

DUE PROCESS IN EU COMPETITION PROCEEDINGS

IVO VAN BAEL



Wolters Kluwer
Law & Business

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Published by:
Kluwer Law International
PO Box 316
2400 AH Alphen aan den Rijn
The Netherlands
Website: www.kluwerlaw.com

Sold and distributed in North, Central and South America by:
Aspen Publishers, Inc.
7201 McKinney Circle
Frederick, MD 21704
United States of America
Email: customer.service@aspenpublishers.com

Sold and distributed in all other countries by:
Turpin Distribution Services Ltd.
Stratton Business Park
Pegasus Drive, Biggleswade
Bedfordshire SG18 8TQ
United Kingdom
Email: kluwerlaw@turpin-distribution.com

Printed on acid-free paper.

ISBN 978-90-411-3272-7

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Printed in Great Britain.

About the Author

Ivo Van Bael obtained his law degree at the University of Louvain in Belgium. He also studied at the University of Bologna Law School and at the University of Michigan Law School where he received the degree of Master in Comparative Law.

Ivo Van Bael started to practice law in New York in the sixties. As a junior associate he was part of a team defending, among others, a client in the electric turbine price fixing case and in the tyres, batteries and accessories (TBA) bundling case. This early experience gave him a head start in Brussels when the European Commission was adopting its first antitrust decisions.

Ivo Van Bael has acted as counsel in a number of landmark cases, such as United Brands, BP, Pioneer, Michelin, IBM, Woodpulp, AKZO, Cartonboard, Benetton (Eco Swiss), Boeing/McDonnell Douglas and Enso/Stora.

He has been teaching for many years at the College of Europe (Bruges) and at the University of Amsterdam Law School. He has lectured for two years at the University of Tokyo Law School.

Ivo van Bael has written several books and numerous articles in the field of competition and trade law.

Ivo Van Bael has been active in both the International Bar Association (IBA) and the American Bar Association (ABA): he has been Chairman of the Antitrust and Trade Law Committee of the IBA and Chairman of the Task Force on the European Community of the ABA.

List of Abbreviations

AAA	Administrative Arrangement on Attendance
CFI	Court of First Instance
DG	Directorates-General
DOJ	Department of Justice
EC	European Community
ECHR	European Convention of Human Rights
ECtHR	European Court of Human Rights
ECJ	European Court of Justice
ECN	European Competition Network
ECSC	European Coal and Steel Community
EEA	European Economic Area
EFTA	European Free Trade Association
ESA	Surveillance Authority
FTC	Federal Trade Commission
HHI	Herfindahl-Hirschman Index
ICN	International Competition Network
NAAT	No Appreciable Affection of Trade
NCA	National Competition Authority
OECD	Organisation for Economic Co-operation and Development
OJ	Official Journal
SAA	Stabilisation and Association Agreement
TEC	Treaty establishing the European Community
TEU	Treaty on European Union
TFEU	Treaty on the Functioning of the European Union
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization
VAT	Value Added Tax

Preface and Acknowledgement

Due process in EU competition proceedings is a hot topic in the ongoing debate on antitrust enforcement in Europe.

The proceedings before the Commission are known to be inquisitorial in that the Commission combines the roles of prosecutor and judge. The Commission proceedings are also reminiscent of Kafka in that the defendant's fate is sealed at an 'ex parte' meeting of the Commission, acting as a collegiate body. Both findings are reported in a Peer Review undertaken by the OECD in 2005. According to this Report:

... some explicit separation between the investigative and decision-making functions may be inevitable, to secure judicial confidence in the quality of the Commission's decisions.

No other jurisdiction in the OECD assigns decision-making responsibility in competition enforcement to a body like the Commission. With [25] members, the Commission is too large to effectively deliberate and decide fact-intensive matters. Realistically, the Commission defers increasingly to the Competition Commissioner, providing some high-level policy control over the Competition Commissioner's initiatives.

... when the Commission decides a matter, it has typically not heard directly the case against the proposed decision. No Commissioner, including even the Competition Commissioner, will have attended the hearing. All depend on briefings from staff, and there is no *ex parte* rule or other control on contacts between investigating staff and the Commissioners who decide the matter. There is no initial adjudicator that is fully independent of the investigative function.

