THE COMMITTEE OF EUROPEAN SECURITIES REGULATORS

Ref. CESR/03-129

ADDITIONAL DRAFT

CESR Prospectus Consultation

FEEDBACK STATEMENT

[MAY 2003]

On Monday 31st March 2003, the European Commission, considering that the European Parliament has not started the second reading on the prospectus proposal, has invited CESR to provide its technical advice on issues initially required for 31st March by July 31st 2003. CESR welcomes this extension and has decided to hold an additional open hearing that will take place at CESR's premises, 11/13, Avenue de Friedland in Paris on 27th May 2003 (agenda Ref. CESR/03-111). The present Additional Draft Feedback Statement (Ref. CESR/03-129) as well as the Additional Draft Consultation Technical Advice on level 2 implementing measures of the Prospectus Directive (Ref. CESR/03-128) will be presented by the experts group for approval by CESR at the next meeting in Rome at the end of June, subject to a last check dialogue with market participants. Written comments, in addition to those carried to the open hearing, should be sent to the secretariat by 16th June 2003.

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INTRODUCTION

1. On April 25, 2003, CESR has published a draft Technical Advice (CESR/03-066b) and its annexes and a draft Feedback Statement (CESR/03-067b) dealing with several issues that will form the basis of the advice that CESR has to deliver to the European Commission by 31 July 2003, according to the provisional mandate to CESR. The present Additional Draft Feedback Statement refers to the other issues not included in the above mentioned documents and that would be also part of the advice CESR will submit to the European Commission by 31 July 2003.

2. This feedback statement discusses the main points which were made by respondents to the consultation process and explains the policy options which CESR has selected, following careful consideration of the points raised.

3. For a full description of the process which CESR has followed in arriving at the present draft, please see paragraphs 1 to 23 of document CESR/03-067b.

4. Paragraph references in this feedback statement refer to CESR's documents "Consultation Paper -CP-" ((Ref. CESR/02.185b) published on October 2002, and the "Addendum to the Consultation Paper -ACP-" (Ref. CESR/02-286) published on December 2002.

PART ONE – WHOLESALE DEBT RD BUILIDING

Introduction (Paragraphs 9 – 11 ACP)

1. Generally, the respondents re-iterated the views they had expressed for the consultation on retail debt. In particular, they emphasised that the disclosure regime for debt should be less onerous than for equity and even more so for wholesale debt where the investors are more sophisticated and therefore do not require detailed information.

2. This is in accordance with the view expressed by CESR in the consultation paper that there should be a differentiated approach to the disclosure requirements for wholesale debt.

3. Consequently, CESR has modified the wholesale debt annex so that disclosure obligations which add to the costs of issuance of securities without providing any real investor protection benefits are removed from the annex in response to the consultation bearing in mind the nature of the investors at which these securities are aimed.

4. Some respondents also consider that there should be further consultation so that the resultant revised text from this consultation can be available for comment before they are adopted.

5. The timetable table set by the Commission does not allow a full second consultation but this draft technical advice and feedback statement has been made available prior to the open hearing to enable interested parties to express their views.

Investments (Paragraphs 12 – 16 ACP)

6. Most of the respondents consider that there should be no specific disclosure in relation to principal future investments but there could be a general disclosure if it is thought to be necessary to provide this disclosure. They consider that such information does not under normal circumstances enable investors to assess the issuer's solvency risks but some respondents consider that this information will assist investors in determining the issuer's ability to fulfil its obligations under the issue.

7. CESR has decided to require the disclosure of information on principal investments made since the date of the last published financial statements and future investments on which management has made a firm commitment on the basis that this is more recent information which will not necessarily be captured by any other information published by the issuer.

Liquidity and Capital Resources (Paragraphs 17 –18 ACP)

8. There was effectively a split view and those respondents in favour of disclosure of the company's capital expenditure consider that it is useful in assessing the quality and solvency of the issuer and that it may affect the issuer's ability to repay interest and capital under the issue. On the other hand, those against consider that it is not relevant and not of value to investors and that again, a general disclosure will suffice for wholesale investors.

9. It was decided by CESR that this disclosure while appropriate for equity, was neither relevant for retail nor for wholesale debt securities. Moreover, the need to inform investors of capital investments by the issuer is suitably met by the disclosure requirements under the *Investments* heading.

Trend Information (Paragraphs 19-23 ACP)

10. With regard to the issue of whether profit forecasts should be reported upon by the issuer's accountants, most of the respondents consider that profit forecasts by their nature are highly speculative and therefore misleading and not necessary since they do not provide a conclusive financial position of the issuer. It is therefore thought that there should not be a requirement to report on them as the basis of preparation or assumptions should suffice for wholesale investors.

