

## MEMORANDUM

**DATE:** 1 March 2001

**TO:** IPMA Members' Representatives  
IPMA Committee Members  
Lawyers Distribution List

**FROM:** Clifford R Dammers

**RE:** Fungible Bonds and the EU Directive on the Taxation of Savings

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We previously reported to you that the Working Group of Tax Experts had met on 22<sup>nd</sup> February 2001 and agreed to propose to the EU Member States that the cut off date for grandfathering fungible issues of bonds be extended for one year.

On Tuesday two Member States voted against the proposal; as a result as of now new issues of bonds which are intended to be fungible with existing issues will not benefit from an exemption from the Directive as provided for in the proposal.

The Member States are in discussions to try to find a solution for fungible bonds. The draft Directive was discussed yesterday at a meeting of the Working Group of Tax Experts and at a meeting of the Council of Permanent Representatives today.

The fungible bonds issue is expected to be considered by the meeting of Finance Ministers in Brussels on 12 March 2001.

Please note that the 1<sup>st</sup> March 2001 cut off date for grandfathering bonds generally which was decided at the November Ecofin meeting is still effective. The disagreement among the Member States relates only to the proposed one year extension of the cut off date for fungible bonds.

Clearstream Bank and Euroclear Bank today issued guidelines on when they will accept a post 28 February 2001 issue as fungible with a pre 1<sup>st</sup> March 2001 issue and allocate the same ISIN number to the new issue.

The French Association du Forex et des Trésoriers de Banque and the Comité de Normalisation Obligatoire today issued guidelines on the Directive, including a French translation of the IPMA withholding tax clause and disclosure language which we published on 15<sup>th</sup> February. It is available on the AFTB website: [www.aftb.net](http://www.aftb.net).

