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ESMA  
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29 March 2012

Dear Sir,

**Response to the consultation on ESMA's guidelines on ETFs and other UCITS issues**

As a major depositary of UCITS funds within the UK, we are pleased to provide our thoughts and comments on the consultation on ESMA's guidelines on ETFs and other UCITS issues. Other 'specialist' responses and / or a general response to the consultation may be submitted on behalf of The Royal Bank of Scotland Group.

The majority of the consultation paper is principally of relevance to the UCITS management industry, however we offer the following thoughts on selected questions:

**Q12: Which is your preferred option for the proposed guidelines for secondary market investors? Do you have any alternative proposals?**

Option 2 is the preferred choice. If investors are prevented from redeeming direct with the AFM in normal course, this may call into question a fund being deemed a UCITS. We are aware flexibility is built into the UCITS Directive (Article 1.2(b)) in terms of the way holders wish to redeem, however, option 1 provides for a restriction in direct redemptions as the wording suggests these may only be permitted in the event of the secondary market being disrupted.

**Q39: Do you consider the proposed guidelines on strategy indices appropriate? Please explain your view.**

We feel what ESMA are proposing is sensible and effectively avoids investment on overly concentrated commodity indices. It would appear however, that CCSR guidelines on the Eligible Assets Directive are at odds with the proposal in Box 8 & explanatory text, so we request clarification as to whether aspects of the EAD and guidelines will be modified accordingly.

**Q40: Do you think that further consideration should be given to potential risks of conflict of interest when the index provider is an affiliate of the management company?**

We support ESMA in the sentiments expressed in paragraph 85 of the explanatory text?

Yours faithfully,

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