

May 27, 2005

Mr. Fabrice Demarigny
Secretary General
The Committee of European Securities Regulators

Consultation Paper Re: Equivalence of Certain Third Country GAAP and on Description of Certain Third Countries Mechanisms of Enforcement of Financial Information

Dear Mr. Demarigny:

Deloitte Touche Tohmatsu (“DTT”) is pleased to comment on the Consultation Paper (the “Paper”) issued by The Committee of European Securities Regulators (“CESR) on Equivalence of Certain Third Country GAAP and on Description of Certain Third Countries Mechanisms of Enforcement of Financial Information. We believe this equivalence project has made a valuable contribution to the shared understanding of both the common ground and the differences between the leading sets of GAAP and we are supportive of the concept of focusing on “real world outcomes of investor behavior” and efficient remedies that are targeted on what really matters to investors. However, we do have reservations about the role and capacity of the auditor in this regard, which we address in our detailed comments below.

General comments

CESR indicates in paragraph 65 that the major differences for each third country GAAP contemplated in the Paper are not only on those differences “commonly found today in practice or known today to be significant as such by the financial and audit community in Europe and in third countries,” but those that also have “value relevance in relation to the investors’ decision-making framework.” There are no objective criteria against which such a “value relevance” can be measured, nor is it appropriate for auditors to engage in assessing what those criteria may be. Accordingly, we are concerned that an unreasonable degree of reliance could be placed on any assurance provided by the auditors in this respect. We believe that CESR should make a clear distinction between the responsibility of auditors to provide assurance on the fair presentation of financial statements and the manner in which such financial information could be used by investors to make investment decisions.

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In paragraph 17, in the table in paragraph 32, and in paragraphs 77, 101 and 106 the reader is led to understand that the identification of “other GAAP differences” beyond those identified by CESR is a shared activity as between management and the auditor. We strongly believe (as is indicated in paragraph 99) that the financial statements are the responsibility of the reporting entity. The auditor’s responsibility is to express an opinion on the reporting entity’s financial statements based on the audit. These very distinct responsibilities must be clearly established in the Paper.

Remedies and audit assurances

Paragraph 104 of the Paper proposes that the remedies should be audited to provide the same level of assurance as for the third country GAAP financial statements. We believe a specific framework and standard or set of standards would be required to enable the auditor to do this – as is the case for the opinion on the third country GAAP financial statements. A full reconciliation of third country GAAP to IFRS would provide such a framework. While we understand CESR’s reasons for not proposing such a reconciliation, an alternative framework would be required in that event.

Consistent with CESR’s desire to follow an “outcome based”/”remedies” approach, a possible alternative framework could take the following form:

1. The table “Summary of GAAP Differences (by IAS/IFRS)” could be formally adopted as the Reference Table for significant GAAP differences for Canada, Japan and the United States.
2. The auditor could then provide assurance to the same level as for the financial statements as a whole on the disclosures required by that Reference Table.
3. For any differences identified by the reporting entity in addition to those included in the Reference Table, the auditor could also provide assurance to the same level as for the financial statements as a whole.
4. With regard to providing assurance on the completeness of any other significant differences which could exist and which have not been identified, we are concerned that this may create more risk than was anticipated by the CESR proposal. On this particular issue we believe further consideration is warranted and we would be pleased to participate in discussions to address our concern.

Clearly a similar Reference Table would need to be developed if the assurance requirements were to be extended to third countries not covered by this project. In the absence of such a Reference Table, a full reconciliation of the third country GAAP to IFRS would be required to provide an appropriate framework against which the auditor’s opinion could be formulated.

An auditing standard would then need to be developed to determine the nature of the audit procedures required to provide the requisite level of assurance on the alternative framework.

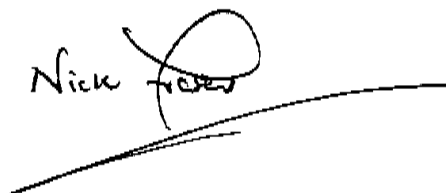
We recommend that CESR engage the International Federation of Accountants (“IFAC”) to appoint the task of developing a standard for auditing and reporting on CESR’s proposed outcome-based approach to GAAP equivalence (considering the specific suggestions above) to the International Auditing and Assurance Standards Board (“IAASB”).

However, before determining that an auditing standard should be developed to address the remedies and related assurances, we suggest that CESR first consider the cost/benefit of doing so while factoring in the component of time. Specifically, as noted in the Paper, the three countries highlighted have commitments to international convergence of accounting standards. Certain accounting standards in these countries are expected to be revised by January 2007, the effective date of the contents of the Paper. And by 2010, even more developments towards global convergence are expected to occur thereby reducing the magnitude of significant differences between IFRS and third country GAAP. Therefore, the suggestion that the IAASB develop an auditing standard for purposes of identifying and reporting on remedies should be considered from a cost/benefit perspective so as to avoid spending time developing an auditing standard for a process which may become obsolete shortly after issuance of the standard.

We recognize the difficulties in developing an approach to deal with differing GAAP issues facing third country companies listed in the European financial markets and welcome the opportunity to engage in dialogue with CESR and others to address the difficulties identified and work towards an approach which will enable reporting entities to provide meaningful financial information, establish a framework for auditors to provide the appropriate assurances on such information, and thus assist investors in their decision-making activities.

If you have any questions or would like to discuss these issues further, please contact P. Nicholas Fraser at (212) 492-4118.

Very truly yours,

A handwritten signature in black ink that reads "Nick Fraser". The signature is written in a cursive style with a large loop for the letter "F". Below the signature is a long, horizontal, slightly wavy line that extends across the width of the signature.

/s/ Deloitte Touche Tohmatsu