

EMBARGOED UNTIL TUESDAY 21ST MAY 2002

A press release by APCIMS-EASD, FOA, IPMA, ISDA, ISMA, LIBA, and TBMA

**INTERNATIONAL FINANCIAL BODIES FIRMLY REJECT
ATTACK ON "INTERNALISATION"**

A position paper presented to the European Commission

LONDON, May 21, 2002 – Proposals that all orders in securities must be routed to exchanges for execution would protect neither the integrity of the markets nor the interests of investors, argues a position paper to be presented to the European Commission today by a prominent group of international financial associations.

The group's paper, "Innovation, Competition, Diversity, Choice: A European Capital Market for the 21st Century" challenges a proposal from Euronext that in order to preserve and improve the quality of Europe's securities markets, all orders in securities should be routed to exchanges for execution. The paper argues that, while exchanges play an important role, investors also seek to use the services of investment firms in executing orders, and that choice should continue to be available in the marketplace. Any "one size fits all" approach would be catastrophic for the European capital market, says the paper, which claims it would be an impractical and retrogressive move which would fail to reflect today's trading environment.

The paper argues that if Europe adopts the recommendations of Euronext, liquidity will be severely damaged, the majority of investors will receive worse prices and the cost of capital for issuers will rise. The proposals jeopardise the healthy, efficient, innovative securities market in Europe.

According to the paper, if Europe's capital market fails to innovate, there is a real risk that institutional investors will route orders increasingly to the US. For Europe's aspirations in the global economy, this would be fatal.

Sir David Walker, Chairman of the London Investment Banking Association, said: "Although these issues are technical, they have large implications for the European economy. Substantial progress has been made over the past twenty years in the development of efficient and liquid securities markets in Europe, greatly to the advantage of both investors and issuers. This has been achieved in an environment that has fostered innovation and flexibility to meet changing client preferences and needs. It is important that similar dynamism and creativity should continue to drive market developments in the next phase, which will be so critical for Europe. It would be seriously retrograde to cramp this development by restrictive provisions designed to favour any particular channel."

John Langton, Chief Executive and Secretary General of the International Securities Market Association, said: "The creation forty years ago of the Eurobond market, and its evolution into the world's largest market for corporate debt, would not have happened if Europe's exchanges had been able to dictate terms of business to the market. Europe's prosperity

depends on its continuing to encourage innovation in the delivery of financial products and services."

Angela Knight, Chief Executive APCIMS-EASD, said "The customer is best served and best protected by competition that gives him choice. If Europe is to be competitive it must be an open, diverse, and responsive market with exchanges, ATs, ECNs and investment firms sensibly regulated. If exchanges are monopolies they serve to increase their profits to the detriment of the customer."

The paper concludes that markets, and the investors and issuers they serve, can only thrive in an open, competitive system. As part of the debate on the review of the Investment Services Directive, the paper recommends that investment firms, investors, issuers, regulated markets, regulators and legislators should work together to create a capital market fit for the 21st century, able to play its full part in achieving the EU's goal of making Europe the world's leading knowledge-based economy by the end of the decade.

Notes for Editors

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The Association of Private Client Investment Managers and Stockbrokers / European Association of Securities Dealers (APCIMS-EASD) is the Association for the European Securities Industry brought together by the merger in early 2002 of the Association of Private Client Investment Managers and Stockbrokers and the European Association of Securities Dealers. APCIMS-EASD has over 270 members, including stockbrokers who act for the private investor, asset management firms, the larger legal firms and a number of private banks. A further 50 international firms are based in continental Europe, principally Belgium, Netherlands and Germany.

The Futures and Options Association (FOA) is an industry association for firms and institutions carrying on business in futures, options and other derivatives or which use such products in their business. FOA has a diverse membership which includes international banks and financial institutions, commodity trade houses, brokerage houses, fund managers, exchanges and other specialist firms and covers the whole spectrum of financial, metal, "soft" commodity and energy products.

The International Primary Market Association (IPMA) is the trade association for the leading banks and investment banks of the world in their capacity as underwriters and managers of international issues of debt for the public sector and debt and equity for the private sector.

The International Swaps and Derivatives Association (ISDA) is the global trade association representing leading participants in the privately negotiated derivatives industry. ISDA has more than 530 member institutions from 41 countries on six continents. These members include most of the world's major institutions that deal in privately negotiated derivatives, as well as many of the businesses, governmental entities and other end users that rely on over-the-counter derivatives to manage efficiently the financial market risks inherent in their core economic activities.

The International Securities Market Association (ISMA) is the self-regulatory organisation and trade association for the international securities market. For over 500 Member firms in almost 50 countries worldwide, ISMA oversees the effective functioning of the market through the implementation and enforcement of a self-regulatory code covering trading, settlement, and good market practice.

The London Investment Banking Association (LIBA) is the trade association which represents some 50 major European and international investment banks which base their European operations in London.

The Bond Market Association (TBMA) is an international trade association representing the largest securities markets the world, with approximately 200 securities firms and banks active in the global fixed income markets. As the industry's voice, the Association speaks for the bond industry, advocating its positions and representing its interests worldwide. The Association's European interests are represented through its European Office in London. More information can be obtained from our website at www.bondmarkets.com.

The European Commission is currently undertaking a consultation on the review of the 1993 Investment Services Directive, which sets out the framework of European legislation for investment services.

Euronext, a major European stock exchange, published its attack on 'internalisation' in its paper "Internalisation" earlier this year.