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Submitted by email to fsb@bis.org

Secretariat of the Financial Stability Board
c/o Bank for International Settlements
CH-4002
Basel
Switzerland

25 May 2012

RE: FSB Interim Report on Securities Lending and Repos: Market Overview and Financial Stability Issues

Dear Sir/madam,

ICI Global appreciates the opportunity to provide comments on the interim report of the FSB Workstream on Securities Lending and Repo (hereinafter referred to as "the Report").[1] ICI Global is a global fund trade organisation based in London whose members include regulated investment funds that are publicly offered to investors in jurisdictions worldwide. ICI Global seeks to advance the common interests and to promote public understanding of global investment funds, their managers, and investors. Members of ICI Global manage total assets of over €750bn.

The Report raises a number of important issues for ICI Global Members[2] and their investors, both of whom have a strong interest in the FSB's work to identify and investigate potential causes of systemic risk arising from the secured finance market.[3] ICI Global, in conjunction with the Investment Company Institute (ICI)[4], has been deeply engaged in the work that has been undertaken by the Financial Stability Board (FSB) into shadow banking over the last year.

In its comment letter in response to the Report, the ICI has addressed those issues applicable to the U.S. securities lending and repo market, particularly as they relate to U.S. registered investment companies. ICI Global is pleased to comment in this letter on those issues applicable to the global securities lending market, particularly as these issues relate to publicly available, regulated funds.[5]

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1 Securities Lending and Repos: Market Overview and Financial Stability Issues, Interim Report of the FSB Workstream on Securities Lending and Repos (available at http://www.financialstabilityboard.org/publications/r_120427.pdf)

2 References in this letter to "ICI Global Members" refer, as relevant, to the management companies and/or the funds themselves that ICI Global represents.

3 The "secured finance market" is a term used in this letter to collectively describe the market for securities lending transactions and repurchase ("repo") transactions as categorised in the Report.

4 The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of $13.4 trillion and serve over 90 million shareholders.

4 Letter from Robert C. Grohowski, Senior Counsel, Investment Company Institute to the Secretariat of the Financial Stability Board, dated 25 May 2012: *Comments on Interim Report on Securities Lending and Repos*.

5 References to "publicly available, regulated funds" in this letter refer to those funds that as a general matter are available for sale to the general public under an authorisation, licensing or other regulatory regime administered in their own domestic or regional jurisdiction.

General remarks

As a general comment, we consider that the secured finance market provides significant utility to investment funds. As is outlined in the Report, there are a number of drivers for investment funds to participate in the secured finance market. These drivers principally include the ability for funds to earn incremental investment returns for their investors, the more efficient investment of collateral and, to the extent permitted under regulatory frameworks, the borrowing of securities including covering short positions.

Not all investment funds engage in transactions in the secured finance market. In some cases regulatory regimes may prohibit such activities, in other cases funds may not have the necessary types of securities to repurchase, lend or post as collateral. In many instances, secured finance transactions may not be appropriate to the techniques or strategies through which the portfolio of the fund's assets is being managed.

As is acknowledged in the Report, most market participants transacting in the secured finance market are regulated. As managers of regulated investment funds, ICI Global members are subject to various regulatory frameworks in the jurisdictions within which they operate. Aspects of these regulatory frameworks are discussed in the proceeding sections of this letter. The letter also briefly outlines some of the regulatory reform programmes that are in train following the financial crisis.

A significant component of the Report contains a description of the considerable variations between the secured finance markets that exist in different jurisdictions. Most notably this includes those variations that exist on a regional basis between the U.S. and Europe, and in turn the key jurisdictions in Asia Pacific. In many cases, fundamental differences exist between the legal basis under which transactions are completed (e.g. the nature of the "lending" arrangement for securities between the U.S. and Europe)[6], and the infrastructure and form of transactions (e.g. the prevalence of tri-party repo structures in the U.S.).

In developing its policy options and in turn its recommendations, we would strongly encourage the FSB to consider carefully the fundamental regional and jurisdictions differences that exist across markets and furthermore to take account of the existing regulatory requirements that are in place or under reform in these jurisdictions. There are some aspects of commonality in respect of which the FSB should ensure to the greatest extent possible that regulatory frameworks are coordinated at international level. We believe however that it is neither practical nor desirable to adopt a one-size-fits-all approach across the board to the regulation of the global secured finance market.