11. Further, it is considered that auditors usually require counter-assurances from the issuers for such reports and as such the added value is limited and moreover such reports only add to the cost of issuance. Some of the respondents who consider that profit forecasts should be reported upon also stated that profit forecasts should not be made mandatory in any event but where voluntarily produced, they should be reported upon. A number of those who are in favour of reporting on profit forecasts also stated that there should be an agreed framework detailing the method of preparation and presentation of forecasts and that profit forecasts should be defined for debt issues so that they only cover forecasts prepared solely for the issue.

12. After considering the consultation responses, CESR has modified the disclosure requirement in respect of reporting on profit forecasts. For the avoidance of any doubt, CESR has made clear the fact that profit forecasts are not mandatory and has also defined profit forecast.

13. Many of the respondents do not consider that it is necessary to have a disclosure requirement relating to the issuer's prospects broadly for similar reasons as for profit forecasts. In particular, prospects are said to be irrelevant and of limited value for investors

in wholesale debt securities since they are in practice usually of little meaningful substance. It is thought that a material change statement will be more relevant. Those respondents who consider that it should be included argue that it is useful in assessing the issuer's financial position and that it should be limited to 12 months from the date of issue of the securities.

14. This disclosure requirement has not been altered by CESR except that the word 'trend' has been expanded to indicate what other events fall under the general banner of 'trends'. CESR has considered that a material adverse change clause and a general information requirement on the issuer's trend is important to provide information to investors as to what to expect of the company's performance in the future.

Board Practices (Paragraphs 24- 25 ACP)

15. Most of the respondents consider that it is unnecessary for issuers of wholesale debt securities to disclose compliance with any corporate governance regime as this does not necessarily guarantee solvency nor does it serve as an indication of inability to fulfil its obligations. Those in favour of disclosure of board practices consider that it is very valuable in determining the level of transparency and protection of minority shareholders and also that such disclosure should not be as extensive as for equity.

16. CESR has deleted this requirement for wholesale investors on the basis that such investors are able to determine how the company's affairs are being conducted from their own due diligence enquiries.

Major Shareholders (Paragraphs 26- 28 ACP)

17. The view on the issue of disclosure of majority shareholders was split. Those respondents in favour of this disclosure state that it is necessary for the protection of the minority shareholders and for the company as a whole. Further, they state that investors are entitled to know who controls an issuer and as such this should be a requirement which should cross all issuers regardless of the type of securities being issued.

18. Those against disclosure state that it is irrelevant and of limited value. Some go further to argue that it will be particularly difficult for non-EU issuers to comply with this requirement especially as they are not subject to such requirements under local law. It has also been suggested that as a compromise, issuers may be required to provide details of majority shareholders where publication is already required by the national law.

19. As to whether both paragraphs under this requirement should be retained or deleted, again, the view was split here following on from the previous response. The response is a bipolar one such that by and large those who favour disclosure wanted both disclosure requirements to be retained and those who are against disclosure wanted them both to be deleted.

20. In response to the consultation responses, both disclosure requirements have been retained but with reduced detail and couched in very general terms.

Related party transactions (Paragraphs 28 – 29 ACP)

21. A great number of the respondents consider that it would be too burdensome and expensive for issuers to provide related party disclosure and that under normal circumstances, such transactions do not contribute to the assessment of risks for wholesale debt securities. Moreover, it is thought that IFRS is sufficient to provide investors with this disclosure. The remainder of the respondents provided a qualified answer, for instance stating that the disclosure should only be required where it is relevant to form a reasonable opinion about the issuer or where the offer is not aimed to institutional or professional investors.

22. The disclosure requirement on related party transactions has been deleted on the basis that they are, on the whole, irrelevant for investors in debt securities and also partly because such transactions would have been disclosed in the annual financial statements.

Interim financial statements (Paragraphs 31 – 33 ACP)

23. Most of the respondents support the view that interim financial statements should not be mandatory for issuers of wholesale debt securities. Others also state that this should be dealt with by the proposed Transparency Directive (TD). However, those dissenting argue that more up-to-date financial information should be provided where the financial information provided is more than nine months old and regardless of whether it is wholesale or retail securities.

24. CESR has deleted the requirement to produce interim financial information in line with the adopted draft text of the TD. CESR will review its position on this matter in the light of developments on the TD.

