

The CNMV's Consultative Panel has been set by the Spanish Securities Market Law as the consultative body of the CNMV. This Panel is composed by market participants (members of secondary markets, issuers, retail investors, intermediaries, the collective investment industry, etc) and its opinions are independent from those of the CNMV.

The Consultative Panel of the Comisión Nacional del Mercado de Valores is grateful to the CESR for the opportunity to give its opinions and viewpoints about the current situation of the corporate bond markets, particularly in connection with the status of those markets in the current economic situation.

Attached is a document offering the Consultative Panel's view and answering the questions raised in the consultation paper CESR/08-1014: Transparency of corporate bond, structured finance product and credit derivatives markets.

We are at your disposal to expand upon our answers to those questions.

Yours,

**Transparency of corporate bond, structured finance product
and credit derivatives markets.**

Consultation Paper.

19 December 2008.

INTRODUCTION.

The Consultative Panel of the National Securities Market Commission is the Commission's advisory body. The Consultative Panel consists of representatives of market members in the official secondary markets, securities issuers, investors and bodies with powers in the area of the securities markets.

The Consultative Panel of the National Securities Market Commission participated actively in the previous consultation process conducted by the European Commission and CESR by responding to the questionnaires they issued in 2006 and 2007.

In those responses, the main arguments proposed by the Committee in favour of supporting an extension of the pre- and post-trading transparency requirements were as follows.

The lack of high transparency standards in markets in fixed-income instruments lead to the following inefficiencies:

- Mismatches between prices applied in purchase and sale transactions in fixed-income assets.

Given the existing information asymmetries between market participants, since not all of them have the same information about the market, or the same means or channels for accessing the information, and it is not received at all points at the same time, in practice there are differences between the purchase and sale prices of the same fixed-income asset.

Also, while it is hard to find cases or categories of institutional investors where investor protection was compromised by transparency, since those groups have maximal access to information, in the case of small investors the lack of transparency leads to operating inefficiencies and price distortions when trading in fixed-income securities, leading investors of this type to withdraw from this market.

- Low level of retail investment in fixed-income assets

As a result of the differences noted in the preceding paragraph, an additional inefficiency arises in the fixed-income market to the extent that participation by retail investors is not significant.

- Lack of overall statistics for fixed-income markets.

The most evident manifestation of the lack of general information is the fact that there are no overall data bases or statistics of trading volumes or prices in Europe. However, in our experience, cases such as the Spanish fixed-income market (both government and private-sector securities) and the efforts by ISMA in the eurobond market, where trading in fixed-income securities is tracked and supervised continuously, help to mitigate this information deficit.

- Difficulties for the European authorities to supervise the fixed-income markets properly.

The absence of regular, systematic information about fixed-income products and markets is a huge impediment to the task of supervision entrusted to the securities commissions.

This issue has been partly resolved by the transaction reporting obligations imposed by MiFID on investment firms and credit institutions providing investment services in the European Union.

- It is impossible for financial intermediaries to properly comply with the best execution requirement imposed by MiFID for all client orders and all financial products.

Since the amount of information that is openly and freely available at no cost is limited, intermediaries are unable to gauge their degree of compliance with the best execution requirement that applies to client orders. Likewise, they are unable to make an appropriate selection of the trading venues that provide the best execution conditions for such orders with a view to directing orders preferentially towards such venues and including the latter in their best execution policies.

In its response to the current CESR consultation, the Consultative Panel wishes to emphasise the information deficiencies in the fixed-income market (particularly in the present context), the information asymmetries between market participants (and not only between institutional and retail investors at this time), the difficulties in valuing fixed-income securities and the absence of a post-trade transparency system for fixed-income that is harmonised and binding throughout the EU all produce undesired effects in the markets and hamper proper compliance with the obligations imposed by MiFID.

Therefore, in its replies to CESR, the Committee insists that it is advisable to establish a system of post-trade transparency for trading in all fixed-income products.

This Committee also emphasises that the current situation is peculiar since, whereas MiFID requires obligatorily that all trades by credit institutions and investment firms be reported to the market supervisor (transaction reporting), post-trade transparency is not a general requirement except in one Member State which has expressly imposed it. This means that the supervisor is aware of all trades, but the information is not public.

