THE COMMITTEE OF EUROPEAN SECURITIES REGULATORS

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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

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INTRODUCTION

Background

1. The Directive on Markets in Financial Instruments (Directive 2004/39/EC - "MiFiD") was adopted by the European Parliament and Council on 21 April 2004 (OJ L145/1 of 30 April 2004). The Directive will replace the Investment Services Directive 93/22/EEC.

2. According to the Lamfalussy Process, the Commission may adopt implementing measures, so-called "Level 2 measures", with respect to a large number of provisions of the Directive. Before the Commission presents a proposal for implementing measures to the European Securities Committee, it seeks the technical advice on these measures from the Committee of European Securities Regulators ("CESR").

3. On 20 January 2004, the Commission published "The Provisional Mandate to CESR for Technical Advice on Possible Implementing Measures concerning the Future Directive on Financial Instruments Markets". The Commission asked CESR to deliver its technical advice in form of an "articulated text" by 31 January 2005. On 25 June 2004, the Commission published "The formal request for technical Advice on Possible Implementing Measures on the Directive on Markets in Financial instruments". In addition to confirming the provisional mandate, published on 20 January 2004, the Commission asked CESR to deliver its technical advice on additional mandates concerning some new areas of the Directive by 30 April 2005.

4. On 17 June 2004 CESR published its first consultation paper on the first set of mandates under the MiFID (ref. CESR/04-261b). The public consultation closed on 17 September, except for mandates on best execution and market transparency. The deadline for these mandates has been postponed to end of April 2004. CESR received 78 responses to the consultation. CESR is very grateful to respondents to the consultation, and these responses will help to shape CESR´s final advice to the Commission. A feedback statement will be published together with the final approval of CESR advice.

5. CESR considers that this second round of consultation be devoted to addressing these key issues of policy identified in the responses to consultation, and the practical aspects of implementation of the revised proposals.

6. This consultation document reflects the current views of CESR on these issues taking into account the general results of the consultation and presents modified proposals for level 2 advice.

Areas Covered

7. The consultation paper covers the following aspects:

   - Requirements for financial instruments to be admitted to trading on Regulated Markets; and

   - Obligations for Regulated Markets to verify issuers´ compliance with disclosure requirements and to facilitate the flow of disclosed information to their members and participants.

Call for comments

8. CESR invites comments on its views regarding the issues raised. Market participants are invited to accompany any request for changes with detailed reasoning and practical examples of the impact of the proposals.

Consultation Period

9. Consultation closes on 3 March 2005. Responses to consultation should be sent via CESR's website in the section "Consultations" CESR will publish a feedback statement on the consultation justifying its final choices vis-à-vis the main arguments raised during the consultation.

CESR

DRAFT TECHNICAL ADVICE

ADMISSION OF FINANCIAL INSTRUMENTS TO TRADING (ART. 40)

Introduction

This second consultation document has several changes to the first one. That is mainly for two reasons.

First, the previous proposal used a different classification of instruments than the one used in the MiFID. Respondents generally supported CESR's approach of proposing general requirements for instruments to be admitted to trading. However, there were some comments and questions about the treatment of certain instruments. This may be at least partially because CESR's proposal did not follow the same structure as used in the MiFID. In order to clarify that issue and aligning the presentation with MiFID we have changed the structure of the proposal. It now lists the requirements for each type of financial instruments covered by the MiFID. The general approach which was appreciated by the respondents has been retained and reflected by proposing that no level 2 provisions are needed for certain type of instruments.

The main changes are the following:

- Several respondents criticised the requirement that a regulated market (RM) in considering the admission of an instrument should be required to take into account the appropriate trading mechanism for the instrument and the expected trading activity. Having considered the comments CESR is proposing to change the proposal in some respect. The provision is no longer a general requirement but it is kept for shares and other securities (as defined in point c of the Article 4(18)). As such CESR does not consider this to overlap with the Article 39 requirements in respect of trading, which are seen as more general requirements for the regulated market.

- Following the proposals of the first consultation paper, more detailed requirements are proposed for derivatives. Based on some comments regarding derivatives on commodities, the proposal regarding the relationship with the derivative and the underlying have been modified in order to accommodate the comments received.