These critical comments of the OECD have fallen on deaf ears. In recent speeches, both Commissioner Almunia and Director-General Italianer firmly oppose the

view that the Commission as an administrative agency is unable to guarantee the same procedural safeguards as a judicial system.¹ Consequently, they are unwilling to consider any major structural change to the current institutional structure and competition enforcement system.

It is submitted, however, that a recent judgment of the European Court of Human Rights calls for an immediate stop of the Commission's exercise of the dual role of prosecutor and judge if it is to meet the Convention's right to a fair trial. This recent judgment² does, indeed, mark the end of earlier jurisprudence according to which an administrative agency, for reasons of efficiency, was allowed to both prosecute and sanction offences, as long as its decision remained subject to an appeal before an impartial tribunal, enjoying unlimited jurisdiction.

Already under this earlier jurisprudential rule of the Court of Human Rights, it was questionable whether the standard of review applied by the European courts in appeal proceedings could be said to truly satisfy the requirements of the Convention. Indeed, except for the fines imposed by the Commission, the review carried out by the European courts is limited to the legality of the Commission decision, excluding a review of the merits. Furthermore, in matters involving an assessment of complex economic or technical facts, the European courts feel constrained not to interfere with the Commission's appraisal. Yet, by their very nature, antitrust cases give rise to complex economic or technical assessments. Hence, it is submitted that the European courts' self-imposed limitation on their power to review such appraisals meant that the Commission's decision was not subject to the kind of judicial scrutiny envisaged by the European Convention on Human Rights.

Rather than tackling the issue of due process head-on, the Commission has chosen to 'buy time' by introducing a number of internal checks and balances purporting to improve the administrative decision-making process, such as:

- Peer Review, in order to better control the work in progress of the case team;
- intervention of an economist to prevent legal theory from being applied in a vacuum;
- increased role of the hearing officer on procedural issues.

Admittedly, these reforms are welcome but, unfortunately, more cosmetic than real. For example, the number of officials working for the Hearing Officer is so small that he or she can hardly do more than scratch the surface.

Now that, as a result of the Lisbon Treaty, the EU will accede to the European Convention, the European courts will have no choice but to apply the jurisprudence of the Court of Human Rights. Hence, time has come for a more radical overhaul of the institutional structure. The prosecutorial function needs to be separated from the adjudicative function. It is essential that the EU enforcement process

1. Almunia, 'Due process and competition enforcement', 14th Annual Competition Conference of the IBA, 17 Sep. 2010. Italianer, 'Safeguarding due process in antitrust proceedings', Fordham Annual Conference, 23 Sep. 2010.

2. Judgment of 11 Sep. 2009, *Dubus v. France*, Case No. 5242/04.

be in compliance with the highest standard of interpretation of the Convention rights.³

In addition to a revision of the dual role of the Commission as prosecutor and judge, it is submitted that it is also necessary to expand the power of review of the European courts in appeal proceedings. Their review should not be limited to a mere review of the legality of the Commission's decision. It should include a review of the merits as well.⁴ Furthermore, it makes little sense to give the European judges an unlimited power to review the sanction imposed by the Commission but not the underlying finding of the infringement. If the judges, when annulling the Commission's decision, have to remand the case back to the Commission so that it can adopt a new decision, a considerable waste of resources and time is involved. In the past it has not been uncommon for some litigation to take more than fifteen years before being finally resolved.

To conclude, the imminent accession of the EU to the European Convention of Human Rights raises important questions about the dual role of the Commission and about the limited power of review of the European courts. These problems of due process are serious and require a fundamental reform of the current procedural set up.

The purpose of this book is to describe the rules of due process as they are being applied today and as they have evolved over the years. Being the author of the chapter on procedure in the Van Bael & Bellis book on EC competition law,⁵ I have witnessed all major developments that occurred during the life of the five editions of the book. It shows that rules of procedure are a living material, requiring continuous attention, adaptation and further refinement.

It is hoped that my new book will contribute to this never ending process and that, by the time of a possible second edition, further progress can be reported.

I would like to end this preface by thanking Yvette Hantson for her much appreciated assistance. Her dedication and support proved to be invaluable for the successful completion of this ambitious project.