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[6] In the UK for instance, what is commonly referred to as "stock lending" is in fact not a transaction which is a loan in a normal sense and as specified in the COLL 5.4.2G in the FSA's handbook, such a transaction is rather a transaction "under which the lender transfers securities to the borrower otherwise than by way of sale and the borrower is to transfer those securities, or securities of the same type and amount, back to the lender at a later date" (available from http://fsahandbook.info/FSA/html/handbook/COLL/5/4). In the U.S. on the other hand, the Master Securities Loan Agreement, under which many securities loans are undertaken does not refer specifically to the transfer of title.

The Report does not at this stage contain policy options or recommendations, which we understand will be developed, as appropriate, over the coming months. In this regard, we would very much encourage the FSB Workstream to publicly consult on policy options, and in turn any resulting policy recommendations, to ensure these are appropriately focused and technically accurate and that the risk of any unintended consequences is mitigated.

Market overview

As a general comment, we support the broad categorisation of the secured finance market presented in the Report. As long-term investors in the financial markets, particularly in the cash securities capital market[7], ICI Global Members engage in securities lending transactions primarily as lenders – as broadly described in the first market segment in the Report.

Some ICI Global Members also engage in some "leveraged investment fund financing" as described in the second market segment of the Report and repo financing as described in the fourth market segment of the Report. As managers of publicly available regulated investment funds, such financing is however usually limited, or in some cases prohibited, by the various regulatory regimes under which ICI Global Members operate. In all cases, ICI Global Members only engage in such financing to the extent that it supports the delivery of the investment objectives and is consistent with the investment fund's governing constitution.

Drivers of the securities lending and repo market

We broadly concur with the identification of the drivers of securities lending and repo markets that are presented in Section 2 of the Report. Akin to many other investors, financial intermediaries and financial institutions, ICI Global Members engage in secured finance transactions involving the assets of the investment funds they manage on behalf of their investors.

Such activities are undertaken to the extent permitted under regulatory regimes. Many of these regimes require clear disclosure of secured finance activities to investors and apply other obligations in respect of the organisation and governance of such activities and requirements in respect of the value, type and nature of lending activities and the eligibility of collateral. In many jurisdictions, and for many fund types, secured finance activities must be explicitly permitted in the constitutional documents of a fund and subject to initial approval and ongoing monitoring by the fund's governing body before they can be undertaken.

[7] The term "cash securities" is used in this context to represent financial securities that directly derive their value from underlying assets (e.g. stocks, shares and bonds) as distinct from derivative instruments which derivative their value indirectly with reference to an underlying cash or physical asset.

As noted in Section 2.3 and Section 2.5 of the Report, investment funds can enter into secured finance transactions with the purpose of enhancing the investment returns they can achieve for their investors. In addition to enhancing investment returns, income from secured finance can also be used to offset costs and fees arising from the management of assets or in the case of those funds tracking indices, to offset tracking error.[8]

In several places the Report acknowledges the driver of the secured finance market resulting from the regulatory changes that are occurring in several jurisdictions in respect of the collateralisation and clearing of OTC derivatives. In particular, these changes include greater limitations on the collateral that must be posted to cover exposures arising from those transactions that are subject to mandatory clearing – as is the case in the EU through the recent European Market Infrastructure Regulation (EMIR).

We have supported a number of the changes that have been brought about in Europe and the U.S. to strengthen the framework for the collateralisation and clearing of OTC derivatives. In most cases the use of OTC derivatives by ICI Global Members is undertaken as part of a separate transaction from the securities lending and repo transactions that are discussed in the Report. In many cases however, investment funds will be subject to the emerging OTC derivatives regulatory reforms and, to the extent that such investment funds undertake securities lending or repo transactions, reforms that are implemented following recommendations from the FSB. It is important therefore to ensure that the FSB's policy recommendations and the emerging OTC derivatives regulatory reforms are aligned to the greatest extent possible and that any conflicts are satisfactorily resolved.

Overview of regulations for securities lending and repo

The Report provides a good overview of the current regulatory frameworks that exist in some of the main financial jurisdictions in respect of securities lending and repo. It also outlines many of the features of these frameworks that we view as mitigating a number of the issues raised in the Report that are considered to be of regulatory concern.