- As a result of the new structure of the proposal, new requirements for "other securities" (Art 4 (1) (18) (c)) has been introduced. Due to the nature of such instruments it has been seen appropriate to include similar requirements as for derivatives. The practical content of the requirement naturally varies according to the instrument in question.

- Following the structure of instruments specified in the MiFID, the CESR proposal now covers also money-market instruments and UCITS.

- MiFID requires that regulated markets establish arrangements to review issuers´ compliance with their disclosure obligations as well as arrangements which facilitate its members and participants in obtaining that information. In the first consultation paper CESR proposed that in order to fulfil its obligation to satisfy itself that the issuer of a transferable security has complied with its initial disclosure obligation the RM can search at to the website of the competent authority of the home Member State of the issuer where all the approved prospectuses or a list of them will have to be included on the basis of the Prospectus Directive. In the event that the RM is located in a different Member State to the issuer, it shall be sufficient for the regulated market to satisfy itself that the competent authority of the

home Member State of the issuer has, provided the competent authority of the home Member State of the RM with a certificate of approval required in accordance with Article 18 of the Prospectus Directive.

Respondents criticised CESR proposals concerning the arrangements that RMs should have in place to check that the conditions for exemption have been met by an issuer. It was pointed out that the responsibilities of different parties should be made clear and that the main responsibility is on the competent authority. CESR has revised the proposal to reflect that the main responsibility for preparing the prospectus lies with the issuer and responsibility for the supervision of compliance with those requirements with the competent authority. The obligation as set at level 1 of the MiFID for the RM does not contradict this. The current proposal however makes clear that the RM has an obligation only to require information from the issuer, and not to verify that the information is correct by assessing whether the conditions for exemption are indeed met. The information can be obtained by the RM from the issuer in different ways. For example, in some Member States it is a common practise for competent authorities to issue a separate certificate (or a non-action letter) and the RM should therefore require that the issuer provides a copy of this document. In other Member States where no such certificate is issued by the competent authority, the RM should ask the issuer to provide written confirmation or an external legal opinion that the conditions for exemption have been met.

Furthermore, CESR's initial proposals regarding arrangements to facilitate access to information which has been made public under Community law were criticised by respondents. In particular, the draft advice was felt to overlap with the provisions of the Transparency Obligations Directive (2004/109/CE – TOD) (and potentially its future implementing measures).

Second, the issue of the scope and nature of the proposals has raised some questions. The first proposal was based on the "narrow" interpretation of Article 40 and concentrating on issues relating to the financial instruments themselves. The matter has been highlighted more when the Commission expressed that Article 40 should be understood as harmonising the admission requirements completely, meaning the any other requirements would not be possible. While noticing that these issues are not decided at level 2, CESR has however addressed the issue below in order to be able to make a concrete proposal for level 2 measures.

In order to calibrate the content and format of level 2 proposals it is important to know, what exactly the scope for admission requirements in Article 40 is. Should it be limited to such matters which relate to the instrument (as referred by level 1 text). Another possibility would be to have a broader view and cover issues more broadly and include matters relating not only to characteristics and trading with financial instruments but also those relating to issuers of financial instruments. The indicative elements in the mandate from the Commission invite CESR to explore matters related to all those three areas.

In this present proposal CESR has concentrated on matters relating to the financial instrument itself (with the exemption of an adequate financial history). Apart from that, in some circumstances, the proposal covers issues which are wider, especially the requirement for adequate financial history of the company (in case of shares). That has been seen as a reasonable requirement as such and additionally such a requirement is included in the Consolidated Listing Directive (CLD) as applicable for official lists.

CESR has not entered into other issuer related areas more broadly (e.g. areas like corporate governance). It has been noticed that the potential is rather wide and those issues are at least partly covered by other areas of community legislation (e.g. company law). The MiFID seems not to be the right place to try to cover those requirements generally.

In addition to that there has been discussion whether the proposal should harmonise the area they cover completely. The issue is especially relevant because there are several items where there is not uniform CESR view on the content of the proposal. Those who represent minority views have a concern not only whether they can adopt additional requirement on certain specific areas they

consider of key importance given the characteristics of their markets but whether the imposition of any such additional requirement might not be a source of regulatory arbitrage in the absence of an adequate level of harmonisation. One example would be national requirements for the rating of debt securitization instruments in order to allow investors to make an informed judgement on the risk attached to the instrument and on its pricing when there was no agreement among CESR for such mandatory requirement at EU level. The same would apply in case there would be no level 2 measures for bonds.

