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The European Securities and Markets
Authority
103 Rue de Grenelle
FR-75007 Paris
France

Attention: Mr. Steven Maijoor, Chair

[date]

Subject: Request for Clarification on Compliance Date for Collateral Diversification Requirements

Dear Mr. Maijoor,

We are writing this letter in order to request confirmation that the compliance date for paragraph 43(e) of the Guidelines on ETFs and other UCITS issues adopted by the European Securities and Markets Authority ("ESMA") on 18 December 2012 (the "Guidelines") is postponed pending ESMA's finalisation of its proposed revision to paragraph 43(e) that was set forth in ESMA's Consultation Paper that was released on 20 December 2013.¹

The Guidelines became effective in February of 2013, and, following the expiration of a transitional period, UCITS must comply with the collateral diversification requirements of the Guidelines by 18 February 2014. The revisions contained in the Consultation Paper, if adopted, would provide an exclusion from the collateral diversification requirements permitting certain UCITS to hold up to 100% of their assets in collateral issued by certain sovereign issuers ("Proposed Revisions"). ESMA noted in the Consultation Paper that it would be "finalising the guidelines on the diversification of collateral received by UCITS in the context of efficient portfolio management techniques and OTC transactions for adoption in Q1 2014."

In order to comply with the collateral diversification requirements in paragraph 43(e) many UCITS funds, such as money market funds, would be required to restructure their portfolio of securities and to undertake revisions to their offering documents. The revisions to their offering documents would require regulatory approval and, in many cases, require 30 day advance shareholder notice of such changes.

Therefore, in order to prevent UCIT funds from having to take these potentially unnecessary and expensive actions, we respectfully request that ESMA confirm that UCITS will not be required to comply with the collateral diversification requirements under paragraph 43(e) of the Guidelines until after the finalisation of the Proposed Revisions.

We appreciate your time and thank you for your consideration of this issue. If you have any questions regarding our letter please do not hesitate to contact me at +44 20 7618 2601.

Best regards,

Dennis Gepp

Managing Director and Chief Investment Officer

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¹ Consultation Paper, Revision of the provisions on diversification of collateral in ESMA's guidelines on ETFs and other UCITS issues, published 20 December 2013 by ESMA.