PART I: CORPORATE BONDS.

Q1: Do you believe the situation described above may be symptomatic of a market failure?

Yes.

Although, as set out in the report, the current situation in the credit markets is originally due to excessive leverage and improper risk pricing by certain market participants during the years of the economic boom, we consider that one of the current causes of the dearth of trading in the bond markets is the absence of a solid network of price contributors and the lack of transparency in the market prices of many corporate fixed-income instruments. This deficiency has amplified the pernicious effects of the crisis on the market and deepened the pre-existing information asymmetries in the bond markets.

Q2: Have you perceived a potential asymmetry of information between market participants?

Yes.

The conclusions of CESR's 2007 report on transparency in the corporate bond market already mentioned the existence of information asymmetries between retail and wholesale investors. The financial crisis of 2007 and 2008 contributed to exacerbating those asymmetries, even extending them to another class of institutional investor, namely collective investment institutions, which have experienced great difficulties in valuing the corporate fixed-income assets in their portfolios.

Q3: In your view, what were the key reasons which have led to sharply reduced liquidity in secondary trading of European corporate bonds in 2007?

We consider that the reduction in liquidity in the corporate fixed-income markets in 2007 and 2008 was due to a number of reasons:

- The process of financial deleverage that is taking place worldwide,
- the disappearance, as a result of mergers, bankruptcies, etc., of some leading market participants that had been the main suppliers of prices and references in the bond markets in previous years,
- growing investor mistrust towards the markets in credit risk generally, due to widespread risk aversion, and
- a loss of credibility on the part of research and models for valuing credit risk which, for many investors, acted as proxies for unknown market prices and were used in the past to justify the purchase of positions in the markets on the grounds that their exposure to credit risk was low.

Q4: Do you believe that additional post-trade transparency of European corporate bonds would have helped maintaining liquidity in stressed market conditions? Can you explain why ?

Yes.

At times of stress, the absence of information on trades that actually take place (post-trade transparency) and the uncertainty caused by the impossibility of accurately ascertaining an asset's real value have led certain participants to withdraw their quotes from the market, thus reducing the available liquidity.

Q5: In your view, what were the key reasons for the widening of the bid/offer spreads for European corporate bonds?

The widening of the bid/offer spreads is a typical defensive measure used by market makers to protect themselves in situations of instability. In extreme cases, where it is difficult to maintain wide bid/offer spreads, market makers withdraw all their quotes.

Q6: Do you believe that greater post-trade transparency would have been helpful in limiting the widening of the bid/offer spreads we have observed for European corporate bonds?

We consider that greater transparency would have contributed to enabling certain market participants to form a more accurate idea of the real situation and stay in the markets, thereby contributing liquidity.

Q7: Do you use CDS prices for pricing European corporate cash bonds? If so, what are the key benefits?

As a result of the financial turbulence, the prices of CDSs and cash bonds have been decoupled in recent months, the basis between the cash and derivative price has been very volatile, widening and narrowing sharply (because the risk factors shaping bond and CDS prices are not exactly the same); therefore, in order to use CDS prices as a means of directly gauging bond prices, it is advisable first to conduct a more detailed analysis of market liquidity in each instrument.

Q8: Which methods of bond price valuation do you use in the current market turmoil? Do you think that the CDS market is still a reliable indicator for bond price valuation?

Basically, an analysis of the each bond issuer's individual risk, the securities' liquidity, and mark-to-model systems. The lack of standard, rapidly-accessible post-trade information about the fixed-income markets, plus the collapse of credit risk analysis have greatly hampered the application of valuation models (whose results have varied widely, to judge from the experience revealed by various market participants).

No, as stated earlier, the decoupling of CDS and cash bond prices in recent months makes it inadvisable to use CDS prices as an approach to bond prices.

Q9: The spreads between the CDS and corporate cash bonds have widened significantly in the first quarter of 2008. Did this widening of the spreads make it more difficult to price European

corporate bonds? If so, do you think that additional post-trade transparency of corporate bond prices would have helped you to price European corporate bonds? How do you assess the situation since mid-September 2008?

Yes, the widening basis between bond and CDS prices has made it more difficult to use valuation models to price bonds. Greater post-transparency would assist in properly valuing European corporate bonds.

