The International Primary Market Association (IPMA) is the organisation which represents the managers and lead managers of debt and equity securities in the international capital market. A list of IPMA members may be found on its website at www.ipma.org.uk
IPMA RESPONSE TO CESR DRAFT EQUIVALENCE
ADVICE DATED 27 APRIL 2005

We welcome the draft advice that CESR has prepared and we support the finding that US GAAP, Canadian GAAP and Japanese GAAP, taken as a whole, are equivalent to IFRS, subject to the application of certain remedies. We particularly support the ‘outcome’ based approach underlying the advice and the consequent conclusion that reconciliation is unwarranted. We do have some high-level comments, and these are set out below:

- We note the difference between the draft CESR advice on equivalence and the items set out on the agenda for discussion on the wider matter of convergence of accounting standards. We hope that other respondents to this draft advice do not confuse the two issues. The CESR advice, as set out in its final Concept Paper, is based on differences that are sufficiently significant to cause an informed retail investor to change their investment decision. This is a completely different philosophical starting point to that driving the convergence agenda.

- Clearly, it is not the intention of CESR to require issuers to produce a reconciliation of their financial statements. However, we believe that since the remedies proposed are non-exhaustive and there is the requirement that issuers should determine together with their accountants whether there are other GAAP differences that are significant for investors’ decisions (the “catch all provision”), the practical effect of the proposals is that issuers will nevertheless undertake a reconciliation. For an issuer to be able to determine whether there is a material difference between its financial statements as if prepared under IFRS as compared to under the relevant GAAP, it will have to undertake a full reconciliation to provide the relevant data. Only when this data is available will the issuer be able to determine whether there is any further material difference between the two standards, and thereafter, whether a particular material difference is significant to investors.

- Although we understand that a cost/benefit analysis did not form part of CESR’s mandate, we draw CESR’s attention to Recital 41 of the Prospects Directive and Recital 36 of the Transparency Directive which state that the Commission shall respect principles including the importance of reducing the cost of, and increasing access to, capital and also the balance of costs and benefits to market participants on a long-term basis, including small and medium-sized businesses and small investors, in any implementing measures (our emphasis added). We are concerned that the requirements for additional disclosures may prove to be very onerous, and noted the comments made by some of the Japanese representatives at the 18 May hearing on this matter.

- In our discussions with members, one point to emerge is a view that there is insufficient clarity between the remedies, particularly Disclosure A and Disclosure B. We suggest that CESR reviews the clarity of the drafting of these remedies, to more clearly set out the regulatory intent behind each disclosure. We also think it makes more sense to place the supplementary statements under Disclosure C.
• We request that CESR makes clear in its advice that its recommendation to the Commission does not reflect that during the interim period prior to implementation of the recommendation, issuers will be expected or required to make disclosures under Article 5 of the Prospectus Directive in accordance the recommendation. The recommendation should not be viewed as setting a disclosure standard.

• We hope that CESR will review the use of the term ‘audit’ in its advice and indicate clearly where this refers to an audit opinion as opposed to some other activity.

Please do not hesitate to contact us if you have any questions.

Samantha Barrass
Head of Regulatory Policy

27 May 2005
IPMA Member Banks
as at 27 May 2005

ABN AMRO, London
Banc of America Securities Limited
Banca Caboto SpA
Banca d'Intermediazione Mobiliare IMI SpA
Banca Nazionale del Lavoro
Banco Bilbao Vizcaya Argentaria
Banco Espirito Santo de Investimento, S.A.
Banque Internationale a Luxembourg S.A./Dexia
Barclays Capital
Bayerische Landesbank Girozentrale
Bear, Stearns International Limited
BNP Paribas
BNP Paribas
BSCH
Caja Madrid
CALYON Corporate & Investment Bank
CIBC World Markets plc
Citigroup Global Markets Limited
Commerzbank Aktiengesellschaft
Credit Suisse First Boston (Europe) Ltd
Daiwa Securities SMBC Europe Limited
Danske Bank
Deutsche Bank AG
Dresdner Bank AG, London
DZ Bank
Fortis Bank
Goldman Sachs International
HSBC Bank
HSBC Bank
HSBC Bank
Hypovereinsbank
ING Belgium SA
ING Belgium SA
IXIS Corporate and Investment Bank
J.P. Morgan Securities Ltd.
Lehman Brothers International (Europe)
Merrill Lynch International
Mitsubishi Securities International plc
Mizuho International plc
IPMA Member Banks
as at 27 May 2005

Morgan Stanley
Nomura International plc
Norddeutsche Landesbank Girozentrale
Nordea
Rabobank
Raiffeisen Zentralbank Oesterreich AG
RBC Capital Markets
Sampo Bank plc
Sanpaolo IMI
Societe Generale
The Korea Development Bank
The Royal Bank of Scotland
UBS Investment Bank
UFJ International plc
UniCredit Banca Mobiliare SpA
UniCredit Banca Mobiliare SpA
WestLB - Global Financial Markets