

29 March 2004

**IMA RESPONSE TO CESR'S CONCEPT PAPER ON TRANSACTION  
REPORTING, COOPERATION AND EXCHANGE OF INFORMATION BETWEEN  
COMPETENT AUTHORITIES UNDER THE ISD2**

The IMA represents the UK-based investment management industry. IMA members include independent fund managers, the asset management arms of banks, life insurers and investment banks, and occupational pension scheme managers and are responsible for the management of over £2 trillion of funds (based in the UK, Europe and elsewhere).

We welcome the opportunity to comment on the issues covered by CESR's Concept Paper and are particularly interested in those issues relating to transaction reporting. We are therefore limiting our comments to that section of the Concept Paper.

***Methods and arrangements for reporting financial transactions***

**Q1:** Do you agree with the approach suggested above to determine the methods and arrangements for reporting financial transactions in one set of criteria applicable to, both, the conditions for a trade matching and reporting system to be considered valid to report transactions to competent authorities, and the criteria allowing for a waiver? If you do not agree, what other approach would be more appropriate in your view?

**Response to Q1:** We cannot identify any reason why more than one set of criteria would be necessary.

**Q2:** What requirements should such an inventory contain?

**Response to Q2:** In principle, we do not have any objection to drawing up an inventory of minimum conditions for reporting procedures/systems. We believe, however, if such an inventory of minimum conditions is created, these conditions must remain high level and allow for sufficient flexibility in the reporting methods and arrangements used.

**Q3:** What other issues, if any, should CESR take into account when responding to the mandate concerning the "methods and arrangements for reporting financial transactions"?

**Response to Q3:** While we appreciate that there are benefits to moving to electronic reporting and that the majority of transaction reporting in the future will be done by electronic means, we believe, to avoid imposing unnecessary cost on firms – particularly smaller players – scope should remain for competent authorities to retain manual reporting methods where they believe these are appropriate (e.g. in

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cases where the number of reportable transactions for any firm are low). We believe that this reflects CESR's stated aim to consider the existing arrangements for transaction reporting as a working basis and to seek to refrain from imposing unwarranted new requirements, which would bring about unnecessary costs to the entities concerned.

**Q8:** Do you agree with the approach proposed by CESR for determining the minimum content and common standard/format for transaction reports? Are there other approaches that could usefully be considered?

**Response to Q8:** We believe it is sensible for CESR to identify the types of information in transaction reports that competent authorities would request from investment firms/obliged reporting parties to determine the minimum content for transaction reports. We are less certain that it is sensible to define a common standard/format for transaction reporting fields. While on the face of it this seems a useful means of facilitating the exchange of information and the comparability of reports, the usefulness in practice of such an approach will need to be weighed against the disadvantages and costs of imposing such a prescriptive solution.

**Q10:** Do you agree that the content of transaction reports has to be equal irrespective of the entity reporting the transaction? What considerations could justify a different treatment of reporting parties?

**Response to Q10:** We would not agree that the content of transaction reports has to be equal irrespective of the entity reporting the transaction. For example, in the case of investment management firms who often trade as agents for unnamed principals it may not make sense to have a requirement to disclose the identity of the underlying client.

We hope these comments are helpful. Should you like to discuss any of these points or other issues relating to the Concept Paper, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Ilene Hersher', written in a cursive style.

Ilene Hersher  
Adviser, EU Legislation