Date
16 September 2008

Le Président

Fédération des Experts Comptables Européens AISBL

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Mrs. Diane Hilleard
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Mr. Wilfried Wilms
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Dear Mrs. Hilleard,
Dear Mr. Wilms,

Re: Consultation Paper *"Industry Good Practice Guidelines on Pillar 3 Disclosure Requirements for Securitisation"*

1. FEE (Fédération des Experts Comptables Européens, Federation of European Accountants) appreciates the opportunity to comment on the Consultation Paper *"Industry Good Practice Guidelines on Pillar 3 Disclosure Requirements for Securitisation"* (the "CP"), developed by the various European Banking Organisations comprising industry practitioners and trade associations.

2. We welcome the proposals in the CP providing guidance on the implementation of the securitisation disclosure requirements in the Capital Requirements Directive, in particular at a time where disclosing relevant information is critical for a proper understanding of businesses by all market participants.

3. We agree that transparency is a key element in building and maintaining market confidence.

4. We broadly support the recommendations in the CP. We present our general comments below, followed by additional observations on some of the specific questions raised in the CP.

General

Relevance of information

5. Although we fully support the call for transparency, we wish to stress that meaningful transparency requires that disclosures should be relevant and balanced. To achieve this, materiality, the level of detail, the particular business model and the level of involvement that the businesses have in the securitisation, need to be considered. Depending on their significance in the specific circumstances of the entity concerned, the proposed disclosures may appear at different places: in the Directors' Report, Management Discussions and Analysis (MD & A), or in the notes to the financial statements or elsewhere (such as results announcements).

6. In principle, we would expect that the key information which is necessary to understand the risks exposures (inclusive of disclosure requirements in the applicable accounting standards) is presented in notes to the financial statements. Supplementary detailed information might be disclosed somewhere else, following the judgement of the entity involved.

7. Our main concern is the danger that businesses may end up producing lengthy pieces of information, with no clear indication of the key elements of information disclosed, which are therefore difficult to understand for the market participants. We recommend that the Guidelines emphasise the importance of disclosing relevant and balanced information and of following a principles-based approach, which focuses on preparing key information. It would be helpful if the Guidelines could indicate that boiler plate wording for disclosures are not helpful to the market participants in building and maintaining market confidence.

Role of auditors

8. The disclosures addressed in the CP could appear in different places. We wish to highlight that depending on where the suggested disclosures are made, the extent of the auditor's involvement will differ. Some of the information might appear in the notes included in the financial statements, in which case it falls within the scope of the statutory audit. Other disclosures might appear in the Directors' Report, requiring auditors to review this information for consistency with the financial statements. When disclosures are made in other published documents or on the website, this will usually not be covered by the statutory audit. The extent to which disclosures in the Directors' Report or in other published documents are subject to assurance can also vary depending on the country concerned.

Principles vs. rules approach and Comparability of information

9. We support adopting a principles-based approach but acknowledge that this may not always be a straightforward exercise when developing implementation guidelines, as noted in Section 3.4 of the CP.

10. To ensure comparability, you should find the right balance between the need to prescribing a particular content for the guidelines (as a result of the limitations in the application of a principles based approach) and the significance of considering materiality, to conclude upon the relevance of the information to be disclosed and how practical the requirements are. The disclosures of all entities subjected to those proposed in the CP may not be identical. We appreciate that the Guidelines provide examples rather than enforcing templates of disclosures.

Specific questions

Q2: Do you agree with the format (objectives, guidance and examples) of the Guidelines?

11. We broadly agree with the proposals of the Guidelines. It is consistent with IFRS 7, which does not prescribe a format but requires information to be disclosed in the same way as the business does internally. See also our general comments above.

Q7: Do you agree with the proposed approach to location and medium of disclosures? If not, what alternative would you suggest?

12. In our opinion, financial statements should not include any references to information that is disclosed at other places than the financial statements. The benefits of being able to use the financial statements on a stand-alone basis may be weakened with the requirement to include a reference to the location and medium of the disclosures. Auditors would not accept such presentation as this may create the false expectation that such external referenced information has been audited.

13. If the proposed approach to location and medium of disclosures is kept, we believe that any information presented outside the financial statements (including the notes) based on this recommendation needs to clearly signpost the location and medium of the disclosure and should be accompanied with a clear statement that this external referenced information is unaudited.

Q22: Do you agree with the proposed implementation guidance on valuation and accounting policies? If not, how do you think it could be improved?

14. In principle, we believe that, where the IFRS requirements are followed for all material items, additional disclosures should not be required.

15. However, we understand that disclosing more detailed information could assist users' understanding of the valuations included in the financial statements. While we support the proposed implementation guidance on valuation and accounting policies, judgement has still a significant bearing on valuations. We strongly believe that all relevant valuation accounting policies should be disclosed in the financial statements with sufficient detail to understand the underlying assumptions made.

16. Currently, there are three critical IASB projects; Discussion Paper on Reducing Complexity in Reporting Financial Instruments, Discussion Paper on Financial Instruments with Characteristics of Equity and the discussion of Fair Value. We feel that it would be important for the banking industry to take an active part on these projects and to follow up the developments in these areas. The Guidelines should not preempt the conclusions of these projects and the final Guidelines may need to be updated to be brought in line with the final resulting IFRS and IASB guidance.

Q25: Do you agree with the proposed guidance on the disclosure of impaired and past due exposures securitised and losses. If not, how could this guidance be improved?

17. We believe that "Impaired and past due" should not be seen as a single category. We suggest splitting this into two separate categories "Impaired" and "Past due but not impaired" which would be in accordance with the approach generally required by IFRS 7.

Q26: Do you agree with the proposed implementation guidance for securitization positions broken down by exposure type? If not, how could they be improved?

18. It would be useful having more information regarding the pricing of the products, not just disclosing the amounts impaired. In particular, as time goes on it can become more and more difficult to see the pricing of the products in the financial statements. In this context, we see the disclosure of average prices as relevant and useful. Therefore, we recommend including disclosure requirements of average prices by type of instrument.

Q27: How useful to you is an additional breakdown by geographic region?

19. We doubt the usefulness of the additional breakdown by geographic region if it is not clear how this is determined (i.e. whether the geographical location is determined by reference to the originator, by structure or the underlying assets). Moreover, we are unsure how comparability of this information would be achieved if there is no consistency in the way the breakdown is prepared.

20. However, we think that additional information should be disclosed if the exposure to a particular geographic region is material as it is indicative of the risk concentration.

Q28: Do you agree with the proposed guidance on the breakdown of securitisation positions retained and purchased by a meaningful number of risk weight bands? If not, how could this guidance be improved?

21. Explanations with regard to the disclosed risk bands should be considered in order to clarify which positions in the waterfall structure are broadly represented by the respective risk bands (e.g. senior, mezzanine, junior, equity portions).

We would be pleased to discuss any aspect of this letter that you may wish to raise with us.

Yours sincerely,

Jacques Potdevin
President