

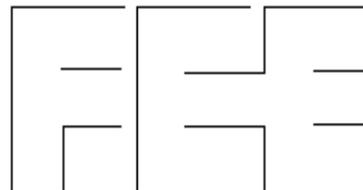
Date
1 June 2005

Le Président

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Mr. Fabrice Demarigny
Secretary General
The Committee of European Securities Regulators
11-13 avenue de Friedland
F-75008 PARIS



Dear Mr. Demarigny,

Re: CESR's Revised Draft Technical Advice on Possible Implementing Measures of the Transparency Directive

1. FEE (Federation of European Accountants, Fédération des Experts Comptables Européens) welcomes the opportunity to provide our views on CESR's Revised Draft Technical Advice on Possible Implementing Measures of the Transparency Directive. Our comments in particular focus on Chapter III "Half-Year Financial Reports" and Chapter IV "Equivalence of Third Countries Information Requirements" (Section 1 – equivalence as regards issuers parts A to F), being our area of expertise. Since the text of these chapters has not changed much we only have a limited number of observations to make.
2. We wish to recall that FEE supports global principles based standards both in the financial reporting area and in the auditing area. We have pronounced our position explicitly in our publication of June 2004 FEE Position "Call for Global Standards: IFRS" and in our position on the proposals for the Eighth Directive of November 2004. Only global standards meet the wider objectives of financial stability, efficiency and transparency and provide the benefits of increasing confidence in financial markets, reducing the cost of capital and facilitating global investments. We appreciate that the revised draft technical advice where possible adopts or is based on International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA).

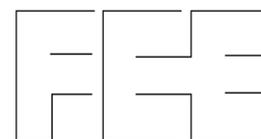
Chapter III "Half-Year Financial Statements"

Section 1: Minimum content of half-yearly financial statements not prepared in accordance with IAS/IFRS

3. We welcome CESR's revised draft technical advice that the minimum content of half-yearly (non-consolidated) financial statements should be defined by reference to the layout and disclosure principles of IAS 34 "Interim financial information", in order to improve transparency and comparability between companies both within Europe and outside Europe. We agree with the principles set out in paragraphs 506 to 508.

Section 2: Major related parties transactions

4. In relation to major related parties transactions we fully share the proposed CESR advice that companies should apply the same definition in the annual and half-yearly reports, as provided in IAS 24, "Related Party Disclosures" and that companies which are not required to prepare consolidated accounts should also use this definition. We support the principles set out in paragraphs 512 to 521.



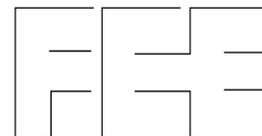
Section 3: Auditors' Review of Half-Yearly Report

5. In this respect we wish to recall our earlier comments set out in our letter of 23 March 2005. We wish to emphasise that the review of half-yearly financial reports enhances the quality of the financial statements and possibly the annual audit since discussion of important issues takes place at an earlier stage. It helps to avoid the risk of restatements after half-yearly financial reports are issued, on the basis of the audit of the annual financial statements.
6. We are strongly of the opinion that separate European or national standards or requirements issued by CESR are neither necessary nor appropriate and would undermine the goal of globalisation of capital markets. CESR Standards No. 1 and 2 on Enforcement clearly recognise that CESR is not an accounting standard setter and should not be involved in standard setting. We firmly believe that the same should apply to audit standard setting. We appreciate CESR's recognition in paragraph 531 that "it has not been (nor can it be) mandated to establish which standards an auditor should comply with for conducting a review of half-yearly reports".
7. As already indicated in our letters of 30 July 2004 and of 23 March 2005 reacting to the call for evidence and the draft advice, we are strongly of the opinion that in the spirit of the proposed Eighth Directive and in view of globalisation of capital markets, the technical requirements of the auditors' review needs to be defined in terms of international auditing standards. The relevant standard is ISRE 2400, "Engagements to Review Financial Statements". ISRE 2400 clearly defines the scope and the nature of a review. In addition, the International Auditing and Assurance Standards Board (IAASB) is working on an international standard on auditing "Review of Interim Financial Information Performed by the Auditor of the Entity" on which an exposure draft was issued in June 2003, expected to be approved as an International Standard on Review Engagements by IAASB in June 2005. CESR should encourage IAASB to give priority to the development of this standard. Although we appreciate CESR's conclusion that it is not up to CESR to determine whether or not ISRE 2400 is adequate for the purpose of investor protection, we are of the opinion that CESR could push stronger for global standards to be applied also in the auditing domain in parallel to the call for IFRS, notably IAS 34 and IAS 24. If the European Commission considers it useful to address this issue in order to establish requirements consistent with the adoption of ISAs proposed in the draft Eighth Directive, it should address the issue at European rather than at national level.
8. We note the conclusion of the survey which CESR has conducted in that "for the most part a limited review is conducted on a voluntary basis, the form of conclusions is a negative assurance and the level of assurance is moderate, which is less than a full scope audit." We also note that a large majority of Member States use ISRE 2400 "Engagements to Review Financial Statements" or an adaptation of it at national level.
9. Regarding the requirement of Article 5.5 and 5.6 (b) of the Transparency Directive, that in future attestation reports will have to be published, we would like to emphasize that mandatory publication throughout the EU of the review report requires consideration of existing liability regime for auditors, suitably reflecting the limitations of a review assignment. A transitional period should be introduced in order to allow the Member States to establish an appropriate liability system.

Chapter IV: Equivalence of Third Countries Information Requirements

Q. 26: Do you agree with these principles?

10. We appreciate the intention of CESR to develop a principles-based or conceptual approach to equivalence, but wish to raise your attention to our remarks on GAAP equivalence that equally apply to non-GAAP equivalence: If there are fundamental differences between specific Third Country accounting requirements and IFRS, there might be no or only minor differences between financial statements based on these different sets of standards, because under the specific circumstances of the economic position and transactions of the reporting enterprise the different requirements do not apply. On the other hand assumed minor differences between the reporting standards might result in material differences in the financial statements prepared under the



specific circumstances. Therefore the equivalence of the financial statements in respect of each individual case may be important.

A general assessment of the equivalence of national GAAP and IFRS may not achieve the objective that the financial statements should lead to similar economic decisions in similar situations. Accordingly, equivalence as a matter of principle is only ensured by an explanation of significant differences between the financial statements based on Third Country GAAP and IFRS financial statements on a company per company basis. Such explanations might be given - as identified by CESR - through additional disclosures, reconciliations or additional financial statements depending on the situation of the particular company concerned. We also intend to react in the coming weeks on the draft technical advice on equivalence.

Q. 27: Are you satisfied with the draft technical advice considering both the need for flexibility and the requirements of the text of the Directive?

We have focused on the parts A to F and support the related principles set out in the revised draft technical advice. We in particular welcome the deletion of paragraph 539 in CESR's Advice (CESR/04 – 512 C).

We would be pleased to discuss in more detail any of the issues raised in this letter.

Yours sincerely,

David Devlin
President