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The Honorable Christopher Cox, Chairman
The Honorable Paul S. Atkins, Commissioner
The Honorable Kathleen L. Casey, Commissioner
U.S. Securities and Exchange Commission (SEC)
100 F Street, N.E.
Washington, DC 20549-0213

Brussels, June 3, 2008

Dear Chairman Cox,
Dear Commissioner Atkins,
Dear Commissioner Casey,

Re: US Access to Foreign Exchanges - Mutual Recognition on the Basis of Substituted Compliance and the Revision of Exchange Act Rule 15a-6

I am writing to you on behalf of the Federation of European Securities Exchanges (FESE), which represents the European exchanges in equities, fixed income and derivatives, in order to draw your attention to important issues that could arise from the current proposals to allow access to U.S. investors by non-U.S. broker-dealers and exchanges.

Over the last year, both FESE and its members have expressed strong support for the SEC's efforts to establish mutual recognition, which we see as a promising path to the creation of a competitive, efficient, and well-supervised transatlantic marketplace. Our members' positive experience with direct membership by U.S. broker-dealers in other U.S. regulated markets reinforces our belief that the U.S. financial sector subject to SEC jurisdiction would tangibly benefit from the increased competition and greater access to diverse and high quality investment opportunities offered on Europe's exchanges.

We also understand, in light of unofficial public remarks made by the Commissioners and Commission staff, that the Commission intends to propose to amend the requirements on foreign broker-dealers' solicitation of institutional investors, including the elimination of the chaperoning requirement. FESE welcomes such a modernization of Exchange Act Rule 15a-6, which will enhance the efficiency of wholesale transatlantic business and benefit both investors and industry.

Although the proposed reforms are in principle welcome, we would like to draw your attention to two issues.

We are concerned that the reform of Rule 15a-6 - if not coupled with similarly liberalized access to foreign exchanges via U.S. broker-dealers - would inadvertently create a regulatory anomaly. The modernized 15a-6 would allow an expanded class of U.S. investors to be solicited by foreign broker-dealers, who would have market access to European exchanges while SEC-regulated U.S. broker-dealers would not be permitted to have such direct market access. This differential treatment does not appear justified since both types of access raise similar regulatory issues and can be addressed by similar measures.

Moreover, we ask the Commission to ensure that this proposed reform does not favor increased internalization or lead to the diversion of business away from the regulated markets of Europe. As you are certainly aware, an

important feature of the EU's Markets in Financial Instruments Directive is its creation of a level playing field among competing trading venues. Safeguarding the liquidity, transparency and efficiency of the secondary markets in Europe by providing equal opportunities to all trading venues would seem to us to be in the best interest of the U.S. institutional investors, which account for a large share of EU trading volumes.

Furthermore, some of our members which have presence on both sides of the Atlantic also have a concern relating to the conditions for competition between U.S. and foreign exchanges. We are concerned that the sustainable and lasting benefits of any transatlantic securities market could also be undermined if a level playing field between U.S. and EU markets - in particular in terms of their ability to bring forward new products or services - were not available. We understand that the SEC has already heard from one of our members on this issue.[1] We encourage the SEC to consider allowing a shift from the current exchange rule filing process towards an *a posteriori* control of rule-making to facilitate a genuinely competitive transatlantic market. This approach has been applied in Europe with good results for the regulators and industry. We encourage this reform to take place as quickly as possible not to delay other parts of the SEC's transatlantic agenda.

We are not suggesting that the revision of Rule 15a-6, which the broker-dealer community has been rightly advocating for so long, should be put on hold. On the contrary, we agree that this important reform should proceed without unnecessary delay. However, taking into account the full range of factors affecting the efficiency of U.S. wholesale investors' access to EU markets, we would like to ask the SEC **to consider liberalizing access to foreign securities exchanges at the same time as and for the same category of investors as contemplated under the modernization of Rule 15a-6 and reforming the exchange rule filing process.** The result would be to give qualified or suitably sophisticated U.S. institutional clients the ability to choose whether to deal with a local (U.S.) intermediary with direct access to an (exempt) foreign exchange, or with a foreign broker-dealer with direct access to a foreign exchange, in fully competitive conditions for broker-dealers and exchanges, with commensurate benefits for the U.S. industry and the U.S. institutional investors.

We furthermore believe that as soon as practicable these short-term reforms should be complemented by mutual recognition for broker-dealers and mutual recognition for exchanges, which would extend to broader categories of investors and ensure conditions for longer term sustainability of cross-border access.

Europe's exchanges are ready to work with the SEC on the speedy execution of such a reform. I look forward to hearing from you and hope that we can cooperate on this exciting prospect which could genuinely improve competitive access to the EU markets for U.S. investors.

Judith Hardt

Secretary General

Cc: Erik Sirri, Ethiopis Tafara (SEC); Charlie McCreevy, Jörgen Holmquist, David Wright (European Commission)

[1] NASDAQ OMX has submitted detailed views to the SEC in a letter dated March 14, 2008.