

Our Ref tb/cesr
Your Ref
Direct Tel 020 3124 3000
Direct Fax 020 3124 2528
E-Mail
Date 4 June 2010



Investment Management

One Coleman Street
London
EC2R 5AA

The Committee of European Securities Regulators
11 – 13 avenue de Friedland
75008 Paris
France

Dear Sir or Madam:

Re: CESR Technical Advice to the European Commission in the Context of the MiFID Review – Investor Protection and Intermediaries

Legal & General Group Plc is one of the UK's largest quoted companies. The core business of the group is the provision of a broad range of savings and protection products for individuals through our major retail channels. This product range includes term assurance, mortgage protection, household insurance, private medical insurance, saving for retirement, annuities, unit trusts and ISAs. Our corporate business (pensions, group life assurance, and group income protection) complements our individual business, drawing on our fund management, actuarial and administrative skills.

Legal & General Investment Management Limited (LGIM) is a subsidiary of Legal & General Group Plc and provides fund management expertise to the Group's retail and corporate businesses as well as to trustees of pension schemes and other institutional clients. Total funds under management were £315.1 billion at 31 December 2009 underlining Legal & General's position as a major UK investment house.

Legal & General's primary focus is on UK business, but the Group has operations in the USA, the Netherlands, and France. Some cross-border sales are also made in Germany and Ireland.

In response to the Consultation Paper entitled "CESR Technical Advice to the European Commission in the Context of the MiFID Review: Non-equity markets transparency" please find below our comments.

Q. 1. On the basis of your experience, could you please describe the sources of pre- and post-trade information that you use in your regular activity for each of the instruments within the scope of this consultation paper:

- a) corporate bonds
- b) structured finance products (ABS and CDOs),
- c) CDS,
- d) interest rate derivatives,

- e) equity derivatives,**
- f) foreign exchange derivatives,**
- g) commodity derivatives?**

Pre-trade: For instruments A to D single banks runs via email / Bloomberg messages, e trading venues along with dealer's expertise in specialising in their designated markets. Previous closing levels are considered in the collection of information. Post trade, e trading platforms provide the most effective record of trade data, but only displays to individual users. This is a valuable pool of data, which should be utilised in the goal for transparency. Index providers supply aggregate closing prices. E, F and G are instruments where industry systems carry sufficient real-time quote data that there is little to be gained from further formal transparency measures.

Q.2 Are there other particular instruments that should be considered as 'corporate bonds' for the purpose of future transparency requirements under MiFID?

LGIM believes that FRN and sub 12 month bonds should also be considered corporate bonds.

Q.3 In your view, would it be more appropriate, in certain circumstances, to consider certain covered bonds as structured finance products rather than corporate bonds for transparency purposes? Please explain your rationale.

No response.

Q. 4 On the basis of your experience, have you perceived a lack of pre-trade transparency either in terms of having access to pre-trade information on corporate bonds or in terms of the content of pre-trade transparency information available?

LGIM believes that there is reserved public information, with unreliable historical closing prices recorded. Banks direct updates via Bloomberg and e-mail messages. These provide indication of market levels, but there is insufficient transparency of available depth.

Q. 5 In your view, do all potential market participants have access to pre-trade transparency information on corporate bonds on equal grounds (for example, retail investors)? Please provide supporting evidence.

No response.

Q. 6 Is pre-trade transparency efficiently disseminated to market participants? Should pre-trade information be available on a consolidated basis?

LGIM does not believe that pre-trade transparency is efficiently disseminated to market participants. with some illiquid issues, price levels could be distorted.

Q. 7 What are potential benefits and drawbacks of a pre-trade transparency

regime for: a) the wholesale market; and b) the retail market? If you consider that there are drawbacks, please provide suggestions on how these might be mitigated.

LGIM believes that the potential benefit of pre-trade transparency would be that all market participants have equal information. However, the drawbacks from a wholesale market perspective would be a reduction in risk appetite, as market makers would be discouraged from taking large positions, and the avoidance of advertised positions.

Q. 8 What key components should a pre-trade transparency framework for corporate bonds have? What pre-trade information should be disclosed?

LGIM believes that the most important information for both the retail and wholesale investor is the capture of correct historic closing prices.