Importantly, the Report acknowledges that the major participants in securities lending and repo markets are already subject to regulation. As managers of regulated funds ICI Global Members are in all cases subject to some form of regulation and, in the vast majority of cases as well as being subject to authorisation or licensing regimes in their own right, the investment funds they manage are also subject to a second layer of regulation.

[8] Investment funds often face a number of challenges in seeking to replicate the return of a particular index resulting in some cases in a differential in return known as the "tracking error". This error can arise because of expenditure incurred by the fund (e.g. transaction costs), the need to hold some of the fund's assets as cash to meet liquidity requirements/redemption requests, difficulties in acquisition and disposal of the precise proportion/weight of assets that constitute the index and in the case of stocks and shares the effect of corporate actions. Revenue generated from secured financing can offset these costs and enable investors to more precisely achieve their investment objectives.

Financial stability issues

Transparency

The Report draws a distinction between (i) the disclosure of information between market participants in the secured finance market; and (ii) the transparency of the market to regulators and other supervisory or governmental authorities. In respect of the latter, the Report asserts that securities finance markets can be opaque and suggests that consideration should be given to whether transparency should be improved, particularly in respect of bi-lateral transactions.

As a general comment, ICI Global Members do not consider that the overall level of transparency in the secured finance market is inadequate or problematic in permitting them to discharge their obligations to the investors of the funds under their management. As a matter of good business practice, ICI Global Members continue to work with agent lenders and custodians to enhance the information they currently receive through existing reporting frameworks. In turn, these members supplement this information with due diligence and minimum contractual lending standards.[9]

Requiring micro-level data such as the transparency of individual counterparties and/or program risks in real-time, or the reporting of transactions, would not appear to provide a cost effective framework through which systemic risks could be monitored. The latter would be particularly difficult to achieve as the nature of the relationships between lenders and borrowers are often unique to particular transactions and as such difficult to interpret in a meaningful manner, particularly in cases where data is aggregated.

The Report discusses risk reporting by intermediaries to their clients, suggesting that some securities lenders have alleged that they were not adequately informed by agent lenders of the risks arising from securities lending programmes. ICI Global Members have a duty under most, if not all, of the regulatory frameworks under which they operate, to not only assess the risks arising from such activities but also to ensure disclosure of these risks to investors. The requirement for the disclosure of such information to investors is one aspect of transparency that is not covered by the report, given its focus on financial stability, but is a common feature of regulatory frameworks in a number of jurisdictions.

Procyclicality of system leverage/interconnectedness

The Report groups together a number of topics in respect of the collateral that is received by counterparties to secured finance transactions. As a general comment, most ICI Global Members typically receive cash collateral to cover exposures arising from securities lending and repo transactions in respect of non-U.S. investment funds under their management. Several ICI Global Members accept non-cash collateral.

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[9] For a description of the level of transparency in the U.S., see Letter from Robert C. Grohowski, Senior Counsel, Investment Company Institute to the Secretariat of the Financial Stability Board, dated 25 May 2012: *Comments on Interim Report on Securities Lending and Repos*.

Section 5.2 of the Report is correct to acknowledge that the ability for a financial institution to obtain leverage is a function of both the value of collateral that is provided as well as the creditworthiness of the institution. The latter is of particular importance in cases where leverage is obtained through unsecured or margin lending (e.g. by a hedge fund via a prime broker). As managers of regulated funds, ICI Global Members are typically only permitted by regulatory requirements to borrow securities on a secured basis. In some cases regulatory requirements permit borrowing on an unsecured basis but restrict both the value of the exposure and the purpose of the borrowing.[10]

Haircuts

Section 5.2.2 of the Report asserts that the haircuts applied to securities financing transactions may further contribute to procyclicality. The Report then discusses the relative importance of changes to haircuts and margins across the different segments of the secured finance market.

We believe that it is important to clarify the purpose and context within which haircuts and margins are set. This includes in the context of the regulatory requirements that govern minimum haircuts in certain jurisdictions, some of which are noted in Section 4.2.3.1 of the Report.

