



**ABI RESPONSE TO CESR'S CONSULTATION PAPER: CESR'S DRAFT TECHNICAL 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: SECOND CONSULTATION PAPER CESR/05-23b FEBRUARY 2005**

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**1 INTRODUCTION**

- 1.1 The Association of British Insurers (ABI) welcomes the opportunity to respond to the CESR Consultation Paper of February 2005.
- 1.2 The ABI is the trade association for the UK's authorised insurance companies. Its membership, some 400 companies, provides over 94% of the insurance business undertaken by such companies.
- 1.3 In the course of their business ABI members manage assets of the order of £1,100bn (€1,600bn) across all asset classes of which equities and fixed interest are the largest.
- 1.4 For ABI members, as institutional investors, professional client agreements and other forms of documentation are an important part of operational procedures. However, it should be noted that the comments below are written from the viewpoint of the fund management arms of ABI members i.e. as agents for the insurance funds and other clients

**2 GENERAL COMMENTS**

- 2.1 We note, with concern, CESR's discussion (pp 6-7) which indicates that the debate, as to whether Art 40 is maximum harmonisation, has been reopened by the Commission.
- 2.2 We are compelled to register our strong support for the CESR position, that its advice is prepared on the basis that the Consolidated Listing Directive remains in force, as we view this as the most appropriate means of safeguarding, through an official List the corporate governance standards currently available in certain markets.

**3 SPECIFIC COMMENTS**

Q3 *Do you consider the proposal of not proposing any level 2 advice for bonds appropriate or should CESR include level 2 rules also for bonds? If yes, what should their content be?*

3.1 We are not in favour of any level 2 advice for bonds. A number of reasons contribute to this position including the marked differences between trading of equity and fixed income securities, a desire not to inhibit the current innovation in fixed income markets through the development of electronic trading and the necessity to avoid any unintended consequences that such advice might inadvertently bring to the admissibility of bonds for insurers' solvency purposes.