



Response to the consultation on CESR's advice on possible implementing measures of the Directive 2004/39/EC on Markets in Financial Instruments – Admission of Financial Instruments to Trading on Regulated Markets

3 March 2005

1. General

TLX S.p.A. is the management company of an Italian Regulated Market called TLX. TLX S.p.A. also runs an MTF called EuroTLX. Both markets are *retail investor oriented* and would like to offer a broad range of financial instruments together with the widest satisfaction of their specific needs in terms of liquidity, transparency, information and trading protection. Please refer to the corporate website (www.eurotlx.com) for more info.

TLX S.p.A. agrees with CESR proposals set in the Draft technical advice of February 2005 and would like to highlight a few of comments related to Questions 3 and 5.

Additional Requirements for Bonds and “Other” Securities

Question 3: Do you consider the proposal of not proposing any level 2 advice for bonds appropriate or should CESR advice include level 2 rules also for bonds? If yes, what should their content be?

In its Market Regulation TLX SpA decided to take into account the appropriate trading mechanism for instrument and the expected trading activity for the admission to trading of financial instruments. Both are explicit and specified requirements.

These requirements have demonstrated to work well.

TLX SpA considers them effective in order to foster investor protection even if it understands the reasons why they couldn't be considered general requirements for bonds.

Question 5: Do you consider the requirements for “other” securities to be appropriate or will they, in your view, create problems for certain types of other transferable securities?

In the first consultation TLX SpA welcomed an extension of requirements set for derivatives to transferable securities with similar characteristics and functions (e.g. covered warrants, compound products). Therefore, TLX SpA shares and agrees with their extension to “other” securities. At the same time it definitely believes and supports a broadening of such extensions to bonds having a derivative component (e.g. structured bonds). There is no reason not to do it.

TLX SpA proposes again the example made in its previous paper. General requirements are not enough in case of a reverse convertible with a considerable outstanding and an illiquid equity as underlying. In this case an admission based only on these requirements could raise a risk of market manipulation on the underlying



equity. Moreover, in case the underlying equity is admitted on another regulated market managed by a different company, the latter only would bear such negative effects.