In the first instance, it is important to acknowledge that while haircuts and margins are designed to collectively cover the exposure of one counterparty in a transaction (e.g. a securities lender) in the event of the other counterparty's default (e.g. the securities borrower), they serve distinct purposes. A haircut is set at the point a transaction is entered into. It represents the notional reduction in the value of the collateral posted against an exposure that could occur between the point of the counterparty's default and the point at which the collateral can be liquidated. Variation margin on the other hand reflects movements in the underlying value of the exposure and the associated collateral on an ongoing basis. As such it is progressive in nature throughout the period over which a transaction is outstanding.

In seeking to describe the characteristics of the secured finance market, Section 1.3 of the Report notes the various factors that affect the size of haircuts and variation margins that are applied to secured finance transactions. These factors include the type and maturity of assets and perceptions as to the creditworthiness of counterparties.

As a general comment, the type and maturity of assets accepted by ICI Global Members as eligible collateral to cover exposures arising from secured finance transactions is typically set at the point at which a secured finance agreement is drawn up with a counterparty. In a considerable number of cases, collateral eligibility requirements are mandated by regulatory requirements, particularly in the case of jurisdictions that only permit cash collateral to be held.

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[10] For example, the clause 8.34 and 8.35 of the guidelines for Malaysia Unit Trust Funds issued by the Malaysia Securities Commission (available from http://sc.com.my/eng/html/resources/guidelines/cis/100601_cis_utGL.pdf) or the COLL 5.5rules for Collective Investment Schemes issued by the UK FSA (available from http://fsahandbook.info/FSA/html/handbook/COLL/5/5) are typical in imposing strict limits (e.g. 10%) on unsecured borrowing and a requirement that it is temporary in nature.

Subject to these regulatory requirements, the restrictions on the eligibility of certain types of collateral or the haircuts that are applied may be adjusted at some future point. Such an adjustment is more typically made to reflect a change in the nature of the market for certain assets and would more typically be applied across a range of counterparties rather than to a specific sub-set of counterparties or borrowers.

The more significant factor for ICI Global Members in managing the risk arising from secured finance transactions is the creditworthiness of counterparties. A number of ICI Global Members have suggested that, in addition to the results of due diligence on counterparties to secured finance transactions, the quality of collateral that counterparties may seek to provide to cover exposures provides additional insight into their potential creditworthiness.

In some instances, ICI Global Members manage concerns over the creditworthiness of counterparties through the reduction of the value of outstanding exposures (e.g. the value of loans in the case of securities financing). In other cases, such concerns may be managed through an increase in the value of the margins that are posted against exposures as distinct from an adjustment to haircuts referred to above that would typically be applied in respect of a particular class of eligible collateral that would be applied across all counterparties.

ICI Global Members consider that the ability for lenders in secured finance transactions to vary the minimum haircuts applied at the initiation of a transaction, or to increase the progressive margin maintained during the outstanding period of the transaction, are important tools to manage risk on behalf of their investors. Importantly, while some regulatory frameworks under which ICI Global Members operate specify minimum haircuts most, if not all, of these frameworks permit lenders to vary both initial haircuts and variation margins. Furthermore, in many cases these frameworks do not specify mandatory minimum requirements for over-collateralisation (i.e. over 100%). In cases where minimums are applied, these are typically in cases where regulatory requirements mandate only the acceptance of cash collateral.

The Report cites the increase in haircuts applied to lower quality assets by Clearing Counterparties (CCPs) during and since the financial crisis as contributing factors to procyclicality. Furthermore, in part it attributes this change in the volatility and correlation of asset prices and market liquidity.

We understand that one policy option under consideration by the FSB Workstream to address the perceived issue of procyclicality is to impose some form of minimum requirements in respect of the haircuts and/or margins applied to secured finance transactions. As noted previously, ICI Global Members consider the ability to vary margins and haircuts as an important tool to manage the risks arising from such transactions, including in some instances concerns over the creditworthiness of counterparties.

We consider that imposing mandatory requirements in respect of haircuts or margins that limit the ability of lenders to vary these over the course of transactions may act counter to the FSB's intentions and in fact exacerbate rather than reduce procyclicality. Limitations on the ability to vary haircuts or margins in certain instances may force the reduction or withdrawal of lending activity. In turn, this may exacerbate the price volatility and illiquidity of those correlated assets posted as collateral in respect of other secured finance transactions. Furthermore, the designation of a particular level of haircut or margin that is deemed to be sufficient may result in market distortion and potential "cliff-edge" effects that could further drive procyclical effects.

