

27th May 2004

Mr Jonathan G Katz
Secretary
Securities and Exchange Commission
450 Fifth Avenue NW
Washington DC 20549-0609
USA

Dear Mr Katz

File number S7-13-04 ~ SEC Concept Release 33-8398: Securities Transaction Settlement

IPUG was launched in 1989 by market data professionals. Approximately 100 of London's major investment banks and buy-side firms are now members although firms can be located elsewhere in the UK and abroad. Its goal is to represent the current and future interests of members by forging relationships with industry suppliers including market data vendors, exchanges and consultants. It is now the principal organisation in the UK providing a forum for users of Market Data services on a technical, administrative and strategic level.

As our organisation's brief is towards "market data", there is no specific involvement with securities administration processes. However, as an aside, it seems to us that the definition of T+0, T+1 and T+3 needs some clarification.

With global order books, a cross-border trade initiated in Tokyo at, say 9am local time, could complete execution in New York at 4pm local time whilst still technically qualifying for same day or T+0 settlement. The total elapsed time between initiation and settlement would, however, be 20 hours (13 through time zone difference and 7 locally) and, by now, 5am local time in Tokyo. As Michael Sweeney of Sumitomo pointed out in his May 20th submission, Far Eastern customers will not see a US trade confirmation until they arrive at work on T+1.

It is we feel the latency within the trade process that needs to be addressed. With full automation, human influence need only occur at trade initiation with time to settlement and delivery measurable in minutes. To achieve T+1 (intra-day), there needs to be a move away from batch processing to real-time systems and, if T+1 can work, then T+0 (within minutes) should be achievable with the same technology and software.

One clear benefit of latency removal is the elimination of weekend and public holiday intervals which are currently managed using calendar services. The notorious Friday afternoon trade would settle immediately rather than on the following Monday or even Tuesday should a public holiday occur in either/both of the markets involved.

Why we are writing to this Release is to draw your attention to the use of national instrument identifiers. There are a number of industry bodies currently working upon standards for cross-border execution (RDUG, REDAC, SIA, ISO) where the ISIN and SEDOL international standards, in conjunction with MIC are under consideration.

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We believe that settlement processes, whether domestic or international, should adopt these international numbering systems for any default mandatory field(s). This is already happening in some markets, for example France and Germany where they have adopted ISIN to replace their domestic numbers.

With the US securities providing possibly as much as 60% of all cross-border trades, it will be essential that the US market embraces the ISIN and/or SEDOL in place of the present mandatory requirement for CUSIP if a fully automated T+0 real-time service is to be capable of handling securities from multiple primary markets. For purely domestic transactions, counterparties in the US could retain the option to use CUSIP as their preferred identifier.

There is, at this moment, a debate in progress between ISO and ANNA over licensing of ISINs as some national numbering agencies seek to impose charges on the grounds of IPR (intellectual property rights) for the numbers that they contribute to the international pool. Our preferences are:

- For NNAs to confine cost recovery to their home markets for the servicing of national numbering series,
- For any claims for IPR to be waived in the interests of providing a service which will not adversely impact upon the investment returns from Pension Funds and other pooled investments,
- Wherever viable, for national markets to adopt the ISIN format in preference to their national format and especially for mandatory fields in electronic settlement documentation,
- A simple, reasonably priced ISIN service covering all markets with pricing assessed upon the additional administrative cost of maintaining the ANNA Service Bureau.

Yours sincerely

Martin Wilson

Chairman

IPUG Instrument Licensing Sub-group

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Endnotes:

ISIN: A unifying 12 character format where embedded local identifiers are prefixed with an ISO country code. Administered by the ANNA Service Bureau.

SEDOL: A 7 character alphanumeric international identifier allocated at the Official Place of Listing (OPOL) by London Stock Exchange. New codes are available via internet in near real-time.

MIC: Market Identifier Code maintained by SWIFT.