Q10: Do you expect that the relationship between the CDS market and the cash bonds market will return to what has been observed historically once market conditions stabilise? If not, can you please articulate the reasons?

It is possible, but the crisis has revealed that they are not a reliable valuation indicator since the relationship between CDS and bond prices is unstable at times of crisis because they are affected by different risk factors.

Q11: Have you experienced difficulties in valuing corporate bond holdings? If so, what were the main reasons?

Yes.

The lack of price information for certain financial instruments and the lack of systematic information that would enable the prices of similar instruments to be used to gauge the prices of other instruments have amplified the negative effects and made it more difficult for investors to value their portfolios.

Q12: Would additional post-trade trade transparency in distressed market conditions help valuation?

Yes. In the current market situation, any additional information would help valuation.

Q13: Do you agree with the potential benefits and drawbacks described above? Please provide evidence supporting your opinion. Please explain how the potential drawbacks might be mitigated.

Yes, particularly with the statement that enhancing post-trade transparency would enable European investors to benefit from the ability to verify the execution data they obtain.

Also, in connection with the comment arising from the problems created by lack of information with regard to complying with MiFID obligations (as already stated in response to CESR's 2007 consultation, the absence of generalised post-trade transparency obligations for the corporate bond markets means that decisions as to entering orders and choosing venues cannot be based on execution prices; additionally, it is impossible to review the execution conditions applied by different trading venues in order to verify that best execution principles were actually applied.

Q14: Are there other main benefits or drawbacks of increased post-trade transparency in the bond markets which CESR needs to consider?

No

Q15: What are your personal experiences with TRACE? Please specify whether you are directly trading in the US corporate bond markets on the buy or sell side.

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The Consultative Panel, as such, does not trade in the securities markets.

Q16: Do you see other benefits or drawbacks of the introduction of a TRACE-like post-trade transparency regime for OTC trades in corporate bonds in Europe?

Numerous studies conducted since the introduction of TRACE in the US bond market conclude that:

1.- Greater transparency in the bond markets reduces transaction costs by 20%-50% depending on the study and the size of the transactions that are considered.¹

2.- Greater transparency increases bond market liquidity (through greater trading volume and through bid/offer spreads) by reducing both transaction costs and information asymmetries, thus benefiting less sophisticated investors².

3.- Greater transparency intensifies competition between dealers and drives innovation in the markets. (through the creation of new products and trading tools)³

4.- Enhancing transparency is not a zero-sum game by any means. Although it has a greater positive impact on the bonds that are considered to be more liquid, it also favours assets considered to be less liquid.⁴

1 Bessembinder, Maxwell and Ventarataman (2005) "Market Transparency, Liquidity Externalities, and Institutional Trading Costs in Corporate Bonds"

2 Bessembinder, Maxwell and Venkataraman (2005) "Market Transparency, Liquidity Externalities, and Institutional Trading Costs in Corporate Bonds" and Goldstein, Hotchkiss and Sirri (2005) "Transparency and Liquidity: A Controlled Experiment on Corporate Bonds,"

3 Edwards, Nimalendran and Piwowar (2006) "Corporate Bond Market Transparency: Liquidity Concentration, Informational Efficiency, and Competition"; Laganá, Perina, Köppen-Mertes and Persaud (2006) "Implications for Liquidity from Innovation and Transparency in the European Corporate Bond Market"

4 Edwards, Nimalendran and Piwowar (2006) "Corporate Bond Market Transparency: Liquidity Concentration, Informational Efficiency, and Competition"

Q17: Are you of the view that the more notable volume declines experienced for 144a securities, compared to securities which are covered by TRACE, is due to a lack of post-trade information? Please provide a rationale.

Yes, we agree with this view.

Since, in its capacity as the largest non-governmental regulator for all kinds of securities brokers and intermediaries in the United States, the Financial Industry Regulatory Authority (FINRA) has extensive real structured information on the markets, we think it is in a privileged position to analyse the negative effects which the lack of a compulsory transparency framework has had on the US market.

Furthermore, qualified representatives of the US Securities and Exchange Commission (SEC) have also supported increasing post-trade transparency in bond markets and have often underlined the beneficial effects which such measures have had on the US bond market.⁵

Q18: Please provide information on your experience, if any, in terms of timing, content and access to information of the market-led solutions outlined above. What is your assessment of the effectiveness of the present self-regulatory initiatives?