We urge the FSB to exercise caution in seeking to impose minimum or mandatory requirements in respect of the level of margin and haircuts and to fully assess the economic effects and potential unintended consequences of such measures.

Other potential financial stability issues associated with collateral re-use

Section 5.3 of the Report asserts that in addition to the potential for heightened procyclicality, there are other financial stability risks associated with the re-use[11] of collateral including the potential for increased interconnectedness amongst firms and higher leverage. Section 4.1 of the Report outlines the regulatory requirements applicable to banks and broker-dealers in respect of the extent and nature of the re-use of assets in several key jurisdictions.

Some ICI Global Members accept non-cash collateral in respect of secured finance transactions, to the extent that this is permitted under local or regional regulatory frameworks. In a considerable number of cases, even in instances where regulatory frameworks permit the acceptance of non-cash collateral, there are generally restrictions on the re-use of this collateral by fund managers and investment funds. Certain jurisdictions in Europe, including France, prohibit certain types of re-use in respect of non-cash collateral. On a pan-European basis the Alternative Investment Fund Managers (AIFM) Directive requires the prior contractual approval of any possibility of reuse of a fund's assets by the fund manager and full disclosure to investors of collateral and asset reuse arrangements.[12]

ICI Global Members consider that it is appropriate to continue to permit the acceptance of non-cash collateral to cover exposures arising from secured finance transactions. Rather than focusing on the form of collateral, ICI Global believes it is appropriate to ensure that the necessary safeguards are maintained to ensure that the risks arising from re-use of collateral are adequately managed and disclosed to investors.

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[11] The term "re-use" is used in this letter to collectively refer to activities, including what is commonly referred to as rehypothecation, whereby non-cash assets posted as collateral with a secured finance lender are used for alternative purposes including supporting transactions concluded with other counterparties.

[12] Article 15(3) and Article 23(1)(a) /(o) respectively of Directive 2011/61/EU on Alternative Investment Fund Managers (available from http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:174:0001:0073:EN:PDF)

Potential risks arising from agent lender practices

Section 5.5 of the Report correctly acknowledges that securities lending may entail risk for the market participants involved (i.e. for the lender and for the borrower of the securities as counter-parties to the transaction). The Report cites the example of a custodian holding insufficient assets to cover an exposure.

It is important to acknowledge the general point that all financial transactions that offer the potential of reward entail some degree of risk. As is discussed throughout the Report, it is the management of that risk, including through the holding of collateral and the assessment of the creditworthiness of counterparties that is of utmost importance. In this regard, fund managers seek to enter into secured finance transactions with a view to optimising the return they generate for investors whilst appropriately managing the attendant risks.

The Report discusses the moral hazard that is perceived to exist due to the role of the depositary of an alternative investment fund (AIF) in Europe under the AIFM Directive and the use of indemnities offered by agent lenders. It asserts that because of these moral hazards, secured finance lenders no longer "screen and monitor" borrowers.

ICI Global Members strongly reject the assertion that the level of initial and ongoing screening and monitoring of borrowers (i.e. through due diligence) is in any way diluted by the existence of a fund depositary or indemnities offered by agent lenders. As set out below, there are a number of distinct reasons why neither the depositary of an AIF nor the indemnities offered by agent lenders, mitigate or eliminate the need to undertake robust due diligence on counterparties.

Firstly, the Report suggests that a depositary under the AIFM Directive is strictly liable for any loss of assets held in custody bar force majeure. It is the case that the depositary of an alternative investment fund (AIF) under the AIFMD is in fact subject to a lower standard of liability. Specifically the depositary is only liable to the AIF, or to the investors of the AIF, for losses suffered by them *"as a result of the depositary's negligent or intentional failure to properly fulfil its obligations"* under the Directive.[13] Furthermore, even in cases the collateral received on behalf of a secured finance lender is held in custody by the depositary of an AIF, the depositary will not be liable if it can "*prove that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary*".[14] The lower standard of liability to which a depositary is held is precisely why it remains imperative that secured finance lenders continue to screen and monitor borrowers.