Documents on display (Paragraphs 34 – 35 ACP)

25. Nearly all the respondents considered that documents should not be put on display for broadly the same reasons as for retail debt – i.e. privacy, data protection, contract law and competition reasons.

26. In response to the view of the respondents, the references to material contracts have been deleted.

PART TWO – DEPOSITORY RECEIPTS PROSPECTUS SCHEDULE

Introduction (paragraphs 97 – 101 ACP)

27. The responses to the depository receipts building block consultation were not as many as the responses to the other building block, with only 25 responses. This was not unexpected considering that the market is not as extensive in comparison to the market of some of the other products. However, most of those who responded agreed, on the whole, with CESR's approach in the annex.

28. In addition to the specific questions, a number of the respondents stated they did not understand nor find convincing the rationale for not allowing the production of a tripartite

document for depository receipts. They considered that this approach was contrary to the provisions of the Prospectus Directive.

29. Another issue highlighted by a number of the respondents is the need to distinguish between wholesale and retail depository receipts and the provision of separate requirements for other underlying securities besides equity in particular, debt securities.

Appropriateness of Annex 5 (Paragraph 102 ACP)

30. Many of the respondents, on the whole, agreed with the disclosure obligations as set out in Annex 5. However, some respondents also suggested that it was unnecessary to have a separate building block for depository receipts. Instead, the relevant building block relating to the underlying securities should be used by issuers and additional disclosure requirements should be provided to reflect the fact that the securities being issued are depository receipts. Further, it has been suggested that is essential to modify the annex such that where the issuer of the underlying securities is not involved in the issue, the information on that issuer should only be publicly available information.

31. In view of the unique structure of this product, CESR has decided to stand by its view in respect of the issue of a separate building block for depository receipts. However, on the issue of the need for a tripartite agreement, issuers of depository receipts will have the option of producing a tripartite agreement but the Registration Document will inevitably be limited to the information on the depository.

32. Additionally, with the provisions of article 7 of the draft prospectus directive relating to minimum disclosure in mind, CESR has decided to delete certain provisions in the original text of this annex which were considered to be unnecessary or superfluous. For instance, the provisions relating to Lock-Up agreements have been deleted together with the provisions relating to pre-allotment of the underlying shares. The former because it is considered that these agreements are rarely ever relevant for depository receipts and the latter, because these provisions already exist for the depository receipts.

33. Furthermore, this annex has been re-drafted in some respects to ensure that the disclosure requirements for depository receipts are clear, distinct and easily recognisable from the requirements of the underlying shares.

Additional requirements regarding the Depository (Paragraph 103 ACP)

34. Only a few of the respondents responded to the issue of whether or not there was a need for additional requirements in relation to the depository and most of them considered that it was unnecessary to do so on the basis that such information is not of importance to investors. Some respondents however considered that where there was recourse to the depository by investors, then information relating to the depository's solvency and risk should be provided.

Additional requirements where there is recourse to the Depository (Paragraph 104 ACP)

35. Many of the respondents considered that no additional information was required as this issue will be covered by the general materiality disclosure requirement. The rest of the respondents had varying suggestions including; a description of the duties and rights of the depository and investor under the deposit agreement; basic disclosure about the depository's structure, function and financial condition. A few of the respondents considered that where

there is recourse, the disclosure should be the same as would be required on the underlying issuer.

36. It is worth noting that one of the respondents, a depository for a vast number of depository receipt issues considered that this question was a non-issue in itself because the depository serves an agency role and irrespective of any right of recourse, therefore the information about the depository should be minimal.

37. This was supported by a trade association, representing many issuers, who considered that legal recourse to the depository was unusual and a distinction should be made in respect of legal recourse which is as a result of a breach of fiduciary duty.

38. Where there is legal recourse to the depository over and above a breach of its fiduciary or agency duties, CESR would expect this fact to be noted in the 'risks factors' section in the prospectus and the circumstances of such recourse to be disclosed in full.

PART THREE – BANKS REGISTRATION DOCUMENT BUILDING BLOCK

Introduction (paragraphs 36 – 45 ACP)

39. Overall, most of the respondents are in favour of having a separate set of disclosure requirements for banks, and the three main issues which were addressed in specific questions and considered are whether:

    a) this building block should be extended to cover equity securities as well as non-equity securities;

    b) non –EU banks should benefit from these requirements; and whether

    c) the building block should be applied to all securities issued by banks (including derivatives) or only for certain types of securities, and if so what types?

