

European Securities and Markets Authority
103 rue de Grenelle
75007 Paris
France
www.esma.europa.eu

Chris Barnard
Germany

26 January 2014

- Your Ref: Comment letter on ESMA's Consultation Paper on Revision of the provisions on diversification of collateral in ESMA's guidelines on ETFs and other UCITS issues

Dear Sir.

Thank you for giving us the opportunity to comment on your Consultation Paper on Revision of the provisions on diversification of collateral in ESMA's guidelines on ETFs and other UCITS issues. I support your proposal for amending paragraph 43(e) of the guidelines on diversification of collateral received by UCITS in the context of efficient portfolio management techniques and OTC transactions. The proposal will stabilise certain UCITS' collateral management policies, improve cost-efficiency and reduce capital costs associated with these UCITS' collateral management and maintain a high level of investor protection.

In answer to your specific questions I would add that it is not unreasonable to require that the government securities are diversified across at least six different issues. This should not adversely impact UCITS' collateral management policies. However the more important issue is whether there should be a complete exclusion from the collateral diversification provisions for government or sovereign issuers.

Yours faithfully

C.R.B.

Chris Barnard