3. There is no room for a double standard, depending on whether a human rights issue is decided in Luxembourg or in Strasbourg, as is presently the case, for example, with regard to the right to remain silent.

4. See, e.g., Marsden, 'Checks and Balances: EU Competition Law and the Rule of Law'. (2009) 5(1) *Competition Law International* 24: '...do Europeans and others really understand the limited nature of the CFI's review of the Commission's decisions? The CFI is only looking at the adequacy of the decision. Judgments are reported as if they were full appeals; as if a hearing was held of all the issues, witnesses examined, arguments heard in full, in a public forum. The reality of course is quite different. There may the judges' questions – which are starting to grow in significance – but there is no in-depth questioning of officials, witnesses, complainants, and the majority of the work has been done in unavailable written pleadings which are protected from public scrutiny. More could be opened up, and thereby provide greater oversight. How much more credibility would the process have if reporters could genuinely write "today the Court upheld the Commission's decision", rather than what should be: "today the Court found that the Commission was not manifestly wrong"?'

5. The first edition of this work was published in 1987 by CCH Editions Ltd, the fifth edition by Kluwer Law International BV in 2010. With permission from the copyright holder, relevant parts for this fifth edition have been reproduced in this book.

Table of Contents

About the Author	v
List of Abbreviations	xxiii
Preface and Acknowledgement	xxv
Chapter 1	
Institutions	1
[§1.1.] Impact of the Lisbon Treaty	1
[§1.2.] Summary of institutions	2
[§1.3.] The Commission	3
[A] General	3
[B] Role of the Commission	3
[C] Organization of the Commission	4
[§1.4.] The Council of Ministers	7
[§1.5.] The European Parliament	8
[§1.6.] The Advisory Committees	9
[§1.7.] The Economic and Social Committee	10
[§1.8.] The General Court, Formerly the CFI	10
[§1.9.] The Court of Justice	11
[§1.10.] The European Ombudsman	11
[§1.11.] The Competition Authorities of the Member States	12
[§1.12.] National Courts	13
[§1.13.] Transparency of Information	14

Chapter 2

Substantive Rules: Basic Principles

	17
[§2.1.] Introduction	17
[§2.2.] Article 101: The Prohibition of Agreements and Other Concerted Actions That Are Restrictive of Competition	17
[A] Conditions of Prohibition	17
[B] The Meaning of an ‘Undertaking’	18
[C] Agreement or Concerted Action: Requirement of More Than One Independent Undertaking	18
[1] Unilateral Action Excluded	18
[2] Employee Relationship	18
[3] Agency Relationship	18
[4] Related Companies: The ‘Economic Entity’	18
[5] Companies Related by Succession	19
[D] Forms of Prohibited Conduct	19
[1] Agreement	19
[2] Decisions by Associations of Undertakings	20
[3] Concerted Practices	20
[E] State Compulsion	21
[F] Restriction of Competition	22
[1] Restriction by Object or Effect	22
[2] Appreciable Restriction of Competition	23
[3] Nature of Competition Which May Be Restricted	23
[4] Ancillary Restraints Falling outside the Scope of Article 101(1)	23
[§2.3.] Article 101(2): The Nullity Sanction	23
[§2.4.] Article 101(3): Exemption from the Prohibition	24
[A] The Four Substantive Conditions under Article 101(3)	24
[B] Block Exemptions	25
[§2.5.] Article 102: The Concept of Dominance and Abuse	25
[A] Scope of Article 102	25
[B] Definition of a ‘Dominant Position’	26
[C] Collective Dominance	27
[D] Relevant Criteria for Evaluating Dominance	27
[E] The Concept of ‘Abuse’	28
[F] Exploitative Abuses and Exclusionary Abuses	28
[G] Commission’s Guidance on Abusive Exclusionary Conduct	29
[§2.6.] Market Definition	30
[A] The Importance of Market Definition	30
[B] The Notice on Market Definition	30
[1] Relevant Product Market	31
[2] Relevant Geographic Market	31
[C] Process of Defining the Relevant Market	31
[§2.7.] Effect on Trade between Member States	32
[A] The Concept of ‘Trade’	33