40. CESR has decided that the banks building block should not be extended to cover equity securities because the rationale for a reduced disclosure regime for banks is the prudential and regulatory supervision providing greater comfort in respect of debt issues. This comfort would not deal with all the interests of investors in equity securities who are more concerned with the value and growth of the issuer. As such banks who issue equity securities will be expected to disclose information based on the core equity building block.

41. A great number of the respondents consider that a bank building block is justified on the basis that banks have specific characteristics which warrant a differentiated approach in some respects. Some respondents also go further to state that it should be clarified that the building block applies to all credit institutions and investment firms and also that it applies to all securities issued by banks and not just debt.

42. Some respondents on the other hand argue that a separate building block is unjustified but what is appropriate instead is to apply the relevant core building block depending on what securities are being issued.The requirements of the applicable building block should then be modified so that some requirements do not apply to credit institutions or additional

requirements imposed as the case may be, because of the prudential and regulatory supervision already exercised over them.

43. Bearing in mind the number and strength of the respondents in favour of having a differentiated approach for banks, CESR has decided to retain a separate building block for banks.

44. Many of the respondents considered that this building block should apply equally to non-EU credit institutions otherwise a large number of banks would be unjustifiably excluded and subject to disclosure requirements which are not relevant for banks. It is said that where non-EU banks are not subject to similar regulatory control as EU banks, this fact should be disclosed to investors.

45. A few of the respondents who stated that the building block should apply to non-EU banks also consider that the 'equivalence' test should be avoided but instead, the building block should apply to all OECD-regulated banks without the need for an 'equivalence' test. The practical difficulties and political sensitivity of applying the 'equivalence test' was a reason cited by one of the respondents as to why this building block should not apply.

46. CESR has taken the view that non-EU banks which are subject to an equivalent standard of prudential and regulatory supervision should benefit from this building block and it is anticipated that OECD-regulated banks will meet this equivalent standard. To do otherwise will result in excluding well regulated non-EU banks that are already issuing large numbers of securities successfully in the EU.

47. Most of the respondents did not state explicitly whether or not they agreed with the rest of the annex apart from the key issues raised in the consultation, however, they indicated that they agreed but with some modifications to the disclosure obligations. For instance, they stated that the requirements relating to *Investments* should be deleted in its entirety and should be covered by general disclosure; disclosure requirements relating to *Board Practices* should be deleted and should be driven by the Commission's other initiatives while *Majority Shareholders* will be immaterial in majority of cases but can be dealt with by general disclosure where material.

48. For disclosure requirements on *Trend information and Profit Forecasts*, the former should be deleted and replaced with a material adverse change clause while the latter should not be made mandatory. *Management and Director's conflict of interests* should be deleted and *Related Party Transactions* should be deleted in their entirety. The same applies to *Documents on Display* since any material contracts should be adequately summarised in the Prospectus. However, it is considered that there should be a requirement to include a brief description of the regulatory environment within which the banks operates.

49. The suggestions made by the respondents have been taken into account in the modifications made by CESR to the disclosure requirements discussed in the paragraphs below. In addition, the provision on profit forecasts has been re-drafted to reflect the fact that profit forecasts are not mandatory and to define profit forecasts.

Investments (Paragraphs 46 – 47 ACP).

50. Some of the respondents considered that a disclosure requirement in respect of a bank's principal future investments is immaterial because the day to day business of these entities involves investments in any event and that further the information will be in the annual report. There was disagreement as to whether disclosure of future investments may contribute to the investors' assessment of the issuer's ability to fulfil its obligations under the securities.

51. Those who argue for this disclosure to be made do so on the basis that it would allow investors to have a full understanding of the Bank's solvency and ability to pay at least the principal. Those who argue against disclosure state that if such future investments may increase the risk of solvency, then it should be disclosed under general disclosure in the 'prospects' or 'outlook' section.

52. The disclosure requirement in respect of investments has been deleted by CESR on the basis that any principal future investments on which the board has made firm commitments which may affect the bank's ability to meet its obligations in respect of the securities being issued will be disclosed under the 'risks factors' or through the other general disclosure requirements.

Profit forecasts and trend information (Paragraphs 48 – 49 ACP)

53. Most of the respondents do not consider that it is necessary for the Bank's solvency ratio to be disclosed on the basis that such information will already be in the Bank's financial statements. In addition, it may be misleading for investors without a full explanation of its significance. Furthermore, it is considered that a brief description of the regulatory environment in which the Bank operates will assist investors in evaluating the Bank's ability to repay interest on debt and capital.

