Cowell Consulting Limited
Berkhamsted, England
24th April 2006

Dear Sir or Madam,

Introduction

I am an independent consultant and sent a submission dated 23rd April 2006 via your website in response to your Call for Evidence document, reference CESR 06-134.

This letter is an addendum to that submission.

Summary of Submission

The submission dated 23rd April 2006 outlined my role as independent consultant with experience in institutional investment and active membership within the subject groups operating as the MiFID Joint Working Group (JWG), which itself operates under the auspices of ISITC, FISD-SIIA, FPL and RDUG.

I reported on the current situation standards related issues as below:

Data Standards

General – Noted / observed: issues of ease of use and complexity of current standards, such as ISO15022 and ISO20022.

Date and Time – Cowell Consulting recommended: (1) time zones (and winter / summer time switches) must be incorporated in future messaging and systems and (2) that standards in this area must be developed and promulgated.

Instrument ID / Instrument Code – Supported: instrument ID effected by recognized Instrument Code (ISIN preferred) plus Place of Listing / Place of Trade / Place of Quotation (as appropriate). Also supported: the use of the ISO 10383 Market Identity Code (MIC) for Place of Listing / Place of Trade / Place of Quotation.

Instrument ID / Classification – Noted / observed: that the ISO 10962 Classification of Financial Instrument (CFI) standard is currently poorly understood and not widely adopted. Supported: that this CFI standard is used (once properly adopted and any remedial work undertaken).

Instrument ID / Other Characteristics – Cowell Consulting recommended: investigating existing / new standards further, including ISO 18773 and ISO 18774 (short name of the instrument issuer and the instrument characteristics).

Price – Noted / observed: Deficiencies within ISO 15022 regarding price: (1) for trading vs. settlement and asset servicing and (2) regarding index pricing.

Parties (to a Trade) – Supported: the draft ISO 16372 International Business Entity Identifier (IBEI), including its use for Systematic Internalisers. Noted / observed: problems with the ISO 9362 Bank Identification Code (BIC). Cowell Consulting recommended: In the short timescales imposed by MiFID, it may be necessary to use BICs for party identification (but with strong recommendation to use IBEI for all party identification in the longer term).

Publishing

Accuracy and Reliability – Supported: the MiFID JWG Real-Time Market Data Subject Group proposal for a data distribution environment whereby there are separate roles of Data Aggregator and Data Distributor. This covers also data quality checking by both DA and DD.

Consolidation

Scope and Presentation – Supported: the MiFID JWG Standard Protocols Subject Group's recommendations in favour of the MDDL standards and FIX message protocols applicable to institutional / professional investors and counterparties. Noted / observed: neither the scope nor presentation of data for retail / individual investor classes are yet addressed.

Web Sites – Cowell Consulting recommended: minimum standards and a short term (up to five years) licensing scheme for firms acting as Data Distributors for retail investors.

Recommendation for CESR

Current Situation

Although standards exist, they are not currently given sufficient attention and in certain areas are not working properly. There are discriminatory forces at work and in some areas, there is a competition between standards (e.g. between FIX and SWIFT).

Co-operation between standards parties won't work unless the right drivers exist. The current drivers and commercial pressure and not regulation / directive.

The industry is segmented by country, by participant type and by commercial grouping. If the issue of resolution of standards and their successful promulgation and adoption is left to the industry, without necessary direction, there will be fragmentation and division.

The issue needs a managed project approach, not just a consultative approach.

Actions for CESR

I recommend that CESR should:

- Be seen to take a lead in the standards issues;
- Consult with industry groups, survey standards (with the groups, participants and standards setters) – essentially this is the suggested "stock taking" exercise on standards;
- This consultation should cover proprietary standards / codes that have a widespread use as well as official standards;
- As a higher priority, CESR should concentrate on the requirements of the key basic data elements (e.g. date, instrument, price, party) and then, as a lower priority, examine and make recommendations for the grouping of data elements required for business messages;
- Recommend which standards to adopt, in an informed way;
- With guidance, outliner what the most practical implementation path should be;
- Drive or commission appropriate projects in these areas.

Yours faithfully,

Hugh Cowell

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