[B]	Establishing an Effect on Trade	33
[1]	Pattern of Trade Test	33
[2]	Structural Test	34
[C]	Effect on Trade Must Be Appreciable	35
[1]	General Principle	35
[2]	The 'NAAT' Rule	35

Chapter 3

International Framework 37

[§3.1.]	Summary	37
[§3.2.]	Extraterritorial Application of EU Competition Law	38
[A]	Introduction	38
[B]	The Economic Entity Doctrine	39
[B]	The Effects Doctrine	39
[1]	The Effects Doctrine as Developed by the EU Authorities	39
[2]	The Application of the Effects Doctrine in the Merger Regulation	41
[D]	The Implementation Doctrine	42
[E]	Considerations of Comity	43
[F]	Conclusion	44
[§3.3.]	European Economic Area	44
[A]	Introduction	44
[B]	Substantive Rules	45
[C]	The Two-Pillar System	46
[D]	'One-Stop Shop' Principle	46
[E]	Jurisdiction Allocation Criteria	47
[1]	Restrictive Agreements, Decisions or Practises	47
[2]	Abuse of a Dominant Position	47
[3]	Merger Control	48
[F]	Cooperation and Exchange of Information	48
[G]	EEA: Judicial Review	49
[§3.4.]	The Widening of the EU	50
[A]	Stabilisation and Association Agreements	50
[B]	Customs Union between Turkey and the EU	51
[§3.5.]	Bilateral Relations	52
[A]	EU-US Cooperation	52
[1]	Introduction	52
[2]	Main Provisions of the EU-US Agreement and Their Application in Practice	55
[a]	Notification	55
[b]	Exchange of Information	56
[c]	Confidentiality	57
[d]	Cooperation Regarding Competition Enforcement Activities	59

Table of Contents

	[3] The Implications of EU–US Cooperation for Multinational Companies	62
	[a] Merger Cases	62
	[b] Anti-competitive Agreements between Companies	65
	[c] Abuses of a Dominant Position	67
	[B] EU/Canada Cooperation	68
	[C] EU/Japan Cooperation	69
	[D] EU/South Korea Cooperation	69
	[E] Bilateral Cooperation with Other Countries	70
[§3.6.]	Multilateral Agreements	70
	[A] International Competition Network	70
	[B] Organisation for Economic Co-operation and Development	71
	[C] United Nations Conference on Trade and Development	72
	[D] World Trade Organization	72
Chapter 4		
Rules of Procedure Generally		75
[§4.1.]	Former Regulation 17	76
	[A] The Notification Process	77
	[B] Outcome of the Notification Process	77
	[1] Provisional Decision	78
	[2] Formal Decision	78
	[a] Negative Clearance	78
	[b] Exemption	78
	[3] Comfort Letter	79
	[4] Infringement Proceeding	80
	[C] Role of Block Exemptions	80
[§4.2.]	Current Regulation on Procedure	80
	[A] Parallel Competence of Commission, NCAs and National Courts	82
	[1] Allocation of Cases	83
	[2] Preponderant Role of Commission	85
	[a] Vis-à-vis NCAs	85
	[b] Vis-à-vis National Courts	86
	[B] Concurrent Application of EU Competition Law and National Competition Law	90
	[C] Report on the Functioning of the Regulation on Procedure	91
[§4.3.]	Impact of Fundamental Rights on Competition Enforcement Procedure	92
	[A] Fundamental Rights and the Law of the European Union	92
	[1] The Introduction of Fundamental Rights into the Primary Law of the European Union	92

[2]	The ECHR	94
[3]	The Charter of Fundamental Rights	96
[4]	The Lisbon Treaty	97
[B]	Fundamental Rights and Competition Law Proceedings	98
[1]	The Applicability of Fundamental Rights in Competition Law Proceedings	98
[a]	The Ambiguous Legal Nature of Competition Law Proceedings	98
[b]	The Limited Application of Fundamental Rights in the Field of Competition Law	100
[2]	Presumption of Innocence and the Right to Remain Silent	101
[3]	Right to Privacy and Protection of Business Premises against Inspections	102
[4]	Legal Privilege and the Protection from Seizure of Certain Documents	102
[5]	Right to Be Heard	103
[6]	Right to Have a Decision within a Reasonable Time	103
[7]	Principle of Legality and Its Corollaries	104
[8]	Principles of Proportionality and Equal Treatment	104
[9]	<i>Non bis in idem</i>	105
[10]	Duty to State Reasons	106
[11]	Right to an Effective Remedy and to a Fair Trial	106
[C]	Challenges Ahead	109