This advice has been prepared on the basis that the Consolidate Listing Directive will remain in force. The CLD allows member states to maintain an "official List" with more stringent requirements applied to constituent securities that to other securities that may be admitted to a regulated market. However there is no obligation on a regulated market to have an officially listed sector or to confine admissions to officially listed securities.

Extract from Level 1 text

Art. 40:
1. Member States shall require that regulated markets have clear and transparent rules regarding the admission of financial instruments to trading.
Those rules shall ensure that any financial instruments admitted to trading in a regulated market are capable of being traded in a fair, orderly and efficient manner and, in the case of transferable securities, are freely negotiable.

2. In the case of derivatives, the rules shall ensure in particular that the design of the derivative contract allows for its orderly pricing as well as for the existence of effective settlement conditions.

3. In addition to the obligations set out in paragraphs 1 and 2, Member States shall require the regulated market to establish and maintain effective arrangements to verify that issuers of transferable securities that are admitted to trading on the regulated market comply with their obligations under Community law in respect of initial, ongoing or ad hoc disclosure obligations.
Member States shall ensure that the regulated market establishes arrangements which facilitate its members or participants in obtaining access to information which has been made public under Community law.

4. Member States shall ensure that regulated markets have established the necessary arrangements to review regularly the compliance with the admission requirements of the financial instruments which they admit to trading.

5. A transferable security that has been admitted to trading on a regulated market can subsequently be admitted to trading on other regulated markets, even without the consent of the issuer and in compliance with the relevant provisions of Directive 2003/71/EC of the European Parliament and of the Council of "…"on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC. The issuer shall be informed by the regulated market of the fact that its securities are traded on that regulated market. The issuer shall not be subject to any obligation to provide information required under paragraph 3 directly to any regulated market which has admitted the issuer's securities to trading without its consent.

Extract from the mandate from the Commission

- Specify the characteristics of different classes of instruments to be taken into account by the regulated market when assessing whether an instrument is issued in a manner that allows it to be traded on a fair, orderly and efficient manner, in the case of transferable securities, define the conditions under which financial instruments are freely negotiable

- clarify the arrangements that the regulated market is to implement so as to be considered to have fulfilled its obligation to verify that the issuer of a transferable security complies with its obligations under Community law in respect of initial, ongoing or ad hoc disclosure obligations.

- clarify the arrangements that a regulated market that admits transferable securities to trading has to establish in order to facilitate its members or participants in obtaining access to information which has been made public in the conditions established under Community law.

Draft CESR advice

Explanatory text

1. There are several EU directives which relate to the activities of a company which instruments are admitted to trading on regulated markets. The Prospectus Directive, Transparency Obligations Directive and the Market Abuse Directive together establish initial, ongoing and ad-hoc disclosure obligations on issuers of securities as regards making information available to the public on the issuer, the nature of the security they have issued, and their financial health as an undertaking. The UCITS Directive covers the activities of such collective investment undertakings which are harmonised at EU level. Accounting and company law applies on their respective areas. It follows that CESR´s focus for securities traded on a RM should be on supporting optimum trading on that RM – i.e. "ensuring that any financial instruments admitted to trading in a regulated market are capable of being traded in a fair, orderly and efficient manner[(1)]". Additionally certain areas which are covered by the Consolidated Listing Directive, like financial history, are included in the proposal. Generally CESR Level 2 proposals should not cover topics already dealt with by those other Directives.

2. For derivatives, there is no Directive specifying the structure and content etc. of – for example – derivative contracts admitted to trading on an RM. Therefore there is general agreement within CESR that more detailed rules than for other instruments are needed. Following the approach describe above any admission to trading criteria should be restricted to principles covering the relationship with the underlying instrument for pricing purposes, terms of delivery (where the contract is for physical delivery) and information about the underlying itself.

3. The trading mechanism should be capable of taking into account that the liquidity of shares and "other securities" varies significantly. That has been acknowledged also by several markets which have introduced different arrangements for shares with different liquidity such as introducing liquidity providers, organising the trading with less liquid shares by periodic auctions (instead of continuous electronic trading) or in case of multiple admissions through the fact that the share is actively traded on another market. However CESR is not intending to influence the market structure.