54. CESR has decided not to include the disclosure requirement for the bank's actual solvency ratio for the time being since it is of little or no value as well as potentially misleading for investors. In any event, if the solvency ratio of a bank were so poor so as to present a serious risk to investors, CESR would expect this fact to be disclosed in the risks factors. CESR will however reconsider this position if it becomes a requirement for disclosure by the banking regulators in the EU in the future.

Board Practices (Paragraphs 50 – 51 ACP)

55. Disclosure on corporate governance practices was not considered to be of importance or necessary by most of the respondents on the basis that this should be driven by other initiatives by the Commission and also that Banks are already subject to other regulatory and prudential supervision. Such disclosure is said to be of no interest to investors in debt and derivatives, the type of securities usually issued by banks.

56. On the other hand, some respondents state that this disclosure provides transparency and should be required in light of the recent spotlight on the issue. The role of the board of

directors and its practice is at the core of the protection of investors and such information helps to understand how any influence of the potential conflicts of interest can be avoided or reduced by the issuer's corporate governance regime. As such, it should be required regardless of the type of issuer or nature of the securities being issued. One respondent suggested that if the disclosure were to be required then the information should be incorporated by reference since it is already available in public registers of the banks' supervisors.

57. The disclosure requirement on Board Practices has been deleted on the basis that it of little interest to investors who will normally invest in debt securities issued by banks.

Major Shareholders (Paragraphs 52 – 53 ACP)

58. In response to whether there was a need to have any disclosure on majority shareholders, most of the respondents consider that this was not necessary since on the infrequent occasion that it was material, general disclosure will suffice. It is argued that it will be particularly difficult for non-EU issuers to comply with this disclosure since they are not subject to it under local laws. Further, that limiting the requirement to 'the extent known to the issuer' does not make any difference because there is an assumption that the issuer will make reasonable enquiries which will be costly and time consuming. It is also stated that such disclosure will be redundant since supervision regimes exercised over banks also extend to persons holding major interests in any event.

59. The respondents who considered that the disclosure should be a requirement on the other hand state that it is important to include it because major shareholders can affect the corporate governance of an issuer. Also, it is considered that it is important for investors to be aware of the management and functioning of the company so that the interests of the company is seen to prevail at all times over the interests of a majority of shareholders.

60. In response to the consultation responses, this disclosure requirement has been retained but modified with reduced detail and couched in general terms.

Related party transactions (Paragraphs 54 – 55 ACP)

61. Nearly all the respondents who responded to the question as to whether there should be a disclosure obligation with respect to related party transactions did not consider that it is appropriate on the basis that this is one of the major fields of regulation and supervision for banks. As such, any disclosure that is relevant in the context of the issue should be driven by general disclosure or the 'risks' section. Moreover it is stated that the cost of complying with such disclosure far outweighs the benefit since the information will already be available in the financial statements of the issuer.

62. The respondents who advocate the requirement of this disclosure did not provide any substantive reasons except that it would be useful information and that it is already disclosed in the financial statement.

63. This disclosure requirement has been deleted on the basis that they are, on the whole, irrelevant for investors who will normally invest in securities issued by banks and also partly because such transactions would have been disclosed in the annual financial statements.

Interim financial statements (Paragraphs 56 – 57 ACP)

64. Many of the respondents agree that interim financial statements should be included in the prospectus where already published but should not be required to be prepared solely for the prospectus. It was stated that this issue should be left for the Transparency Directive (TD). Some of the respondents who agreed with the approach however preferred that interim financial statements should be made mandatory. Some respondents consider that where such financial statements are produced they should be incorporated by reference without any need for further review.

65. The few respondents who did not agree with the approach stated that the trend information should suffice for banks for incorporating information about the bank since the last financial statement and that this requirement could be deleted all together due to the lower risks associated with banks.

66. CESR has retained this disclosure requirement on the basis that it is important for recent financial information to be included in the prospectus.

Documents on display (Paragraphs 58 – 59 ACP)

67. Nearly all of the respondents who responded to this question did not have a different view to what they expressed in the consultation paper. In particular, they re-iterated that material contracts should not be put on display and only publicly available contracts should be put on display.

68. CESR's draft advice has been brought in line with previously published advice in relation to other registration document requirements.

PART FOUR – SPECIALIST BUILDING BLOCKS

Introduction (paragraphs 94 – 96 CP)

69. Many of the respondents agree with the building block approach for specialist issuers. However, a number of respondents considered that having specific disclosure requirements for different industries may be too cumbersome and will lead to a lack of flexibility since, for instance a company may operate in more than one field. It has been suggested that there should be a single set of requirements to cover all issuers recognising that some may not be applicable.

