

Mr James Meyrick
The Association of British Insurers
51 Gresham Street
London
EC2V 7HQ

08 May 2009

Dear Mr Meyrick,

Response submission from ICMA ECP Committee:

Re: ABI Money Market Sector Review - "Proposal to create a new ABI Life and Pension sector for money market funds that target capital stability"

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 the Commercial Paper aspects of the ABI Money Market Sector Review - "Proposal to create a new ABI Life and Pension sector for money market funds that target capital stability".

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.

We are pleased to note the inclusion of Commercial Paper ("CP") as a permitted instrument for this proposed new money market sector and strongly endorse this position.

Further, with specific reference to Question 5, we also believe that Asset Backed Commercial Paper ("ABCP") should not be excluded as a permitted type of CP.

ABCP has been a traditional tool for financing banking assets. ABCP conduits have a limited purpose and clearly defined rules as to the type, concentration, and credit quality of assets purchased. As such, ABCP conduits can be analysed – perhaps more easily than entire banks – through monthly reports, rating agencies materials, and direct communication with the sponsor. Unlike with a bank or corporate issuer, there is no "event risk" in terms of merger or change in strategy. Generally, ABCP conduits hedge any interest rate or currency exposure.

Traditional ABCP conduits benefit from 100% bank backstop liquidity, which serves as a fall back if the conduit does not roll over maturing CP. 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 defaults on multi-seller Asset Backed ECP or USCP.

Defaults came from Structured Investment Vehicles ("SIVs"), which did not have 100% backstops. SIVs relied on the sale of assets to re-pay non-rolling CP, which was not possible in distressed markets. SIVs are a different product, which is no longer marketed.

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 sincerely,

David Hiscock

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CC : ICMA ECP Committee