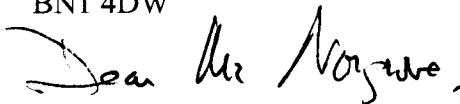


CHAIRMAN – LORD BROWNE-WILKINSON

5 July 2005

David Norgrove
Chair of the Pensions Regulatory Board
Napier House
Trafalgar Place
Brighton
BN1 4DW



Thank you for your letter of 19 May. I am most grateful for your clarification of the matters discussed in my letter of 20 April, which will provide some considerable comfort to those who raised this issue with the Financial Markets Law Committee. In view of your generous permission to circulate, I will be arranging to have the letter published on the FMLC's website (www.fmlc.org).

We note that the Pensions Regulator is hoping to add to the guidance on clearance statements towards the end of July and I take your reference to this to mean that the revised guidance is likely to include something specific on the points addressed. In the view of the FMLC, it would be most helpful if the events in question could be treated as automatically cleared, without the need for an application, whether in the guidance or by some other means. In our opinion, this would provide greater certainty and help to avoid unnecessary applications. We would be grateful if you would let us know whether this may be possible. In any event, would you kindly consider providing the FMLC with an opportunity to see any part of the proposed guidance which may relate to the specific point addressed in our earlier letter and to submit comments?

In addition, we would be grateful for the opportunity to discuss with your office further issues arising in relation to the practical operation of the "moral hazard" provisions of the guidance and their effect on the wholesale financial markets. If possible, it would be preferable to discuss any issues identified before the guidance is issued, but we would be keen to meet with members of your team in any event.

One particular such issue relates to guidance for security holders at the earliest possible stage, ie when they are considering taking security over shares. In the light of its remit to secure greater legal certainty in the framework of the wholesale financial markets, the FMLC favours guidance that would allow lenders to assess at the outset their exposure to the risk of a contribution notice or financial support direction being issued in the event of their subsequently exercising control over the shares.

Finally, we would be grateful if you could confirm that a lender who may be considering taking steps to exercise actual control over shares will be able to apply for a clearance statement. I understand that this is not specifically covered by the current guidance as it would not by itself constitute the type of event for which clearance would normally be expected to be sought. If appropriate, it would be helpful if this point could also be covered in the guidance.



Nicolas Browne-Wilkinson