



EUROPEAN SAVINGS BANKS GROUP
GROUPEMENT EUROPEEN DES CAISSES D'EPARGNE
EUROPÄISCHE SPARKASSENVEREINIGUNG

■

DOC 932/03

Brussels, 30 October 2003
JEA

European Savings Banks Group (ESBG)

Response to the Consultation Paper on CESR's Advice on Level 2 Implementing Measures for the Proposed Prospectus Directive

**Consultation Paper of July 2003
(Ref. CESR/03-210b)**

■



Profile European Savings Banks Group

The European Savings Banks Group (ESBG) represents 25 members from 25 countries (EU countries, Norway, Iceland, Bulgaria, Czech Republic, Hungary, Latvia, Malta, Poland, Romania, Slovak Republic) representing over 1000 individual savings banks with around 66,500 branches and nearly 770,000 employees. At the start of 2002, total assets reached almost EUR 4160 billion, non-bank deposits were standing at over EUR 2012 billion and non-bank loans at just under EUR 2095 billion. Its members are retail banks that generally have a significant share in their national domestic banking markets and enjoy a common customer oriented savings banks tradition, acting in a socially responsible manner. Their market focus includes amongst others individuals, households, SMEs and local authorities.

Founded in 1963, the ESBG has established a reputation as the advocate of savings banks interests and an active promoter of business cooperation in Europe. Since 1994, the ESBG operates together with the World Savings Banks Institute (WSBI, with 109 member banks from 92 countries) under a common structure in Brussels.



1. General Remarks

The ESBG would like first of all to thank CESR for this new consultation on its proposed advice for implementing measures, as well as for organizing an open hearing, which has been the occasion for market participants to raise important issues and for CESR to clarify a number of its proposed advice for implementing measures.

European retail and savings banks have a strong interest in CESR's proposed advice concerning the **historical financial information** to be included in a prospectus for issuers seeking admission to trading on a regulated market. The ESBG would therefore like to take the opportunity of this paper to stress two main issues, which were given particular importance by market participants during CESR's open hearing: first, the issue of the transitional period for the entry into force of the IAS Regulation, which was not addressed in CESR's consultation paper, and which should be given careful consideration. Secondly, special efforts should be undertaken to bring CESR's advice regarding historical information (after the transitional period) in line with the existing EU legislation. The present response to CESR's consultation paper will thus focus on these two issues.

2. Answers to specific questions

56. *What are your views on the costs of providing reconciliation as compared with a full restatement?*

The ESBG is of the opinion that both the costs for providing either a full **restatement** or a **reconciliation** are very high. The ESBG nevertheless believes that the expenditure for a restatement is substantially higher than the costs for providing a reconciliation.



60. *Do you agree with the approach taken in relation to issuers of debt securities? If not, please state your reasons.*

General comment

The ESBG is of the opinion that particular efforts should be made to bring CESR's advice in line with the IAS Regulation; to this end, some changes in the approach are required. The ESBG believes in particular that the current approach would contradict the IAS Regulation for issuers of debt securities.

In its consultation paper, CESR submits 4 options for the presentation of the financial statements for the financial years prior to the admission to trading. In the paper, CESR explains that it would favour *option 2*, which requires companies to present the two most recent years under IAS. CESR confirmed this preference at the open hearing.

IASs nevertheless foresee that in order to provide comparable figures for the first consolidated accounts to be set up under IAS, an issuer has to restate its consolidated accounts for the financial year prior to its first time application of IASs.

The ESBG is of the opinion that offering comparable figures for the previous financial year provides a sufficient basis for comparison, in particular for issuers of debt securities, since investors in debt securities do not need as detailed information as investors in equity securities. This solution also limits the costs incurred by an additional reconciliation or restatement. Additionally, this solution would make the implementing measures for the Prospectus Directive completely in line with the IAS Regulation.

The ESBG would like therefore to express its support for option 4, which does not impose additional requirements over and above those under the IAS regulation. This should be considered as the adequate solution for issuers of debt securities.

Transitional period

In its consultation paper, CESR does not address the issue of the application of the proposed implementing measures for the presentation of the historical information during the



transitional period. Additionally, CESR uses the example of a company which seeks admission to trading on a regulated market in 2010 (section 54). The issue of the appropriate rules to be applied during the transition period was raised during the hearing by many market participants. At that occasion, CESR did not deliver a clear message as to whether it considers that giving advice on the transitional period falls within its mandate or not.

The ESBG believes that should CESR decide to give advice on that issue, careful consideration should be given to several provisions related to the transitional application of the IAS Regulation. In particular, CESR should take account of the fact that the IAS Regulation leaves the Member States the possibility of a transition period until 2007 for companies whose debt securities only are admitted on a regulated market. Additionally, it should be taken into account that for issuers of listed debt securities which decide to prepare their consolidated accounts for the financial year 2005 for the first time according to IAS, the Commission provides for an easier way to present comparable figures covering the financial year 2004.

Nevertheless, the ESBG considers that since CESR did not consult with market participants on that issue, a logical solution for CESR would be **not to deliver advice to the Commission**, since under the Lamfalussy process CESR is required to consult with market participants. The ESBG would therefore recommend that CESR explicitly states in its advice to the Commission that it considers that advising on the transitional period does not fall within its mandate and that as such, the Commission should decide on the appropriate transitional provisions.