

Committee of European Securities Regulators (“CESR”)
11-13 Avenue Friedland
75008 Paris
France

14 December 2009

Dear Sirs,

Response submission from ICMA ECP Committee:

Re: CESR Consultation Paper - “A common definition of European money market funds”

On behalf of the Euro Commercial Paper (“ECP”) Committee of the International Capital Market Association (“ICMA”), the purpose of this letter is to provide feedback concerning certain specific aspects of the CESR consultation paper - “A common definition of European money market funds”.

The ECP market is a professional short-term debt market which offers opportunities for issuers to raise working capital and other short-term funding as well as for institutional investors to make varied and reliable short-term investments. ICMA’s ECP Committee represents the main dealers in the ECP market.

There is much in this consultation paper with which we agree, including that it is helpful to establish a common EU definition of money market funds. There are however two specific points relating to the detail of the proposed definition that the ICMA ECP Committee wishes to highlight.

1. *Asset-backed commercial paper (ABCP):*

We strongly object to Option 4B (page 8) - “Not invest in....asset-backed commercial papers.”

ABCP has been a traditional tool for financing bank client assets. ABCP conduits have a limited purpose and clearly defined rules as to the type, concentration, and credit quality of assets purchased. Traditional ABCP conduits benefit from 100% bank backstop liquidity, which serves as a fall back if the conduit does not roll over maturing commercial paper. ABCP conduits can also benefit from varying forms of credit protection including asset specific support/insurance, program wide enhancement, and over-collateralisation.

To the best of our knowledge, it remains true that no investor has suffered defaulted ECP or US traditional (client assets & fully backstopped) asset backed commercial paper. During the international financial crisis, defaults came from Structured Investment Vehicles (“SIVs”), which did not have 100% backstops. SIVs relied on the sale of assets to repay non-rolling commercial paper, which was not possible in distressed markets. SIVs are a different product, which is no longer marketed.

European ABCP outstandings have fallen by 80% as riskier structures have disappeared, and investment is concentrated amongst the largest and most sophisticated investors who have the credit resources to understand and analyse structures and credit.

Traditional ABCP conduits have an important role to play in real economy financing. Banks use conduits to finance customer receivables, loans, and other assets across a wide range of industries.

ABCP conduits have distinct advantages for both investors and issuers. Unlike with a bank, strategy and purpose are strictly defined. Type, diversification, and concentration of assets can be analysed through investor pool reports in ways not possible when assessing an entire bank. ABCP conduits allow bank to offer an alternative, secured financing option to investors. Conduit sponsors are often required to obtain pre-approval from rating agencies before adding assets, providing a useful additional check and protection. Finally, conduit client financing is generally on a “cost of funds basis” (client charges are based on the ABCP rate), which reduces risk.

2. *Extendible/Puttable Notes:*

The consultation paper discussed limiting short term money market funds investment in securities to those with a legal maturity of less than 397 days. This would exclude extendible/puttable notes with longer legal maturities. If the option to extend or put back to the issuer is solely and irrevocably that of the investor; and so long as it is the case that ownership periods prior to optionality satisfy the agreed term limit, whilst accepted WAMs are maintained, notes with longer legal maturities should be permitted investments. To do otherwise would unnecessarily limit fund investment alternatives.

The ICMA ECP Committee believes that investor interests are best served if they have the widest possible access to assets with appropriate risk profiles. Limiting choices can mean less diversification, more concentration, fewer yield opportunities, and more risk.

Should you have any questions, please contact David Hiscock in the first instance.

Yours faithfully,

David Hiscock

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