4. Regarding transferable securities (Art 4 (1) (18)) CESR proposal contains a requirement of being freely negotiable. In order to calibrate the requirements with the Consolidated Listing Directive, it is proposed to include the exemptions provided by that directive as options for member states also in relation to all regulated markets. Additionally for shares, CESR is proposing a requirement of having an adequate free float, an appropriate financial history of the company and the requirement for adequate trading mechanism as explained above.

5. On money-market instruments the proposal is quite general and limited only to those money market instruments which have an initial maturity less than 12 months (meaning that they are not covered by the Prospectus directive). The current proposal is supported by the majority of CESR members. Others think that an advice for money market instruments should include a proposal related not only to the structure of the instrument but also to adequate financial information on the issuer or guarantor of the instruments as information on the issuer or guarantor is critical in forming a judgement on the risks attached to the instrument and in its pricing.

6. Proposal for units in collective investment undertakings covers both open end funds and closed end funds. They cover the units regardless whether according to national legislation they would be considered as "units" or "shares". For open end funds, the requirement for following the

(1) Article 40 (1) subparagraph 2 of the Directive.

procedures for distribution means that any applicable requirements for authorisation, notification etc. should be followed. It is referring to current requirements and not creating any new requirements for licensing or authorisation. For UCITS it would in practise mean following the notification requirements of the UCITS directive and for non-UCITS any national requirements which exist. Following the majority view of CESR members such requirements are not proposed for closed end funds, because they are covered by the Prospectus Directive and have to follow its provisions. The advice does not preclude the jurisdiction of the RM to impose legally valid national procedures in order for closed end funds to be distributed in that jurisdiction. For both types of funds, there is a requirement for arrangements which are capable of creating a viable market. That can be achieved by several, optional, ways. Finally the proposal contains a proposal which allows investors to have appropriate information on the value of the fund in order to evaluate the prices on a RM. However, some CESR members highlight that there may be broader issues regarding consistency with the UCITS Directive 85/611/EC, as subsequently amended. One important issue is the possible impact of the proposals on the marketing of collective investment undertakings as regulated by the UCITS directive as well as on the definitions concerning eligible assets for UCITS, including the investment of UCITS in closed end funds. Another important issue for those CESR members is the great diversity of closed end funds that are currently admitted to trading in regulated markets in Member States and the fact that under the term "closed end fund" there are many kinds of funds with considerably varying degrees of liquidity, transparency and valuation information. These issues and especially the interpretation of what is a viable market may prove problematic. CESR notes that the requirements for the admission to trading of units issued by collective investment schemes are preliminary. The CESR Expert Group on Investment Management will elaborate further on the specific admission requirements with respect to the different nature and the specificities of the collective investment scheme which issued the relevant units. When finalising the advice on MiFID CESR will take those views on board together with the responses received during this consultation.

7. For bonds no additional level 2 advice is proposed over and above the general requirements for transferable securities. Consideration was given to the inclusion of a requirement, similar to that for shares (and "other securities") that RMs satisfy themselves that there is sufficient liquidity to ensure fair, orderly and efficient trading. However such a requirement was not felt appropriate for bonds by the majority of CESR members as it could potentially make it difficult for RMs to admit bonds on trading. This is because, unlike shares, bonds are often narrowly distributed in the primary market and the vast majority do not have, nor appropriate to have, an active secondary market. Regarding bonds CESR members have different views. Keeping in mind that the proposal concentrates on the instrument, majority of CESR members is of the view that instrument specific proposals are not needed in addition to level 1 and joint requirements for transferable securities in this proposal. Operation and price formation of bond markets differ from shares which does not support inclusion of same type requirements as for shares. The different view from other CESR members is that, as for all financial instruments admitted to trading on a regulated market, the characteristics of the bond issue should potentially allow for an effective secondary market and question the admission to trading of instruments without any intention of trading them. They would therefore support the inclusion of an advice in the consultation paper under which a RM would have to satisfy itself that the characteristics of the issue and the arrangements for trading are capable of likely to creating a sufficient market that allow for the fair and efficient pricing of the instrument. This could include for instance that the amount of the issue, number of bonds, and the breadth of distribution should be sufficient or that there should be an adequate market making arrangements.