Any initiative aimed at improving the standard of available information and transparency with regard to the corporate bond market is welcome. However, in the case of the two mentioned in the CESR report, in our experience, at least in Spain, the available information is quite limited in terms of the number of bonds whose prices are available via these online data vendors, and, furthermore, the prices quoted sometimes do not match the prices at which the trades are actually closed in the secondary market.

Q19: Please provide comments on the characteristics that market-led initiatives should, in your view, have.

In our view, any initiative to improve transparency and operating conditions in corporate bond markets should be coordinated by the regulator so as to establish a homogeneous framework and equivalent conditions for all bond markets within the European Union.

Moreover, any initiative should not, by definition, rule out the establishment of certain pre-trade transparency conditions in the form of the obligation to conclude trades in those electronic trading systems or MTFs that fulfil certain requirements as regards access, transparency and fairness in processing client orders.

Q20: Do you think that the introduction of additional post-trade information on prices could help restore market confidence and maintain market liquidity in times of future crisis?

⁵ Speech by Chester S. Spatt, Chief Economist and Director of the Office of Economic Analysis, U.S. Securities and Exchange Commission. "An Overview of Bond Market Transparency"
<http://edgar.sec.gov/news/speech/spch010606css.htm>

Yes. We understand that any measure aimed at enhancing transparency in bond markets will help improve investor confidence and, therefore, improve observable liquidity in the market for these products.

Q21: Do you believe that additional post-trade transparency of European corporate bond markets would contribute to liquidity in normal market conditions? Can you please explain why?

Yes. As mentioned earlier, the greater the transparency, the greater the liquidity in the bond market (measured by trading volumes and bid-offer spreads) due to reducing both transaction costs and the information asymmetry in the market, thereby benefiting less sophisticated investors.⁶

Q22: To what extent can corporate bond markets be characterized as wholesale or retail markets? How would you distinguish between wholesale and retail markets? What are the differences across the EU?

In the bonds market there is a major distinction between issues depending whether they are aimed at retail or institutional investors. When an issue is originated, the issuer designs the distribution policy on the basis of the target market segment.

In practice, Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, on the prospectus to be published when securities are offered to the public or admitted to trading, establishes some of the conditions which issues must meet to be considered retail. Specifically, the text defines “qualified investors” and objective aspects, like the nominal unit value of the securities and the number of investors necessary in a public offering for the issue to be considered to be aimed at wholesale or retail investors.

Q23: What would be the benefits and the downsides of a harmonized pan-European transparency regime for: a) the wholesale market; b) the retail market. Please provide arguments and fact-based data on the potential impact.

A harmonized system would avoid the temptation to engage in regulatory arbitrage (that would hamper the efficiency of the measures aimed at boosting transparency).

Q24: Is the reduced reliability of the CDS market as an indicator/proxy for calculating the value/price in the cash market under certain market conditions an issue which calls for more post-trade transparency of cash corporate bonds?

Yes. The financial crisis which began in the summer of 2007 has, in practice, resulted in investors having less information with which to evaluate prices of corporate fixed-income securities. As a proxy of the bonds' value, CDSs have become decoupled from their bonds; therefore, in order to use CDSs as a means of directly valuing bonds, it is advisable firstly to perform a more detailed analysis of the existing liquidity conditions for each kind of

⁶ Goldstein, Hotchkiss and Sirri (2006) "Transparency and Liquidity: A Controlled Experiment on Corporate Bonds,"

instrument and the various risk factors that come into play in the formation of bond and CDS prices.

Q25: Do you think that transparency requirements could help address wider issues such as those relating to accurate valuations?

Yes. Furthermore, as well as improving portfolio valuation issues that have arisen in the last few months, it would be fundamentally useful for assessing the degree of compliance with the best execution requirement as established in MiFID and could help reduce the high levels of volatility observed in bond markets since the crisis began.

Q26: What would be the most cost-effective way of delivering additional transparency an industry-led solution, possibly based on a road map set by regulators, or mandatory regulatory post-trade transparency requirements?

a) the retail market.

b) the wholesale market;

Please, provide a rationale.

