

Direct line: 020 7066 8328
Local fax: 020 7066 8329
Email: sally.dewar@fsa.gov.uk



The Rt. Hon. The Lord Hoffmann
Chairman
Financial Markets Law Committee
c/o Bank of England
Threadneedle Street
London
EC2R 8AH

9 October 2009

Dear Lord Hoffmann

FMLC ISSUE 140: UNSETTLED OTC CASH EQUITY TRADES

Thank you for your letter of 2 October 2009 enclosing the FMLC paper on unsettled OTC cash equity trades and your offer to discuss its contents further with us.

We agree that the situation you describe, that is when the OTC cash equity trades with an insolvent Lehman Brothers entity became suspended in the CREST system, did indeed cause uncertainty in the financial markets. We welcome the FMLC paper which gives a helpful description of how the OTC cash equity markets operate, a detailed analysis of possible solutions and a recommendation for a way to avoid a repetition of the uncertainty experienced.

We will look to the paper to inform our work following on from the Turner review and our accompanying Discussion Paper published earlier this year and our contribution to continuing work led by HM Treasury on similar matters.

Yours sincerely

Sally Dewar
Managing Director, Risk