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**CESR-CFTC Communiqué requesting comment on a common work programme to
facilitate trans-Atlantic derivatives business
Comments to Consultation Paper**

ABN AMRO welcomes the opportunity to provide comments to CESR-CFTC Communiqué requesting comment on a common work programme to facilitate trans-Atlantic derivatives business.

As a financial institution with derivatives operations in Europe and in the United States, we strongly support the elimination of unnecessary barriers constraining the flexibility of our global derivatives operations and limit the benefits for the market users in the EU and in the US.

As well as Market authorities, we recognise the economic benefits of creating a regulatory environment that fosters trans-Atlantic exchange-traded derivatives business. We also fully join the demand by intermediaries and market users for open and efficient access to such derivatives trans-Atlantic markets. We also fully agree that the improvement of the regulatory trans-Atlantic derivatives environment should take place in the context of maintaining appropriate customer and market protections.

Therefore, we decided to share with CESR the following practical issues explored together with our experts on which, we think the discussion between the EU and the US authorities should focus in order to foster and to improve the trans-Atlantic derivatives business.

I. Preliminary comment: execution of the program within a three-year timetable

We noted that the Task Force drawn from CESR and the CFTC will refine and develop how best to execute the work programme in accordance with a three-year timetable, taking into account the existing legislative framework.

In our point of view, a three-year timetable is still a too long period. Given the characteristics of the derivatives' business on the both sides of the Atlantic, a one-year period is likely to be sufficient to appropriately implement the work programme. Our assessment is based on the fact that derivatives' world is a community with a limited number of market participants. The number of persons within banks, brokerage houses and other financial institutions dealing with derivatives is very limited. Therefore, we think that it is reachable for all interested parties to come to an agreement and to put it into operation faster than within a three- years timetable.

II. Suggested areas of inquiry and proposals

1. Option and Future contracts should be standardized/made interchangeable

We noted that currently it is still not possible to trade a Euronext.Liffe option contract outside Euronext.Liffe, even though this specific option contract is also listed on the other exchange(s). In other words, for example a Euronext.Liffe contract can only be traded at Euronext.Liffe only because the Euronext.Liffe issued the option contract. As result, derivatives' contracts are connected and strictly dependent on their original marketplace. In contrast to derivatives, as far as a share is listed, one can buy it and sell on the other exchanges or even off-exchange. Therefore, Option and Future contracts, which are currently still specific per market should be standardized/made interchangeable and 'disconnected' from 'their' initial market place.

In our opinion, it should be made possible to trade a derivative contract in any exchange where it is listed, not only on the venue where the contract was made.

2. Remote membership set up should be introduced and accepted around the globe (NB Non-US residents are currently still treated differently from US residents)

We identified two problematic aspects regarding the remote membership rights as emerging in the US exchanges.

Firstly, some of the US exchanges still do not allow non-US residents to access their systems thus discriminating against them.

Secondly, even though some of the US exchanges allow non-US residents to access their systems and thus become their members, the non-US residents still have less advantageous membership rights than those applying to the US residents. In Europe, as far as the big exchanges are concerned, this discriminatory situation does not exist. Thus, the US situation clearly requires appropriate action from the US authorities.

3. Cross-Margining/Multilateral netting of margin payments should be made possible

The margining system is the means by which a certain clearing house controls the risk associated with a clearing member's position on a daily basis. To achieve this, clearing members deposit cash or collateral with the clearing house in the form of initial and variation margin. Initial margin is the deposit required by the clearing house from clearing members as protection against default of a futures or options contract on all open positions (long or short) to cover short term price movements. The exchange requires the level of initial margin set by the clearing house to be the minimum required by (clearing) members from their clients. The level is subject to changes in line with market conditions. Deposits are returned by the clearing house to members when the position is closed.

Variation margin is the members' profits or losses, which are calculated daily from the market-to-market-close value of their open position. These amounts are credited to, or debited from their accounts. In the event of a shortfall, as a result of an adverse price move, a call will be made on clearing members for additional funds to cover the realised loss. Conversely, realised profits may be called from the clearing house.

We think that if it is made possible to combine (i.e. nett) positions held at various exchanges, the actual margin requirement will most likely go down with a clear profit for the investors.

4. Clearing should happen locally (removes cross-border risk and makes multilateral netting possible)

Referring to the point mentioned above, if clearing happens locally, then cross-margining is made possible and one clearer has control over the total position.

5. One common orderbook across different markets should be set up. In this way, this traders will have access to all markets in one go

Currently different markets have their own different orderbooks with their own prices and conditions. Consequently, if an entity wants to have access to different orderbooks to know and compare their prices, it is required to become member of these different venues. In other words, being member of only one venue enables a firm to have access to only one orderbook. With one common orderbook set up across different markets, a trader could easily access the best prices and market conditions. Consequently, one common orderbook would provide greater cross-Atlantic-liquidity and transparency.

6. Prof trades (professional trades agreed off exchange between two parties but matched in the exchange system and therefore seen as an on exchange trade), Give Ups and Block Crosses should be introduced/standardized across all markets

Currently, each exchange has different order types as for example Prof trades, Give Ups and Block Crosses. To establish transparency and mutual recognition, order types and rules applying to them (definition, minimum numbers) should be harmonized across the Atlantic.

7. Membership to exchanges should not be restricted to dedicated futures subsidiaries

Some exchanges still require companies to set up a separate subsidiary for the only purpose of trading futures. Strangely, this requirement does not apply if a company wants to trade options. Therefore, a company (NV) can trade options as such via an exchange of which it is member, whereas companies have to create a special subsidiary specifically dedicated to trading futures. We do not see any reason to maintain this restrictive obligation in place. Therefore, we strongly believe that it should disappear.

8. Electronic trading outside market hours should be extended to allow trading across time zones

The market participants in the EU and US should be allowed more time to trade electronically outside market hours. This extension is still not sufficient as far as cross-Atlantic trading is concerned. Moreover, trading outside market hours would anyway take place at closing-price with no impact on markets. Therefore, the above proposed extension would make the cross-Atlantic trading more easily accessible for the investors.