

16 March, 2007

CESR
11-13 avenue de Friedland
75008 Paris
France

Dear Sirs

Best Execution – Public Consultation

INVESCO Asset Management Limited (INVESCO) forms part of the AMVESCAP Group, one of the world's leading independent fund management groups managing assets worth \$468 billion globally (as at 31 January 2007). Within the UK, INVESCO offers a wide range of UCITS schemes and Investment Trusts to retail and institutional investors. With our core expertise in investment management, we aim to achieve superior investment performance, in turn helping people worldwide build their financial security.

INVESCO welcomes CESR's announcement regarding public consultation on the issue of Best Execution, and as such have commented on the questions raised through the consultation document.

While we support most of the general comments on execution policies, disclosure, chains of execution and monitoring, we are concerned over the level of additional administration given the potential for multiple execution policies covering various asset classes which will be required for each counterparty.

We are also concerned that issues raised regarding consent will leave us with very little time up until November to ensure that we have received, reviewed, discussed and finalised the various execution policies which we will receive from entities. Should we be in a position where we have not finalised this process for any of the entities we currently use, we understand that we would potentially not be able to use that entity after 1st November – which could have a detrimental impact on being able to achieve the best possible result for our clients.

We also note the outstanding issue over scope of the application of best execution requirements and all related aspects. We look forward to the outcome of the further clarification which is due from the European Commission, and the ability to respond to this piece once published.

Question 1: Do respondents agree with CESR's views on:

- **The main issues to be addressed in an execution policy? Are there any other major issues that should ordinarily be included in the policy?**
- **The execution policy being a distinct part of the firm's execution arrangements for firms covered by Article 21?**

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- **The execution policy under Article 21 being a statement of the most important and/or relevant aspects of a firm's detailed execution arrangements?**

We feel that identification of the main issues which should be contained in the policy have been addressed. However, we do not agree that an exhaustive list of execution venues or entities should be included within the policy, but that it should contain only the main entities used by the investment firm or the portfolio manager.

An exhaustive list of all entities used will result in a continual updating and sending of the revised policy to relevant parties in the chain of execution. We accept that if a change was made to one of the main entities that a revision to the policy would be needed and re-issued, but feel that a list of main entities used, with suitable wording to identify to clients that other entities would be used to ensure that the best possible result was obtained when executing orders, should be sufficient.

Question 2: For routine orders from retail clients, Article 44 (3) requires that the best possible result be determined in terms of the total consideration and recital 67 reduces the importance of the Level I Article 21 (1) factors accordingly. In what specific circumstances do respondents consider that implicit costs are likely to be relevant for retail clients and how much should those costs be measured?

We tend to agree that implicit costs are unlikely to be significant for most retail client orders. Costs of executing orders can be compared at the time the order is executed, or other readily available measures such as VWAP can be used.

Question 3: Do respondents agree with CESR's views on the use of a single execution venue?

While we feel that such a situation would be unusual, we agree with your overall view on the use of single execution venue.

Question 4: Do respondents agree with CESR's views on the degree of differentiation of the execution policy?

We are appreciative of the need for variations, but are concerned over the general level of increased administration that this will entail.

Question 5: Do respondents agree that the appropriate level of information disclosure for professional clients is at the discretion of investment firms, subject to the duty on firms to respond to reasonable and proportionate requests? On the basis of this duty, should firms be required to provide more information to clients, in particular professional clients, than is required to be provided under Article 46 (2) of Level 2?

We agree with this point. However, we feel that if additional information is required it should be made available rather than made a requirement to provide.

Question 6: Do respondents agree with CESR on how prior express consent should be expressed? If not, how should this consent be manifested? How do firms plan to evidence such consent?

We have concerns over the issue of express consent given the very tight timescale in place. In addition, with the scope of the best execution still unresolved, we will have a very short timeframe within which to draw up any execution policy and remit this to clients. We are also concerned that as portfolio managers, we will be in receipt of numerous execution policies which will need to be reviewed before the November deadline – and will undoubtedly involve a number of drafts and reviews before a final policy can be agreed.

Appropriate record keeping should be sufficient in evidencing such consent.

Question 7: Do respondents agree with CESR's analysis of the responsibilities of investment firms involved in a chain of execution?

We accept this analysis, and appreciate the differing responsibilities in the chain of execution as outlined.

Question 8: What core information and/or other variables do respondents consider would be relevant to evaluating execution quality for the purposes of best execution?

The important factor here will be the availability of accessible post-trade data. With the overall view that MiFID may well lead to the fragmentation of post-trade data, we are concerned that this will lead to doubts over the overall integrity of data a firm uses.

Yours sincerely

Nick Styman
Director of European Compliance