

Beltrae Partners Limited

Submission on CP 38 - Telephone Records and Electronic Communications under the European Communities (Markets in Financial Instruments) Regulations 2007

Thank you for your letter of 29th July inviting submissions from interested parties on the consultation paper regarding recording of telephone conversations.

Our observations are as follows:-

* For those Regulated Firms [like ours] which operate in an entirely non-retail environment , the imposition of recording of conversations would, in our opinion, be inappropriate - any phone conversations that we would have would not ever be offering paid advice as regards acquiring investment product, or solicitations to invest or participate in syndicates, or offering advice as regards buy/sell orders - we think there is a big difference between offering advice to retail clients on the phone for which recording of conversations may have a role, and telephone discussions involving exchange of opinions to persons who are, by definition, eligible counterparties or market professionals, and where decision making is not solely influenced by advice given or received.

* At this point in time, the imposition of recording of telephone conversations for small firms like ours , with no retail presence or ambition, would be extremely expensive and time consuming and a difficult cost to bear

* On the issue of proportionality, I believe to impose such restrictions on small regulated firms with a clean history of compliance which are involved in low risk permission activity, and no retail client facing business, and with appropriate insurance, is disproportionate , and will not serve the purpose that is intended by such obligations.