We understand that the only way to achieve Europe-wide standardization is by requiring post-trade transparency for all kinds of instruments and/or participants in corporate fixed-income markets.

Our replies to the previous questions evidence the importance of a possible extension of pre- and post-trade transparency requirements in the European bond market, as well as the establishment of a regime consistent with the basic pillars set forth in MiFID.

Any attempt to achieve these basic aspects via self-regulatory solutions will inevitably end in the establishment of country-specific frameworks, which will undermine the general levels of transparency, creating an imbalanced and inefficient environment. It is therefore necessary to implement a common regulatory framework established by the European Commission for all EU member states.

As a result, self-regulation should be used for the national implementation of this common legislation, taking into account the organizational structure of each national market as well as the possibility of introducing stricter standards than those imposed by the common European regulatory framework.

Finally, considering the unequivocal approach to transparency in the equity markets, it is hard to understand why a different solution (such as self-regulation) should be sought for bond markets.

Q27: Which should be in your view the key components of a post-trade transparency framework for corporate bonds? Please provide your view with respect to depth and breadth of information as well as to timeliness of data as described above.

In our view, any post-trade transparency system should meet the following principles:

- Homogeneous; it should consist in a set of standard common rules for all participants in EU bond markets.
- Universality; it should apply to all corporate fixed-income securities within the EU.
- Real time; the information should be made available to investors as soon as possible, and, at all events, as close to real time as is viable.
- Maximum coverage; the information must be accessible electronically.
- Free access; the information must be freely accessible to all investors and market participants.

Q28: Should the information on the volume be reported only below a certain size, what would be the threshold to avoid any risk of market impact?

As a general principle, in order to reap the full benefits of an increase in transparency in bond markets, we think that transparency obligations should be imposed in all segments of the fixed-income market and for all kinds of investors, based on the same principles that MiFID establishes in the regulations governing the transparency framework for equities.

It is true that bond markets may present certain structures or types of investor or transactions that make it advisable to establish a specific transparency model in order to avoid possible detriment deriving from a blanket approach to the entire market.

The regulation established by MiFID in regard to transparency in equity markets recognizes a similar problem and permits a series of specific delays and limits based on the liquidity of the share, the transaction type, the size of the transaction and the characteristics of the trading venue.

Accordingly, we understand that in addition to extending transparency obligations for the bond market, in line with the provisions established by MiFID for equity markets, a series of specific delays and limits should be established for fixed-income assets.

Q29: Would you see some benefits in a step-by-step implementation, starting with the most liquid bonds, as employed when TRACE has been introduced?

Yes. Step-by-step implementation, as employed with TRACE, may help intermediaries to adapt their systems to the new transparency requirements.

PART II: STRUCTURED FINANCE PRODUCTS AND CREDIT DERIVATIVES.

Q30: Does this analysis represent your practical experience regarding information relevant and available for pricing of each of the products covered by this consultation paper?

Yes, as regards the structure and classification of products. Regarding the information available on secondary markets in ABSs, see Q31.

Q31: Are there other sources of information available which you use for pricing and valuation purposes? Can you provide details regarding the respective role of pricing services using proprietary models and consensus pricing services?

In the case of the Spanish securitization market (ABSs, CDOs and ABCPs), for all securities listed in the regulated market managed by AIAF Mercado de Renta Fija, the company governing the market publishes a Price Bulletin every day in which it is possible to consult all relevant data (average price during the session, trading volumes, IRR, etc.) of the transactions executed by the market members in securities listed in the market. This information is freely and openly available on its website, at <http://www.aiaf.es/aiaf/index.home>, together with the relevant financial attributes, and any modifications, e.g. new interest rates, repayment rates, etc. for each of the securitized assets that the market manages.

Furthermore, AIAF Mercado de Renta Fija offers market members and supervisory bodies of the Spanish securities market an electronic information system so that they can access a complete set of tools for analysis, historical databases, prices, etc. for use in their specific processes.

Q32: What do you think are the benefits and/or downsides of a post-trade transparency regime for ABS? Please support your arguments with evidence and explain how the possible downsides could be mitigated.

We see only positive effects in the establishment of a post-trade transparency system for structured products (ABSs, CDOs and ABCPs).

