1) Definition of 'Fair and Effective':
   a) We agree with the view of 'Effective' characteristics including the need to enable investment, funding and risk transfer.
   b) However, while we would always like to see 'competitive prices' that reflect our axes, the most important thing is that prices are actually a fair reflection of where the marginal buyer and marginal seller can (and want to) transfer risk.
   c) The list of 'Fair' characteristics also seem reasonable: Clear standards of market practice, Transparency, Open access, Competition on the basis of merit, Integrity. The specification of the details of these will be critical and many of the comments below reflect that.
2) Themes driving FICC market abuses:
   a) Recent FICC Market abuse is driven by benchmarks and standards of market practice but indirectly by competition and incentives. Why? Dealers have not been forced to transact at their indicative levels, or lend at their LIBOR submission rates. If dealers are required to do so, a more accurate reflection of reality may be achieved, i.e., dealers are required to stand behind prices, which, otherwise, might provide them with profits from a benchmark business or similar.
   b) The credit market is in transition from a voice-broked /dealer-driven market to a model that is more similar to the equity market; we believe this is a universally good thing.
   c) Historically the price for dealer control was that they provided liquidity, this is no longer the case. This potentially leads to more instances of misleading pricing which may have the intention of moving an illiquid market.
   d) This is possible, particularly in credit, due to the illiquid / idiosyncratic nature of many instruments, which we do not think can or should be changed (see response to question 6).
3) Digital / barrier options:
   a) We consider that counterparties should be able to hedge barriers.
   b) However, they should not disclose their existence to other market participants. Surveillance should focus on identifying and stopping any practice of 'Taking out barriers'.
   c) It is very hard to distinguish between hedging and 'defending' such options as the closer the option gets to expiry, the greeks become volatile around both the barrier and expiry itself.
   d) Either everyone should know or just those party to the contract.
4) Deficiencies in specific FICC markets:
   a) We believe that the market microstructure in credit is broken.
   b) We believe that this is caused by regulatory requirements and considerations governing banks holdings of very liquid securities, the penalties charged to dealers for holding on to credit positions for prolonged periods of time, the pressure for yield and asset-liability matching felt by insurance companies, the difficulties for non-dealers in shorting securities, the instability of the credit markets has increased markedly. It is not clear to us that risk is in the ideal hands as there is likely to be a significant liquidity mismatch between the underlying instruments, their trading characteristics, and the liquidity terms of some funds that hold them.
   c) In addition, in the UK, while we understand some of the motivations driving the restriction of sale of AT1 bank capital securities to retail investors, this does create some problems for HNWIs being able to trade these instruments and for them to contribute to capital provision and

market liquidity. Given that retail investors are able to invest in bank equities, this does seem misaligned.

5) Electronic market structure / barriers to transparent market structure:
   a) Regulated dealers should be required to utilise an electronic forum; the greater concentration of liquidity and market participants the better.
   b) Some dealers are dragging their feet as they still seek to control markets and pricing without taking risk.
   c) A number of platforms are dealer sponsored and, as a result, they are reticent about rolling out proper all-to-all connectivity.
   d) We would like to market our axes and have anyone trade with us, be they dealer or client.
   e) Typically the stronger dealers are most resistant as they fear they have most to lose from going electronic.
   f) Electronic exchanges will make surveillance much easier, and should reduce the potential for market manipulation and misleading pricing.
   g) There should be a TRACE system in Europe.
6) Standardisation of corporate bond / fixed income product issuance:
   a) We do not think this is workable.
   b) While governments can 'tap' existing securities to maintain their curves, companies have different needs from governments and from each other and regulators demand different structures of capital and funding instruments which change over time.
   c) While we do not think this is necessary, for example, the market in Europe for bank capital securities has benefitted from EBA guidance on acceptable terms which has limited the range of variation between issuers. Nevertheless, this is a particular niche market and the differing needs of issuers should be recognised as a driver of non-standardisation.
   d) This is far more relevant in CDS markets.
7) Change to new issue process for bonds:
   a) Top 10 allocations should be disclosed.
   b) Our view is that an auction process would not be a good idea. Partly as a result of the idiosyncrasies of the corporate bond / fixed income products mentioned in response to question 6, there needs to be an incentive to help dealers / issuers price, structure and underwrite deals.
   c) Perhaps a two tier system would work with those investors who were wall-crossed getting allocated on a subjective basis, while everyone else goes into an auction. The auction process would help to put a limit on inflated orders which are a major problem.
8) No comment
9) No comment
10) No comment
11) FICC market areas requiring regulatory measures or internationally co-ordinated action
   a) An additional issue in CDS markets is that currently contracts in Financial CDS don't reference the issuing entities. As a result, they will become less useful as time goes on and not support issuance volumes for capital or funding securities. However, market participants don't want to trade new contracts as they have a back book they want to keep liquid.