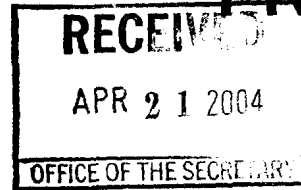


**PRUDENTIAL**

Jonathan G Katz  
Secretary,  
US Securities and Exchange Commission,  
450 Fifth Street, NW  
Washington DC 20549-0609  
United States of America



4

16 April 2004

Your ref  
Our ref

Dear Mr Katz

**Proposed Rule: First-time Application of IFRS: File No. S7-15-04**

Thank you for providing the opportunity to comment on the *Proposed Rule: First Time Application of International Financial Reporting Standards*.

As a foreign registrant we wish to add our support to the broad nature of the proposed changes. However, we would wish to reiterate the concerns expressed in the response of the Institute of Chartered Accountants in England & Wales (see copy attached) and add two further comments.

**Operating and Financial Review**

Our understanding of the proposals is that on adoption of IFRS basis reporting there will be little if any facility to explain results in the context of the prior basis of reporting, in our case UK GAAP. This seems unfortunate for 2005 reporting. We anticipate that in the year of change it will be necessary to explain to our shareholders how the results compare on both UK GAAP and IFRS. Although the required reconciliations of profit and loss account and shareholders' equity are useful they do not, of themselves, provide shareholders and financial commentators with a readily digestible explanation of how business performance has been reflected in the results. We suggest that some flexibility be incorporated into the requirements for operating and financial review in the year of transition to IFRS.

**Application of IAS 32 and IAS 39**

We note the comments of Mr Dudek, the chief of the SEC's office of International Corporate Finance. These comments were reported by the New York Times as being that "any company that followed European standards and filed financial statements with the SEC would have to follow Rules 32 and 39 as adopted by the International Accounting Standards Board, even if the European Commission adopted modified versions. He said that the Commission would allow companies to comply with the rules by choice, but he added that the SEC would require them to do so."

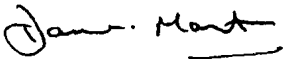
We note that IAS39 is expected to permit the application of IAS39 measurement principles from 1 January 2005 with the ability to continue with previous GAAP for 2004 comparatives. We anticipate that many EU banks, including those with foreign registrations with the SEC, will wish to apply this approach due to the complexities of first-time adoption, particularly in the areas of amortised cost models and hedge accounting. Such considerations may also apply to the investment and derivative accounting of insurers.

In this scenario such institutions would be consistent in their application of IAS 39 but nevertheless the published IAS results would not be on a comparable basis

In these circumstances, it is highly likely that many such companies will, in the interests of appropriate reporting to shareholders and the wider analyst community feel compelled to provide some form of pro-forma results for 2004 to provide a guide as to the underlying trend in comparable basis results.

We would strongly advocate that the SEC, when making final its rules for first time application of IFRS based reporting, take these complications fully into account and permit flexible application of IAS39 basis reporting in both primary statements and the facility to provide pro-forma information.

Yours sincerely

A handwritten signature in black ink, appearing to read "David Martin". The signature is written in a cursive style with a horizontal line underneath the name.

David Martin  
Senior Manager, Group Financial Reporting  
+44 (0)207 548 3640