Q33: Do you believe that post-trade transparency would be desirable for all types of ABS? If not, can you explain which types of instruments/tranches (eg. AAA RMBS) should be subject to post-trade transparency?

Yes. We are in favour of establishing a post-trade transparency system for the structured products market (ABSs, CDOs and ABCPs).

When it comes to setting the post-trade transparency conditions of the market, we believe it would not be advisable to establish different systems depending on the rating of the securities (see Q33). At all events, as indicated in Q28, bond markets may have certain market structures and types of investor and transaction that might make it advisable to establish a specific

tailored transparency model to prevent possible detriment deriving from a blanket approach for the entire market.

The regulation established by MiFID in regard to transparency in equity markets recognizes a similar problem and permits a series of specific delays and limits based on the liquidity of the share, the transaction type, the size of the transaction and the characteristics of the trading system.

Q34: Would it be meaningful to segment a post-trade transparency regime between „higher liquidity“ ABS (ie. commoditised products, standardised structures, higher credit quality and homogeneous collateral) from „low liquidity“ ABS (i.e. bespoke products, non-standardised structures, lower credit quality, heterogeneous collateral)? In this case, could you explain what could be considered as low liquidity ABS?

No.

We see no benefit in segmenting between "high liquidity" ABSs and "low liquidity" ABSs.

Q35: What post-trade information should be published? In addition to information about the price at which the transaction was executed, the volume and the time of the transaction, would there be any benefit in publishing information about portfolio composition, asset class, the initial interest (seller or buyer)? Is there any other information which would be relevant?

In our view, the following should be published in connection with trades executed in the secondary market: price, transaction volume, date and time of execution, and the main characteristics of the instrument on which the transaction was executed.

This should also include any standardized information regarding the characteristics of the assets used in the structure, composition of the underlying portfolio, recent performance of the portfolio's key figures, etc. We think this would be very useful for investors to understand and analyse the risks they are taking when acquiring ABSs and structured products. Consequently, it is also highly advisable to establish standards in this connection.

Q36: When should post-trade information be published? Should it be published immediately after a trade has been concluded? Please explain rationale.

As soon as possible, and although ideally it should be available before the end of the session in which the transaction was executed, the deadline should be prior to close of trading on the first business day after the transaction was executed.

This system is viable and completely consistent with the procedure of transaction reporting defined in MiFID, through which investment firms and credit institutions must submit to their supervisory bodies information concerning outright cash or forward trades executed bilaterally with another institution or a third party, or via an electronic trading platform.

Q37: Do you believe that a post-trade transparency regime should or could be implemented in connection with other regulatory interventions at the same time (e.g. relating to the quality of information of the underlying assets, standardisation of reporting)?

We think that any standardized information regarding characteristics of the securities used in the structure, composition of the underlying portfolio, recent performance of the portfolio's key figures would be very useful for investors to understand and analyse the risks they are taking when acquiring the ABSs and, therefore, it would be highly recommendable to establish standards in this connection.

Q38: Would you like to make any other observations relevant for CESR work on the need for post-trade transparency for ABS?

No

Q39: Please indicate whether you represent an organisation which is involved in:

a) originating ABS

b) selling ABS

c) buying ABS

d) providing pricing information on ABS; or

e) rating ABS

None of the above. The Consultative Panel of the National Securities Market Commission is the Commission's advisory body.

Q40: What do you think are the benefits and/or downsides of a post-trade transparency regime for CDOs? Please support your arguments with evidence and explain how the possible downsides could be mitigated.

See Q32.

Q41: Do you believe that post-trade transparency would be desirable for all types of CDOs? If not, can you explain which types of structures/tranches (e.g. cash CDOs vs. synthetic CDOs) should be subject to post-trade transparency?

See Q33.

Q42: Would it be meaningful to segment a post-trade transparency regime between „vanilla“ CDOs (i.e. comparable to the ABS with standardised structures, higher credit quality and homogeneous collateral) from Structured Finance CDOs (i.e. bespoke products, non-standardised structures, lower credit quality, heterogeneous collateral)? In this case, could you explain what could be considered as less “vanilla” CDOs?

We do not see any benefit in segmenting the market by product characteristics.

Q43: To what extent would post-trade transparency be helpful to reduce the bid and ask spread or price dispersion for a particular transaction/instrument?

See Q16 and Q17.

