



**The International Securities
Lending Association**
1 George Yard
London EC3V 9DH
Tel: 0207 743 9314
Fax: 0207 743 9301
Email: info@isla.co.uk
Website: www.isla.co.uk

The Chairman
Committee of European Securities Regulators
11-13 avenue de Friedland
75008 Paris
France

Dear Sir

10 July 2009

**CESR TECHNICAL ADVICE AT LEVEL 2 ON RISK MEASUREMENT FOR THE PURPOSES
OF THE CALCULATION OF UCITS GLOBAL EXPOSURE**

Thank you for the opportunity to comment on your consultation paper. We have confined ourselves to those passages that relate to securities lending.

Question 4

We agree that 'incremental exposure/leverage generated through techniques such assecurities lending transactions should be included in the calculation of global exposure'. It would be appreciated if you would clarify that this only applies to situations where **cash** collateral is re-invested, and does not apply when other securities are taken as collateral. The majority of securities lending in Europe is against non-cash collateral. It is standard practice to take a haircut on the collateral and we have seen the level of haircuts increase over the past year. Furthermore, collateral is marked to market at least daily. We do not think that securities lending against non-cash collateral generates additional leverage.

Questions 2, 45, 46 and 47

The questions on counterparty risk and collateralisation relate to OTC derivatives exposures. Based on our understanding of the meaning of 'OTC derivatives' and the indicative list of instruments in section 1.3, we assume that this does not include securities lending and repo. Clarification of this point would be helpful. If, contrary to our understanding, the scope does include collateral provided against securities lending and repo exposures, we would support an approach based on a set of principles.

We note that further work is envisaged on these principles and look forward to commenting in due course.

We acknowledge that this response may be published.

Yours faithfully

David Rule
CEO
International Securities Lending Association