8. The information on initial disclosure obligations can be obtained by the RM from the issuer in different ways. For example, in some Member States it is a common practice for competent authorities to issue a separate certificate (or a non-action letter) and the RM should therefore require that the issuer provides a copy of this document. In other Member States where no such certificate is issued by the competent authority, the RM should ask the issuer to provide documented written confirmation or an external legal opinion that the conditions for exemption have been met.

9. The TOD requires the issuer or the person who has applied for admission to trading on an RM without the issuer's consent to disclose regulated information to the public in a manner that ensures fast access to such information on a non-discriminatory basis. Further, an issuer must make this information available to the officially appointed mechanism chosen by the home Member State of the issuer for the central storage of regulated information. The issuer or person applying for admission to trading also has to use such media as may reasonably be relied upon for the effective dissemination of information to the public throughout the European Union.

10. The requirement in MiFID (which was drafted in parallel to the drafting of the TOD) covers only exchange members or participants whereas the scope of TOD extends to the public at large. It makes sense therefore that the arrangements of RMs would not need to duplicate the mechanisms for providing access to regulated information established under the TOD.

11. However, information published on the basis of the Prospectus directive will not be covered by the arrangements for the dissemination and storage of information provided for under the TOD and therefore a requirement to provide information on the publication of new prospectuses has been included. The method by which RMs should provide this information is not specified. RMs may therefore comply with this requirement, for example by releasing the information through their websites or through their trading systems.

Draft level 2 advice

Definitions

12. In addition to the definitions in the first consultation document the following definition is proposed:

"Units of collective investment undertaking" shall refer to such units regardless whether they are treated in the national legislation as "units" or "shares"

Requirements for instruments to be admitted to trading on a regulated market

13. Requirements for Transferable securities (Annex I, Section C, (1)):

Transferable securities should be considered freely negotiable when they can be traded between the parties to the transaction, and subsequently transferred without restriction. In parallel with this, all shares within a class should be fungible.

Additionally Member States may choose to consider shares which may be acquired only subject to approval, freely negotiable only if the use of the approval clause does not disturb the market.

Member States may choose to consider securities that are not fully paid as freely negotiable if arrangements have been made to ensure that the negotiability of such securities is not restricted and that dealing is made open and proper by providing the public with all appropriate information.

- Additional requirements for "shares" (in the meaning of art 4 (18) (a))

  There should be sufficient number shares in public hands ("free float") to maintain a viable market. In assessing the adequacy of the free float in any class of shares it is proposing to admit, a regulated market should take into account both the breadth of the distribution among public shareholders and the number of shares issued.

  There should be appropriate level of historical financial information available of the company. This requirement may be waived where there are satisfactory information and/or other arrangements on the market for the fair, orderly and efficient trading of the shares of such companies.

  The intended trading mechanism for shares should facilitate fair, orderly and efficient trading taking into account especially the expected trading activity.

- Additional requirements for bonds and other securitised debt instruments (in the meaning of art 4 (18) (b))

  No level 2 proposals are needed.

- Additional requirements for other securities (in the meaning of art 4 (18) (c))

  a. The intended trading mechanism for the securities should facilitate fair, orderly and efficient trading taking into account especially the expected trading activity.
  b. The terms of the security should be unambiguous and allow for a correlation between the price of the security and the price of the underlying asset (or the value measure of the underlying factor);
  c. The price (or other value measure) of the underlying can be considered reliable and is publicly available;
  d. There is sufficient information typically needed to value the security;
  e. The arrangements for determining the settlement price of the contract should ensure

that the price properly reflects the price (or other value) of the underlying asset (or factor) and minimises the potential for manipulation or distortion;

f. Where the security requires the delivery of an underlying asset rather than cash settlement:
   i. there shall be adequate settlement and delivery procedures for the underlying asset;
   ii. there are adequate arrangements to obtain relevant information about the underlying asset (e.g. in the case of commodities the quality grade).

14. Requirements for Money-market instruments

There should be adequate information available of the terms of the instrument when money market instruments with an initial maturity less than 12 months are admitted to trading.

15. Units in collective investment undertakings[1]

When admitting the units of an open end fund to trading the RM should satisfy itself that:

- the collective investment scheme has followed the necessary procedures of the jurisdiction of the RM in order to be distributed in that jurisdiction;

- the arrangements for trading are capable of creating a viable market. When considering the arrangements, at least the following possibilities could be used: There is adequate breadth of distribution and the number of units is sufficient or there are necessary market making arrangements or the management company of the scheme will provide alternative arrangements for investors to redeem the units;

- the value of the units is sufficiently transparent to investors, either by publication of information of its investment strategy and/or by the periodic publication of net asset value.

