Directives requires an explicit opinion on such a

reconciliation) and, therefore, the user may have the expectation that some checks have been made.

Perhaps there should be clarification of the auditor's degree of responsibility concerning the quantitative information given in the annual report.

Q.5 We agree as far as this relates to sufficiently accurate quantitative information. For other cases, we refer back to the comments Q.4 (B) and (C), to the extent that they are applicable.

From Q.7 on. We agree.