[13] Article 21(12) final sub-paragraph of Directive 2011/61/EU on Alternative Investment Fund Managers
[14] Article 21(12) first sub-paragraph of Directive 2011/61/EU on Alternative Investment Fund Managers

Secondly, in many jurisdictions including those in which the governing body or board of the investment fund is required under legal or regulatory requirements to approve specific borrowers to whom the investment fund lends shares, such a responsibility is typically discharged through a thorough assessment of potential counterparties. As noted in the response submitted by the ICI to the Report, in the U.S. a fund's board approves a list of borrowers with whom the lending agent may engage in securities lending transactions.[15]

Finally, as is correctly acknowledged in the Report, many agent lenders offer indemnities. Whilst the terms, scope and limits of such indemnities may vary, in all of the instances ICI Global is aware of, such indemnities only cover against the default of borrowers in certain limited circumstances. As such, lenders remain exposed to the default of a borrower arising from circumstances not covered by indemnities and therefore, as is the case in respect of the depositary of an AIF discussed above, the fund and the fund manager retain some exposure.

In all instances, the cost associated with the provision of indemnities is factored into the pricing of services provided by agent lenders. As such, good practice dictates that many lenders will assess the value of such indemnification as a function of this cost, and therefore profitability of transactions, they conclude through agent lenders. The distinct factors described above, many of which are not necessarily associated with transactions performed through agent lenders, require lenders to undertake initial and ongoing screening and monitoring of borrowers for secured finance transactions regardless of the existence or otherwise of a fund depositary or indemnification arrangements.

Cash Collateral Reinvestment

Section 4.2.3.4 of the Report outlines the regulatory requirements in several key jurisdictions that govern the reinvestment of cash collateral. In particular, the Report notes that in many cases regulatory restrictions usually take the form of limits on the maturity or currency denomination of investments, or asset liability considerations. Section 5.6 of the Report expresses concern over the "bank like" activities that the FSB Workstream considers are being performed through this reinvestment activity.

As a starting point ICI Global acknowledges that, as with any form of investment activity, there are risks associated with the reinvestment of the cash collateral that is received by secured finance lenders. In the case of securities lending transactions, as Section 1.1 of the Report acknowledges, the primary objective for the reinvestment of cash collateral is to generate an investment return sufficient to meet the "rebate" that is paid to the borrower by the lender to cover the interest cost of the cash collateral that has been posted.

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[15] Letter from Robert C. Grohowski, Senior Counsel, Investment Company Institute to the Secretariat of the Financial Stability Board, dated 25 May 2012: *Comments on Interim Report on Securities Lending and Repos*.

In the context of an investment fund, in addition to meeting this rebate rate the fund manager will also seek to generate additional return from this reinvestment activity to compensate investors in the fund for the use of the fund's assets and to cover costs associated with the management of the cash collateral.

The Report highlights one example of the risks arising from the reinvestment of cash collateral to which a particular market participant was exposed during the financial crisis. Since the financial crisis, fund managers (like other secured finance lenders) have become more attuned to the risks arising from the reinvestment of collateral. As a result, and as is noted in Section 5.6 of the Report, secured finance lenders have focused more closely on the preservation of the value of cash collateral and the closer alignment of the liquidity terms of such investments with the underlying secured finance loans.

In many cases fund managers have made more extensive use of vehicles such as money market funds or other regulated investment funds for reinvestment purposes, many of which have undergone significant reform since the crisis as for example is the case in respect of U.S. money market funds. Furthermore, in the other significant secured finance markets such as the UK, regulatory requirements not only specify the permitted instruments into which cash collateral can be invested but also specify additional rules in respect of liquidity for deposit based investments.

We consider therefore that the current regime, under which the reinvestment of cash collateral is permitted, provides the necessary safeguards that permit fund managers to appropriately balance the risks and potential for enhanced investment returns, in accordance with their risk tolerance and investment objectives.

We appreciate the opportunity to provide comments on the Report. If you have any questions about our comments or would like additional information please contact me (dan.waters@ici.org or +44 203 009 3101) or Giles Swan, Director of Global Funds Policy (giles.swan@ici.org or +44 203 009 3103).

Yours faithfully,

/s/

Dan Waters
Managing Director