70. On the question of which additional specialist building block should be required, most of the respondents suggested banks and insurance companies. A few respondents suggested a separate building block for construction and shipping companies. A building block already exists for credit institutions.

71. The major aspect that was common to many of the specialist building blocks was the need for some experts' or valuation report. CESR considered this further and decided that the main reason for such reports was that the information that could be obtained from the financial statements provided in the prospectus could not be sufficient to explain the valuation being given to the issuer's securities.

72. CESR has therefore decided to retain a requirement for additional information or report to be provided in such circumstances. However, CESR has decided not to include advice in relation to most specific issuers/industries.

Start-up companies (Paragraphs 97 – 102 CP)

73. Most of the respondents suggested changes to this annex. For instance, it is stated that the relationship between the profit forecasts provision in the Core Equity building block and that for Start-up companies is unclear and that there appears to be a duplication between the two. It has also been suggested that new investment companies should be regulated by the investment company building block.

74. Other areas of concern include; The definition of a 'start-up' company should be clarified so that it is defined as a company which has not traded in its current economic form for three years; the requirements for auditors to report on forecasts should be aligned with the core Equity building block so that there is no need for an accountant's report on the reasonableness of assumptions; the liquidity and capital resources provision is ambiguous and could prove onerous for start-up companies. This could be replaced by a requirement to update any changes in liquidity and capital resources that would endanger the business.

75. Furthermore, it has been suggested that the requirement for a business plan should be deleted as it is not currently required and is not international practice. Such plans are said to be effectively forecasts and the European capital market is increasingly adopting the American approach of excluding forecast information and only allowing disclosure of presently known data that might impact future results. It is also stated that it is unreasonable to report on business plans.

76. On the question of whether disclosure of restrictions regarding holdings by directors and senior management etc. should be applied to all companies, all the respondents agree that these disclosures should apply to all companies. Some respondents also consider that there should be a negative statement where there are no restrictions.

77. Based on the responses, CESR has decided that this requirement will now be moved to the Core Equity disclosure requirements so as to apply to all companies but that there will no negative statement requirement.

SMEs (Paragraphs 103 – 107 CP)

78. All but one of the respondents stated that there should be no special provisions for SMEs and that historical information should not be restricted to two years.

79. On the basis of the strength of the responses against having a separate building block for SMEs, CESR has confirmed its decision not to have one.

Property Companies (Paragraphs 108 – 113 CP)

80. Many respondents were concerned that valuation reports would have to be provided for every property operated by the issuer and that 42 days was too short a period to prepare such valuation reports. 60 days was considered to be more appropriate by many of the respondents.

81. These comments will be useful in considering what advice, if any, will be issued by CESR in respect of the content of the reports to be produced in order to satisfy the disclosure obligation explained above.

Mineral Companies (Paragraphs 114 – 117 CP)

82. A great number of the respondents did not consider that expert reports should be required for all mineral companies. Some respondents stated that an expert report should only be required on the Initial Public Offer of the issuers' securities. Those respondents who considered that a report was necessary also stated that the scope of the report needs to be clarified and that the disclosure requirements need to incorporate definitions by the Society of Petroleum Engineers.

83. These comments will be useful in considering what advice, if any, will be issued by CESR in respect of the content of the reports to be produced in order to satisfy the disclosure obligation explained above.

Investment Companies (Paragraphs 118 – 120 CP)

84. Most of the respondents do not agree with the annex as drafted and some do not consider that it is justified to have a separate annex for investment companies.

85. These comments will be useful in considering what advice, if any, will be issued by CESR in respect of the content of the reports to be produced in order to satisfy the disclosure obligation explained above.

Scientific Research Companies (Paragraphs 121 – 123 CP)

86. A number of the respondents expressed concerns about the level of detail of the disclosures, which is said to be excessive. For instance, it is believed that items such as patents would be covered elsewhere in any event and as such, a separate building block is unnecessary. They have also asked for more guidance on the requirements. For instance, it is unclear whether or not these requirements are separate from or in addition to those for 'start-up' companies.

87. Some respondents consider that a discussion of the business plan and strategic objectives is imperative but that disclosure in respect of agreements with organisations of high standing may be onerous for companies that are not seeking admission to trading.

88. These comments will be useful in considering what advice, if any, will be issued by CESR in respect of the content of the reports to be produced in order to satisfy the disclosure obligation explained above.