Chapter 5

Enforcement of EU Competition Rules by Commission	113
[§5.1.] Overview	113
[§5.2.] The Investigation Phase	114
[A] Complaints	116
[1] Statistics	116
[2] Who May Complain	117
[3] Content	118
[4] Handling and Assessment of Complaints by the Commission	119
[a] Community Interest	120
[b] Duty of Vigilance	122
[c] Three-Stage Procedure for Assessing Complaints	123
[5] Possible Review by the European Ombudsman	126
[6] Procedural Rights of Complainants	127
[B] Other Events Triggering an Investigation	128

Table of Contents

[C]	Commission's Powers of Discovery	129
[1]	Requests for Information	129
[a]	Procedure	129
[b]	'Necessary' Information	130
[c]	Incorrect Information	132
[2]	On-the-Spot Inspections	132
[a]	Subject-Matter of the Inspection	134
[b]	Right of Entry	136
[c]	Right to Search	139
[d]	Access to Electronic Documents	141
[e]	Duty to Assist	142
[f]	Copies of Books and Records	143
[g]	Seals	143
[h]	Oral Explanations	144
[i]	Assistance from other competition authorities	146
[3]	Interviews	147
[4]	Sector Inquiries	148
[D]	Limitations on the Commission's Investigation Powers	150
[1]	Proportionality Rule	150
[2]	Territorial Reach	151
[3]	Legal Professional Privilege	153
[4]	Right to Privacy	157
[5]	Right to Remain Silent (or 'Privilege against Self-incrimination')	158
[a]	The Absence of a Privilege against Self-incrimination under EU Competition Law	158
[b]	The Limited Right to Remain Silent under EU Competition Law	159
[c]	The Compatibility of EU Competition Law with Article 6 ECHR	161
[6]	Use of Information: Purpose of the Inquiry	163
[7]	Professional Secrecy	164
[E]	Meetings and Other Contacts with the Parties and Third Parties	165
[F]	Possible Outcomes of the Investigation Phase	165
[1]	Prohibition Decision	165
[2]	Commitment Decision	165
[3]	Decision to Close the Case	165
[§5.3.]	Procedure Leading to a Prohibition Decision	166
[A]	Main Actors in the Procedure	166
[1]	The Commission and the Parties Concerned	166
[2]	The Hearing Officer	167
[3]	Complainants and Interested Third Parties	169
[B]	Languages	170
[C]	Initiation of Proceedings	170

[D]	Statement of Objections	171
[E]	Access to the File	175
	[1] The Defendants' Right of Access to the File	176
	[a] The file	178
	[b] Non-accessible Documents	178
	[c] Requests for Confidential Treatment	182
	[d] Timing and Procedure for Access to the File	184
	[e] Sanction	186
	[2] Access to the File under the Transparency Regulation	187
	[a] General Overview	187
	[b] Transparency Regulation and Competition Files	191
[F]	Meetings with DG Competition	193
	[1] State of Play Meetings	194
	[2] Triangular Meetings	194
	[3] Other Meetings	194
[G]	Review of Key Submissions	194
[H]	Right to Be Heard	195
	[1] Written Comments	195
	[a] The Defendants	195
	[b] Complainants and Third Parties	196
	[2] Oral Hearing	197
	[a] Beneficiaries of the Right to Be Heard	197
	[b] Who Else May Attend the Oral Hearing	198
	[c] Legal Representation and Assistance	198
	[d] Organization of the Hearing	199
	[e] Typical Hearing	200
	[f] Record	201
	[g] The Value of the Oral Hearing	201
	[h] The Reports of the Hearing Officer	202
[§5.4.]	Interim Measures	203
	[A] Conditions	203
	[B] Procedure	205
[§5.5.]	Recommendations	206
[§5.6.]	Final Prohibition Decision	206
	[A] Advisory Committee	207
	[B] Possible Relief	208
	[C] Formal Requirements	210
	[1] Adoption by the College of Commissioners	210
	[2] Notification and Publication	211
	[3] Duty to State Reasons	213
[D]	Timing: Duty to Act within a Reasonable Time	214
	[1] Corollary of the Principle of Sound Administration	214
	[2] Assessment of the Duration of the Administrative Procedure	215