Q. 9 Do you think that notional value would be a meaningful piece of information to be made accessible to market participants? Is there any other information that would be relevant to the market?

No, this is only useful in the rare occasion if bonds are traded without accrued interest. Spread to benchmark information would be relevant to the market.

Q.10 Do you agree with the initial proposal for the calibration of post-trade transparency for corporate bonds? If not, please provide a rationale and an alternative proposal (including supporting analysis).

Yes, LGIM agrees with the initial proposal for the calibration of post-trade transparency for corporate bonds. However, LGIM would question the need for real-time targets.

Q.11 Should other criteria be considered for establishing appropriate post-trade transparency thresholds?

LGIM believes that there should also be consideration given to the frequency of trading.

Q.12 Given the current structure of the corporate bond market and existing systems, what would be a sensible benchmark for interpreting “as close to real time as possible”?

LGIM believes that 30 minutes is appropriate.

Q. 13 On the basis of your experience, have you perceived a lack of pre-trade transparency in terms of access to and the content of pre-trade information available in the market for ABS?

See response to Q4. However, LGIM believes that greater sensitivity to the nature of each deal is required.

Q. 14 Is pre-trade transparency information readily available to all potential market participants?

Q. 15 Is pre-trade information currently available in the ABS market

consolidated and effectively disseminated to those market participants who make use of it?

Q. 16 Which potential benefits and drawbacks of a pre-trade transparency regime do you see for the ABS market? If you see drawbacks, please explain how these might be mitigated

Q. 17 Which key components should a pre-trade transparency framework for ABS have? Which pre-trade information should be disclosed?

Responses for Q14 – Q17: As per Corporate Bond section, but greater sensitivity to the nature of each deal is required.

Q. 18 On the basis of your experience, have you perceived a lack of pre-trade transparency in terms of access to and the content of pre-trade information available in the market for CDOs?

Q.19 Is pre-trade transparency information readily available to all potential market participants?

Q. 20 Is pre-trade information currently available in the CDO markets consolidated and effectively disseminated to those market participants who make use of it?

Q. 21 Which potential benefits and drawbacks of a pre-trade transparency regime do you see for the CDO market? If you see drawbacks, please explain how these might be mitigated.

Q. 22 Which key components should a pre-trade transparency framework for CDOs, have? Which pre-trade information should be disclosed?

Responses for Q18 – Q22: No response.

Q.27 On the basis of your experience have you perceived a lack of pre-trade transparency both in terms of access to and the content of the information available in the CDS market?

Q. 28 Is pre-trade transparency information readily available to all potential market participants?

Q. 29 Is pre-trade information currently available in the CDS market consolidated and effectively disseminated to those market participants who make use of it?

Q. 30 Which potential benefits and drawbacks of a pre-trade transparency regime for CDS do you see? If you see drawbacks, please explain how these might be mitigated.

Q. 31 Which key components should a pre-trade transparency framework for CDS have? Which pre-trade information should be disclosed?

Responses for Q27 – Q31: See responses to Corporate Bond section.

Q.32 In your view, would the post-trade transparency calibration parameters (i.e. transaction size thresholds, information to be published and timing of publication) proposed for corporate bonds in Section IV be appropriate for a) Single name CDS? and b) Index CDS? If not, please elaborate the reasons and propose alternative parameters (including justifications).

LGIM believes that Single name parameters should be as per corporate bonds, but this must take into consideration subordination and off the run tenors. Parameters for Index CDS will depend on relative liquidity/risk.

Q.33 In your view, should sovereign CDS be included within the post-trade transparency framework for CDS? And if so, should the calibration parameters for single name and sovereign CDS be aligned? If not, please explain why they should be different and propose an alternative approach for sovereign CDS (including justifications).

Yes, LGIM agrees that sovereign CDS should be included within the post-trade transparency framework for CDS. LGIM also agrees that the calibration parameters for single name and sovereign CDS should be aligned.

Questions 34-44 on Pre-trade transparency for derivatives

LGIM believes that the derivatives asset class is sufficiently liquid and industry information platforms provide adequate investor information.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Thomas Bullman', written in a cursive style.

Thomas Bullman
Compliance Manager

