Dear Emil Paulis,

I write on behalf of Standard Life plc, a major UK FTSE 100 listed company, and its UK regulated subsidiary companies.

I would like to emphasise three key points from the proposed changes to the Markets in Financial Instruments Directive from the point of view of Standard Life Investments (the asset management arm of Standard Life group) and Standard Life Assurance Limited (a provider of long terms savings and investments with operations in the UK, Ireland, Germany and Austria).

On behalf of our customers, our recommendations cover the following 3 areas:

1. Member State Authorised Funds
2. Complex funds and the use of derivatives
3. Pensions

1. Member State Authorised Funds

Standard Life has reviewed the proposed changes to the Markets in Financial Instruments Directive and has identified a particular issue which we believe would have a significant impact on our customers' ability to make savings and investments. Article 25 paragraph 3 allows execution only investment without the need to provide information regarding their knowledge and experience for certain instruments only. The article as currently drafted would not allow investment in collectives which are not UCITS schemes, but that the individual Member State has authorised for purchase by retail investors. Examples of these in the United Kingdom would be Non-UCITS Retail Schemes (NURS) and Investment Trusts. As the Member State has authorised these funds for retail investors, we believe that it would not be the intention of the proposed changes to MIFID to prevent execution only transactions in such products.

Standard Life recommendation:
We propose alternative wording for paragraph 3, in the attachment, which we believe would allow execution only investment in products that are authorised in Member States for sale to retail investors in that Member State.

2. Complex Funds: Use of derivatives

In general we are concerned with the apparent move in legislation that assumes funds that use derivatives are complex. All investments are complex to a certain degree, but the use of derivatives in a fund is not a useful indication as to whether the investment is complex or not. Fund managers may use derivatives to reduce or manage risks or to make investments in a more cost effective manner. Both of these are clearly in customer interests. As an example an Authorised Investment Fund designed to track the UK or European stock market will make use of equity index futures. These are straight forward funds and are not any more complex than investing directly in shares.

Standard Life recommendation:
Rather than putting funds that use derivatives into the complex category it would be more appropriate to legislate ***how*** derivatives are used in funds. We believe that the UCITS Directive provides appropriate requirements for the control and management of funds containing derivatives. Funds managed under the UCITS Directive should not be separated into further classifications for complex and non-complex funds. We propose that the Commission achieves greater consistency of how derivatives are used within funds by extending the UCITS based requirements across EU legislation.

3. UK Pensions Reform

We understand that MIFID will form the basis for a number of new directives in the future. We would have concerns if MIFID was used as the basis for pensions legislation in the future. As you may know Workplace pension law is changing in the UK. From 2012 onwards employers will be required to automatically enrol certain employees into a pension scheme and make contributions on their behalf. This is a major initiative in the UK which we believe will achieve greater private pension provision saving, especially amongst the low and moderate paid workers. Individual employees, if they are eligible, will be automatically enrolled into their employer's pension scheme. Employers must make all of the arrangements and the employee does not have to do anything as they will be automatically enrolled in the pension scheme. Employers will need to enrol employees into a default fund and employees will then be able to choose whether to remain in the scheme or existing fund or choose another fund. The default fund will need to be carefully considered by the employer, their advisor and the firm administrating the pension scheme.

Standard Life recommendation:
If the MIFID II arrangements are extended to cover pensions in the UK then we would need to consider how the auto-enrolment initiative would be impacted. Given the employees are being automatically enrolled into a default fund we would propose that workplace pensions covered by pensions auto-enrolment are exempt. Instead any assessment of the appropriateness of the fund can continue to be considered by the employer/ firm / advisor and not the employee.

If you would like to discuss any of these points please contact [redacted] [redacted]@standardlife.com) or [redacted] ([redacted]@standardlife.com).

Regards

About Standard Life group

Established in 1825, Standard Life is a leading provider of long term savings and investments to around 6 million customers worldwide. Headquartered in Edinburgh, Standard Life has around 9,000 employees internationally.

The Standard Life group includes savings and investments businesses, which operate across its UK, Canadian and European markets; corporate pensions and benefits businesses in the UK and Canada; Standard Life Investments, a global investment manager, which manages assets of over £155bn globally; and Chinese and Indian Joint Venture businesses. At the end of December 2011 the Group had total assets under administration of over £198bn.

We are the leading provider of workplace pension schemes in UK, where we administer group schemes on behalf of more than one million members

At Standard Life we are committed to putting the customer at the heart of our business. We believe that an innovative and competitive business is central to achieving positive outcomes for all our stakeholders. We support a robust regulatory framework that can maintain high standards of customer protection whilst enabling innovation and competition within the industry.

[redacted]

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For more information on Standard Life group, visit our website http://www.standardlife.com/

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