

Dear Sir/Madam

I am submitting Morgan Stanley's comments on Paul Thornton's Consultation Paper. We understand the logic for bringing TPR and the PPF closer together. However we question whether the timing is right. Both bodies appear to have had good starts and there may be risks associated with too great a change at such an early stage in their development. Specifically we note:

- 1) We are aware that the PPF is looking to explore a number of ways in which it can manage its costs and mitigate its risks. Some of these ideas are likely to be more difficult to effect if the PPF is part of the same body responsible for regulatory oversight. We suggest the issues and associated challenges will become clearer over the coming year. We would therefore support no immediate change.
- 2) Both bodies have established credibility with the market and their stakeholders - more so than most expected. The real and perceived conflicts that could be created by creating one organisation are of some concern to us.
- 3) In particular, the requirement for TPR to reduce the risk of situations arising that may lead to claims for compensation from the PPF, whilst balancing potentially conflicting obligations, could be problematic in the future if TPR and the PPF become a single entity.
- 4) If it is felt that operational efficiencies can be gained by bringing the two bodies closer together, a share service model could be an effective solution.

I trust you find these comments helpful. Please feel free to contact me if you require clarification or expansion.