

INTERNATIONAL PRIMARY MARKET ASSOCIATION

PRESS RELEASE

EU TRANSPARENCY DIRECTIVE INTERNATIONAL PRIMARY MARKET ASSOCIATION WARNS ISSUERS OF INTERNATIONAL SECURITIES TO TAKE ADVICE

IPMA, the International Primary Market Association, today warned issuers of international securities that issuers of new debt securities listed in the EU on or after 10th December, 2003, would lose even the very limited temporary exemptions for outstanding securities offered by the version of the Directive agreed by EU Finance Ministers on 26th November, 2003.

Issuers which have any equity or debt with denominations of under euro 50,000 listed in the EU when the Directive becomes effective, probably in 2005, will have to disclose financial information in accordance with international accounting and audit standards. Issuers which use other standards may have no alternative but to restate their accounts or de-list their securities.

The European Commission has the option to recognise third country standards as “equivalent” but has given no indication of whether or when it intends to do so.

The only way to avoid extensive de-listing of securities and losses to investors is for the Directive to include full grandfathering of outstanding securities. The text has yet to be approved by the European Parliament.

IPMA released a notice dated 5th November, 2003 concerning the choice of home Member State under the EU Prospectus Directive. This choice will have an effect on the availability of the temporary exemptions under the Transparency Directive. Issuers are therefore urged to take immediate professional advice and take the greatest care in their first issue of securities on or after 10th December, 2003.

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URGENT NOTICE

LISTING OF NEW DEBT SECURITIES MAY LEAD ISSUERS TO LOSE TEMPORARY EXEMPTIONS FROM EU TRANSPARENCY DIRECTIVE

- **EU Finance Ministers agree Transparency Directive**
- **Directive contains limited temporary exemptions for existing debt securities**
- **An issuer which lists new debt securities on or after 10th December, 2003 will lose all temporary exemptions**
- **Issuer choice of home Member State becomes even more important**

The European Union Transparency Directive was unanimously agreed at the meeting of the European Finance Ministers on 26th November 2003. The text has yet to be approved by the European Parliament. It provides, inter alia, that issuers which list new debt securities on or after 10th December will not have the benefit of its limited temporary exemptions. Issuers are urged to consider their options very carefully and take specialist advice immediately.

The Directive provides for publication of annual, semi-annual and interim financial information by issuers of securities which are admitted to trading on a regulated market in the EU (listed on a stock exchange); specific exemptions apply to certain debt securities with a denomination of E 50,000 or greater. The Directive will be a particular burden on non-EU issuers, as the accounts which must be published are required to be prepared in accordance with IAS and international audit standards, and on special purpose vehicles and structured transactions, which may have no funds to meet new requirements.

IPMA and others have argued strongly that securities outstanding at a fixed future date should be “grandfathered” (outside the Directive). In fact, Article 26 of the Finance Ministers’ draft provides only very limited temporary exemptions, which in any case are lost if the issuer applies for admission to trading of any debt securities after the date of entry into force of the Prospectus Directive (a date on or after 10th December, 2003, at the discretion of the European Commission).

The conditions of the temporary exemptions are as follows: they are optional for each home Member State; the issuer must have only debt admitted to trading on a regulated market; the issuer is only exempt from half-yearly disclosure, not annual or interim disclosure; the exemption is only for seven years, so that longer term securities will be caught by the Directive after that time; and the home Member State must allow issuers the benefit of the provisions of Article 27, Directive 2001/34/EC.

The temporary exemptions are at the option of each home Member State and therefore the choice of home Member State becomes even more important. A note dated 5th November, 2003, explaining some concepts related to the choice of home Member State under the Prospectus Directive, can be found on the IPMA website www.ipma.org.uk.

Issuers are urged to consider carefully before *either* actively choosing their home Member State *or* listing new debt securities after 10th December, 2003, as either action will have potentially serious consequences under both the Prospectus and Transparency Directives.

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