Table of Contents

	[3] Consequences of the Excessive Duration of the Administrative Procedure	215
	[E] Trustee	216
[§5.7.]	Fines and Periodic Penalty Payments	216
	[A] Fines for Procedural Infringements	217
	[B] Fines for Substantive Breaches of Competition Rules	218
	[1] General Legal Principles	219
	[a] The Principle of Legality and Its Corollaries	220
	[b] The Principles of Proportionality and Equal Treatment	222
	[c] <i>Non bis in idem</i>	223
	[2] Legal Maximum	225
	[3] Legal Criteria: Gravity and Duration	227
	[4] The Commission Fining Guidelines	228
	[a] Methodology	231
	[b] Calculation of the Basic Amount	232
	[c] Fine Increases and Fine Reductions for Aggravating and Mitigating Circumstances	238
	[d] Specific Increase for Deterrence	247
	[e] Ceiling	248
	[f] Final Adjustments	249
	[g] Final Considerations on the Fining Guidelines	252
	[5] Payment	254
	[C] Periodic Penalty Payments	256
[§5.8.]	Leniency	258
	[A] Immunity from Fines	260
	[B] Reduction in Fines	264
	[C] Procedure	266
	[1] Application for Immunity	266
	[2] Application for a Reduction in Fines	269
	[D] Leniency and Private Enforcement	269
	[E] Leniency and Groups of Companies	272
	[F] Leniency and Judicial Review	274
	[G] Leniency and International Cartels	275
	[1] The ECN Model Leniency Programme	275
	[2] Leniency Applications and Exchange of Information within the ECN and with National Courts	278
	[a] Exchange of Information under Article 11 of the Regulation on Procedure	278
	[b] Exchange of Information under Article 12	278
	[c] Commitment to Comply with the Network Notice	280
	[d] Transfer of Information to National Courts	280
	[e] Unresolved Issues	280
	[H] Entry into Force	281

[§5.9.]	Limitation Periods	281
[A]	Imposition of Penalties	282
[B]	Enforcement of Sanctions	283
[§5.10.]	Parent/Subsidiary and Successor Liability	284
[A]	Parent/Subsidiary Liability	284
[B]	Succession	288
[§5.11.]	Alternative Enforcement Procedures	290
[A]	Informal Settlements	290
[B]	Commitments Procedure	292
	[1] Scope of the Commitments Procedure	294
	[a] The Undertakings Concerned	294
	[b] Interested Third Parties	295
	[2] Procedural Steps	295
	[a] Initiation of Proceedings	295
	[b] Competition Concerns	296
	[c] Offer of Commitments	297
	[d] Market Test	297
	[3] Commitments Decisions	298
	[a] Legal Nature of Commitments Decisions	298
	[b] Legal Effects of Commitments Decisions	299
	[c] Judicial Review of Commitments Decisions	300
	[d] Rights of Defence of the Undertakings Concerned	301
	[e] Procedural Rights of Interested Third Parties	304
[C]	Settlement Procedure	305
	[1] Scope of the Settlement Procedure	307
	[2] Procedural Steps	307
	[a] Initiation of Proceedings: Exploratory Steps Regarding Settlement	308
	[b] Bilateral Rounds of Settlement Discussions	309
	[c] Conditional Settlement Submissions	311
	[d] ‘Settled’ Statement of Objections	312
	[3] ‘Settled’ Decision	313
	[a] Adoption of the ‘Settled’ Decision	313
	[b] Publication of the ‘Settled’ Decision	314
	[c] Legal Effects and Judicial Review of ‘Settled’ Decisions	314
	[4] Procedural Rights under the Settlement Procedure	316
	[a] The Rights of Defence of the Undertakings Concerned	316
	[b] The Procedural Rights of Complainants	318
[D]	Findings of Inapplicability	319
[E]	Guidance Letter	320