When admitting the units of a closed end funs to trading, the RM should satisfy itself that:

- the trading arrangements for trading are capable of creating a viable market. The same arrangements as for open end funds should be considered valid (when applicable);

- the value of the units is sufficiently transparent to investors, either by publication of information of its investment strategy and/or by the periodic publication of net asset value.

16. Requirements for derivatives (points 5-10 of section C of the Annex 1)

a. The terms of the derivative contract should be unambiguous and allow for a correlation between the price of the derivative and the price of the underlying asset (or the value measure of the underlying factor);
b. The price (or other value measure) of the underlying should be considered reliable and be publicly available. However, in cases where a regulated market admits derivatives, notably commodity derivatives (Section C 5, 6, 7 and 10) of Annex I to MiFID, to trading, and the derivative contract is likely to assist in price discovery for the underlying due to the price (or other value measure) of the underlying not being publicly available, the regulated market should ensure that it has in place appropriate supervisory arrangements for monitoring of trading and settlement in such derivatives, and that contract terms and conditions ensure proper settlement and delivery, whether physical delivery or by cash settlement;

[1] The requirements for the admission to trading of units issued by collective investment schemes are preliminary. The CESR Expert Group on Investment Management will elaborate further on the specific admission requirements with respect to the different nature and the specificities of the collective investment scheme which issued the relevant units. When finalising the advice on MiFID CESR will take those views on board together with responses received during this consultation.

c. There is sufficient information typically needed to value the derivative;
d. The arrangements for determining the settlement price of the contract should ensure that the price properly reflects the price (or other value) of the underlying asset (or factor) and minimises the potential for manipulation or distortion;
e. Where the derivative requires the delivery of an underlying asset rather than cash settlement:
    i. there shall be adequate settlement and delivery procedures for the underlying asset;
    ii. there are adequate arrangements to obtain relevant information about the underlying asset (e.g. in case of commodities, the quality grade).

RM's obligation to verify issuer's compliance with disclosure obligations

Initial disclosure obligations

17. The admission of financial instruments to trading on a RM shall be subject to the verification by the RM that a competent authority has approved the prospectus or, where required on the basis of article 18 of the Prospectus Directive, notified the competent authority of the host Member State of the issuer on the approval of the prospectus and that the prospectus has been published.

    If there is no obligation to prepare a prospectus on the basis of Article 4(2) of the Prospectus Directive, the RM shall seek confirmation from the issuer or the person applying for the admission to trading without the consent of the issuer that the exemption applies.

18. The rules and/or procedures adopted by the RM shall clearly state the processes it adopts to satisfy itself of issuers' compliance with their initial disclosure obligations together with any contractual arrangements with the issuer or the person applying for the admission of financial instruments to trading without the consent of the issuer.

Ongoing and ad hoc disclosure obligations

19. The rules and/or procedures adopted by the RM shall clearly state the processes it adopts to satisfy itself of issuers' compliance with their ongoing and ad hoc disclosure obligations including any information sharing mechanisms with the relevant competent authority of the home Member State of the issuer as determined under the Transparency directive.

RM's obligation to facilitate flow of information

20. CESR proposes that, in respect of information disclosed on the basis of the MAD and TOD, the provisions in these directives and the subsequent implementing measures, together with the level 1 provisions of the MiFID, are sufficient and no additional level 2 provisions are proposed.

21. In respect of information published on the basis of the Prospectus Directive, the RM should without undue delay inform members and participants whenever a new prospectus related to the admission on that market is published and where it can be obtained.

Questions

Q1: Do consultees support the revised structure of admission requirements? If not, what would be the preferred alternative?

Q2: Is there a need for more information on the issuers of money market instruments

Q3: 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?

Q4: Do consultees see future evolvement for admitting money market instruments with maturity less than 12 months to trading on regulated markets?

Q 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?

Q 6: Are the modified proposals for derivatives appropriate? If not, what further modifications do you suggest?

Q 7: Are the proposals for open and closed ended investment funds appropriate? If not, how should they be modified?

Q8: Do consultees agree with the content of proposals? If no, what specific changes or alternatives do you suggest?