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28 May 2004

Eve Engledow
FSMA secondary legislation consultation responses
Financial Stability and Regulatory Policy Team
Room 4/23
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

“N2+2”: FSMA 2 Year Review – Changes to Secondary Legislation

Thank you for the opportunity to comment on HM Treasury’s consultation paper on the proposals for changes to secondary legislation made under the Financial Services and Markets Act 2000 (“FSMA”). This letter constitutes the London Stock Exchange’s response.

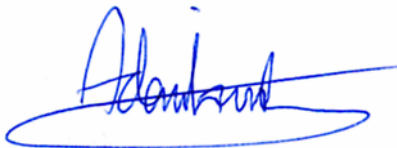
In general, we support the proposals outlined, and have particular interest in the following;

- Pensions – we support the proposals outlined in the consultation to make it easier for employers to promote and provide workplace pensions, whilst recognising that protection of investors should not be compromised. It is vital that it is made easier for people to make appropriate arrangements to provide them with sufficient income in their retirement. Over sustained periods, investment in equities have provided above average returns, sufficient to keep pace with the increased cost of living.
- Directive implementation – we support appropriate amendment to the Regulated Activities Order to incorporate the new regulated activity of operating an MTF (as set out in the Markets in Financial Instruments Directive (MiFID)). We also believe UK legislation should reflect the provision in MiFID for regulated market operators to operate an MTF, without the need for further authorisation. Should we retain the recognised bodies regime for exchanges, we believe this should be permissible under the RIE exemption which covers any regulated activity “carried on as part of the exchange’s business” (S.285 FSMA 2000).

- Financial Promotion Order – the implementation of the Prospectus Directive by July 2005 will result in the repeal of the Public Offer of Securities Regulations and markets subject to these regulations, such as AIM, will then be subject to the Financial Promotions Order. The implications of this for such markets has not been examined in this consultation and warrants further examination.
- Overseas Persons Exclusion – we welcome the Treasury’s efforts to ensure the UK is an attractive place for overseas financial services firms to do business. We would therefore welcome, in principle, a widening of the overseas persons exclusion so that in the future, for example, clearing bodies that want to do business in the UK are not required to seek FSA authorisation.
- OEICs – collective investment schemes are an excellent way of investing in equity and we support the relaxation of the requirements on OEICs which facilitate such investment.

Please do not hesitate to contact me if you wish to discuss any aspect of this letter.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Adam Kinsley', with a large, sweeping underline.

Adam Kinsley
Head of Regulatory Strategy
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