Q44: What post-trade information should be published? In addition to information about the price at which the transaction was executed, the volume and the time of the transaction, would there be any benefit in reporting information about portfolio composition, asset class, the initial interest (seller or buyer)? Is there any other information which would be relevant?

See Q35.

Q45: When should post-trade information be published? Should it be published immediately after a trade has been concluded? Please explain rationale.

See Q36.

Q46: When facing inactive markets, to what extent would a post-trade information regime be applicable? If not, could you detail the rationale for an alternative system when markets are no longer active?

It would be fully applicable. In our view, inasmuch as a post-trade transparency regime establishes a procedure for publishing the transactions that have been executed in the market, then in cases of an inactive market, total or partial absence of trades, the volume of information available on prices and volumes executed in the markets will be lower as a result of the situation of illiquidity, but at all events this absence of references is in itself a valuable indicator for investors in that it sheds light on the liquidity situation of the securities.

Q47: To what extent can observable prices in the secondary market help to test or promote internal valuation models?

In our view, the only way to test the goodness of theoretical internal models used to calculate fair value prices is to compare them with actual quoted prices from the market or, if this information is not available, executed trade prices.

Q48: Do you believe that a post-trade transparency regime should or could be implemented in connection with other regulatory interventions at the same time (e.g. relating to the quality of information of the underlying assets, standardisation of reporting)?

As in previous questions, any measurement that tends to increase and standardize the information available to investors with regard to CDOs is welcome and useful.

Q49: Would you like to make any other observations relevant for CESR work on the need for post-trade transparency for CDOs?

No.

Q50: Please indicate whether you represent an organisation which is involved in:

- a) originating CDOs*
- b) selling CDOs*
- c) buying CDOs*
- d) providing pricing information on CDOs; or*
- e) rating CDOs*

See Q39.

Q51: What do you think are the benefits and/or downsides of a post-trade transparency regime for ABCPs? Please support your arguments with evidence and explain how the possible downsides could be mitigated.

See Q32.

Q52: Do you believe that post-trade transparency would be desirable for all ABCPs, whatever their structures or maturities? If not, can you explain which types of structures should be subject to post-trade transparency?

See Q33.

Q53: What post-trade information should be published?

Price, IRR, and transaction size and date and time.

Q54: Would you like to make any other observations relevant for CESR work on the need for post-trade transparency for European ABCPs?

No.

Q55: Please indicate whether you represent an organisation which is involved in:

- a) originating ABCP*
- b) selling ABCP*
- c) buying ABCP*
- d) providing pricing information on ABCP; or*
- e) rating ABCP*

See Q39.

Q56: What do you think are the benefits and/or downsides of a post-trade transparency regime for CDS? Please support your arguments with evidence and explain how the possible downsides could be mitigated.

We think that the development of post-trade transparency measures for the CDS market would be positive. This post-trade transparency regime should be homogeneous and similar to the regime established in MiFID in regard to the transaction reporting requirement.

We equally welcome the proposal by the European Commission to create a Central Counterparty to settle transactions performed in these products. We think that developing this kind of infrastructure would be an important step forward for the market and would mitigate the risks associated with transactions in CDSs, regardless of the difficulties which may be encountered in implementing it in non-standard products whose valuation is more complex.

Q57: Do you believe that post-trade transparency would be applicable to all types of CDS? If so, can you explain the rationale for which types of CDS (e.g. single name CDS) should be excluded from post-trade transparency?

Yes. The post-trade transparency measures can be applied to all kinds of CDSs.

Q58: What post-trade information should be published? CDS spread, notional amount, reference entity, maturity?

Reference entity, type of underlying risk, CDS premium, notional amount and maturity.

Q59: When should trade information be published? Should it be published immediately after a trade has been concluded? Please explain rationale.

As soon as possible, and although ideally it should be available before the end of the session in which the trade was concluded, the deadline should, at the latest, be close of trading on the first business day after the trade was concluded.

Q60: Do you believe that a post-trade transparency regime should or could be implemented in connection with other regulatory interventions at the same time (e.g. relating to the quality of information on the underlying assets, standardisation of reporting)?

See Q56.

Q61: Would you like to make any other observations relevant for CESR work on the need for post-trade transparency for CDS?

See previous replies.