



CJ/PYB - n° 2190/Div.

Mr. Fabrice Demarigny
Secretary General
Committee of European Securities
Regulators (CESR)
11-13, Avenue de Friedland
75008 Paris

Paris, January 15, 2007

AFG RESPONSE TO CESR CONSULTATION ON THE USE OF REFERENCE DATA STANDARD CODES IN TRANSACTION REPORTING

Dear Mr Demarigny,

The Association Française de la Gestion financière (AFG)¹ welcomes the CESR's consultation on the minimum records that Member States should require from investment firms.

AFG is actively contributing to all discussions and consultations relating to the Markets in Financial Instruments Directive (MiFID).

AFG welcomes the CESR's public consultation on the use of reference data standard codes in transaction reporting and is grateful CESR asks the industry expertise in that field. In addition, though, to this consultation on the very specific issue of the use of reference data standard codes in Transaction Reporting themselves, we would have welcomed a consultation on the transaction reporting requirements especially to discuss on the scope of the transaction reporting obligation, which seems, unfortunately, currently unlikely.

¹ The Association Française de la Gestion financière (AFG)¹ represents the France-based investment management industry, both for collective and discretionary individual portfolio managements. Our members include around 400 management companies and investment companies. They are entrepreneurial or belong to French or foreign banking, insurance or asset management groups. AFG members are managing around 2500 billion euros in the field of investment management (making in particular the French industry the leader in Europe in terms of financial management location for collective investments, with about 1500 billion euros i.e. 22% of all EU investment funds assets under management, wherever the funds are domiciled in the EU) and the second at global level. In the field of collective investment, our industry includes – beside UCITS – the employee savings schemes funds and products such as regulated hedge funds and a significant part of private equity funds. AFG is of course an active member of the European Fund and Asset Management Association (EFAMA).

Concerning the scope of the obligation, according to Article 25(3) of MiFID Level 1, only investment firms which **execute transactions** (in any financial instruments admitted to trading on a **regulated market**) should report such transactions to the competent authorities. Having said that, most of asset management companies **do NOT execute** transactions and **should NOT** therefore be submitted to the transaction reporting obligation.²

However AFG would like to participate in the standardisation reflexion that CESR has initiated and briefly answers to the consultation paper:

A. Do you think that the standards chosen by CESR are the relevant ones?

AFG is supporting standardisation in transaction reporting as long as the use of the standards as recommended by CESR is **free of charge** i.e. does not impose new fees on the market industry. The implementation of the standards might induce structural costs, which are natural. However AFG is strongly against any standards that would justify the perception of new intellectual property fees [we are referring for example to the CUSIP code, whose use is subject to the payment of a licence fee and which is embedded in the ISIN Code. As a consequence, the use of the ISIN Code might induce the payment of a licence fee (to Standard and Poor's) for an indirect link to the CUSIP Code. If this hypothesis was to be right, CESR should not require the use of such standards].

B. What would be the benefit if these standards were also widely used in reporting by the investment firms to the local CESR Member?

The use of international standards within the context of the MiFID implementation is a step towards the creation of a single financial market in Europe.

C. What are the practical implications of the use of the standards for the financial industry?

The standards requested by CESR should be identical to the ones that the industry is currently using. Currently, the asset management companies that AFG is representing do not use the standards used by the other financial firms such as SWIFT (BIC Code, MIC, etc) since these codes are reserved to SWIFT users. Should the asset management companies be subject, in the future, to the use of these standards as a consequence of the development of new activities, they would have to adjust their current database and support substantial costs to do so.

See also our answer to question D.

D. Do you have comment on individual standards?

Overall, most of the standards have been identified as being commonly used in the financial sphere. However, AFG would like to make the following comments on specific standards:

- **ISO 10962 CFI Code:**

This standard is not currently used as an international standard. Therefore it does not seem appropriate to include this standard into the list of standard codes for the exchange of transaction reporting between regulators. In addition, this standard would induce

² On the scope of the transaction reporting obligation and its non-application to asset management companies, we recall the position expressed by our European asset management association, EFAMA, to your Chairman (letter of January 8, 2007).

implementation fees and seems to be redundant with the ISIN code (see. ISIN code ISP 6166)

- **ISO 6166 ISIN Code:**

See our answer to question A.

- **ISO 9362 BIC SWIFT Code:**

In addition to our answer to question C, it is important to note that currently asset management companies cannot obtain a BIC Code unless they are SWIFT users. As non-SWIFT users, they can however obtain a BIC 1 Code³ if they ask for.

Finally, CESR should be aware that the BIC Code can either be an 8 characters code (BIC 8) or an 11 characters code (BIC 11) and should include in its consultation paper which of the two should be used.

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If you wish to discuss the contents of this letter with us, please contact myself at 01 44 94 94 14 (e-mail: p.bollon@afg.asso.fr), Stephane Janin, Head of International Affairs Division, at 01 44 94 94 04, , (e-mail: s.janin@afg.asso.fr), Catherine Jasserand, Deputy Head of International Affairs Division, at 01 44 94 96 58 (e-mail: c.jasserand@afg.asso.fr) or Pierre-Yves Berthon, Head of Infrastructure, Technologies and Providers Division, at 01 44 94 94 11 (e-mail: p.berthon@afg.asso.fr).

Yours sincerely,

(signed)

Pierre Bollon

³ **BIC1**: A bank identifier code composed of 8 or 11 characters identifying an entity not connected to SWIFT. As a result, a BIC1 cannot be used in a SWIFT message header to identify the sender or the receiver of the message. But BIC1s registered by SWIFT and published in the BIC Directory can be used in the text of a SWIFT message to unambiguously identify a third party.