



EUROPEAN CENTRAL BANK

CESR

ARRIVE

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Gertrude TUMPEL-GUGERELL
Member of the Executive Board

L/GTG/05/239

Mr Arthur Docters van Leeuwen
Chairman
Mr Fabrice Demarigny
Secretary General
Committee of European Securities Regulators
11-13 avenue de Friedland
F-75008 Paris

21 November 2005

Ref: CESR revised Draft Advice on Clarification of Definitions concerning Eligible Assets for Investments of UCITS

Dear Mr. Docters van Leeuwen,

Dear Mr Demarigny,

The ECB supports regulatory as well as market-led initiatives that aim at enhancing the integration, development and transparency of short-term securities markets in Europe.

The European short-term securities market is the least integrated money market segment in the EU, as it is fragmented in several components which are based in several market places and are characterised by unequal development, disclosure and transparency standards. Issuers and investors in these markets are thus confronted with less depth, liquidity and diversification opportunities than an integrated pan-European market would offer.

Against this background, I would like to express the support of the ECB for the eligibility criteria on money market instruments for UCITS investments purposes, which the CESR submitted to public consultation in its revised Draft Advice on Clarification of Definitions concerning Eligible Assets for Investments of UCITS (the Draft Advice). In my view, the strict application of such criteria across the European markets will reduce their segmentation, thus enhancing their growth potential, and will improve disclosure and transparency.

I note that the approach adopted by the CESR in its Draft Advice is coherent with and, to some extent, complementary to the approach of the Short-Term European Paper (STEP) initiative, a market-led initiative promoted by ACI - The Financial Markets Association (ACI) and the European Banking Federation (FBE).

As illustrated in your Draft Advice, the STEP initiative aims at promoting the development of a de facto integrated pan-European market for short-term securities through the convergence of market standards and practices. The STEP Market Convention indicates the criteria and requirements that need to be fulfilled for an issuance programme to be STEP-compliant. These criteria refer to disclosure, documentation format, settlement and the provision of data for the production of STEP statistics.

One important area reflecting the coherence of the CESR's Draft Advice and the STEP initiative is the envisaged availability of reliable statistics. The ECB is of the view that the availability of reliable statistics enhances market transparency and has agreed to contribute to this goal by producing and publishing STEP statistics on volumes and yield indices.

I believe that the adoption of the proposed CESR eligibility criteria combined with the success of the STEP initiative will effectively foster the integration and the development of the European markets for short-term securities, while enhancing their disclosure and transparency standards.

Yours sincerely,



Gertrude Tumpel-Gugerell

Cc: Mr Charlie McCreevy, European Commissioner for Internal Market and Services

Mr Alexander Schaub, Director General DG Internal Market and Services

Mr David Wright, Director Financial Services Policy and Financial Markets