Comments by

Union Asset Management Holding AG

on the

Consultative Document on

Standards and Processes for Global Securities Financing Data Collection and Aggregation

Date: 11th February 2015

Volksbanken Raiffeisenbanken
cooperative financial network

Union Asset Management Holding AG • Wiesenhüttenstrasse 10, 60329 Frankfurt/Main, Germany • P.O. Box 16 07 63, 60070 Frankfurt/Main, Germany
Tel.: +49 69 2567-0 • E-mail: service@union-investment.com • Website: www.union-investment.com • Register Court: Local Court Frankfurt/Main HRB 47289
Board of Managing Directors: Hans Joachim Reinke (Chief Executive Officer), Alexander Schindler, Jens Wilhelm, Dr. Andreas Zubrod
Chairman of the Supervisory Board: Wolfgang Kirsch
DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main, IBAN: DE82 5006 0400 0000 1130 21, BIC: GENODEFFXXX

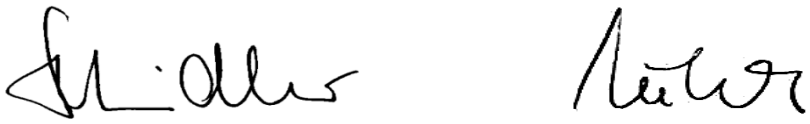
Dear Sirs and Madams,

Union Investment welcomes the opportunity to comment on the “Consultative Document on Standards and Processes for Global Securities Financing Data Collection and Aggregation” of the Financial Stability Board (FSB).

We are one of the leading asset manager in Germany and the asset manager of the German Cooperative Banking Network holding more than EUR 230 billion assets under management for more than 4.1 million retail and institutional clients.

Please find our specific comments to the questions below.

Yours sincerely



Schindler Dr. Zubrod

I. Questions

Q2-1. Does the proposed definition of repos provide a practical basis for the collection of comparable data across jurisdictions as well as the production of comprehensive and meaningful global aggregates?

Unfortunately, it does not provide a practical basis.

It is of high importance that the FSB adjusts the definition of repurchase agreements.

In Section 2.2.1 of this Consultative Document, a repurchase agreement is defined as follows:

> *"A repurchase agreement (repo) is an arrangement involving the provision of securities or other financial assets ("collateral") in exchange for cash (spot leg) with a commitment to repurchase the same or similar collateral at a fixed price (forward leg) either on a specified future date or on demand ("open" or extendable repos)."*

A "*repurchase*" assumes that a "*purchase*" took place in advance. Neither the object of purchase nor the purchase price are collateral. The exchange of collateral takes place after the object of purchase is delivered and the purchase price is paid.

The key element when determining whether or not collateral is to be posted from one party to the other is the delta between the purchase price and the current market value of the securities sold to the other party.

Deeming the object of purchase collateral, as currently considered in Section 2.2.1 of this Consultative Document therefore is wrong.

We would like to support our understanding of a repurchase transaction as summarized above with provisions laid down in master agreements governing repurchase agreements between market participants.

Master Agreement for Securities Repurchase Transactions (Repos) ("*Rahmenvertrag für Wertpapierpensionsgeschäfte*"), issued by the Association of German Banks[1]:

1. Vertragsgegenstand	**1. Object of the Agreement**
(1) Die Parteien beabsichtigen, auf der Grundlage dieses Rahmenvertrages Wertpapierpensionsgeschäfte abzuschließen. Der Pensionsgeber wird dem Pensionsnehmer Wertpapiere gegen Zahlung eines Kaufpreises liefern. Der Pensionsnehmer verpflichtet sich gleichzeitig, dem Pensionsgeber Wertpapiere gleicher Art und Menge entweder zu einem zuvor vereinbarten oder einem nachträglich zu bestimmenden Zeitpunkt gegen Zahlung des Rückkaufpreises zurückzuliefern. […].	(1) The parties intend to enter into securities repurchase agreements on the basis of this Master Agreement. The pledgor under a repurchase agreement will deliver securities to the pledgee under a repurchase agreement against payment of a purchase price. The pledgee under a repurchase agreement simultaneously undertakes to deliver back to the pledgor under a repurchase agreement securities of the same type and in the same quantity at a previously or subsequently agreed time against payment of the repurchase price. […].

[1] http://bankenverband.de/downloads/fachinformationen/finanzmaerkte/rahmenvertraege-fuer-finanzgeschaefte/deutscher-rahmenvertrag-fuer-wertpapierpensionsgeschaefte

[…]

6. Sicherheiten	6. Collateral
(1) Unterschreitet an einem Bankarbeitstag die Summe der empfangenen und geschuldeten Leistungen der einen Partei („Sicherungsnehmer“) die Summe der empfangenen und geschuldeten Leistungen der anderen Partei („Unterdeckung“), wird die andere Partei („Sicherungsgeber“) Ersterer auf Anforderung Sicherheiten mit einem Anrechnungswert übertragen, der den Betrag der Unterdeckung zumindest erreicht.	(1) If, on a Business Day, the total amount of performances received and owed by one party (“Collateral Recipient”) is less than the total amount of performances received and owed by the other party (“Short Cover”), the other party (“Collateral Provider”) will transfer to the former on request Collateral with an Attributable Value at least equivalent to the amount of Short Cover.
(2) Die Summe der empfangenen und geschuldeten Leistungen jeder Partei errechnet sich aus:	(2) The total amount of performances received and owed by each party will be calculated on the following basis:
(a) der Summe der Marktwerte aller ihr von der anderen Partei gelieferten Pensionspapiere aus noch nicht vollständig abgewickelten Einzelabschlüssen unter Berücksichtigung gegebenenfalls im Einzelabschluss vereinbarter Auf- oder Abschläge zuzüglich der Summe der Anrechnungswerte der ihr von der anderen Partei nach Absatz 1 als Sicherheit übertragenen Wertpapiere,	(a) The total amount of the market values of all securities delivered by the other party under Transactions which have not yet been fully settled, under consideration of any premiums and discounts agreed in the Transaction, as the case may be, plus the total amount of the Attributable Values of the securities transferred to it by the other party as Collateral in accordance with para. 1,
(b) der Summe aller von der anderen Partei erhaltenen Kaufpreise aus noch nicht vollständig abgewickelten Einzelabschlüssen zuzüglich der Summe der Anrechnungswerte der ihr von der anderen Partei nach Absatz 1 als Sicherheit übertragenen Geldbeträge sowie etwaiger hierauf vereinbarter und aufgelaufener Zinsen,	(b) The total amount of all the purchase prices received by the other party under Transactions which have not yet been fully settled, plus the total amount of the Attributable Values of the cash amounts transferred to it by the other party as Collateral in accordance with para. 1 and any agreed interest accrued thereon,
(c) der Summe aller der anderen Partei nach Nr. 7 Abs. 1 geschuldeten Kompensationszahlungen aus noch nicht vollständig abgewickelten Einzelabschlüssen und	(c) The total amount of all manufactured dividends owed to the other party in accordance with number 7 para. 1 under Transactions which have not yet been fully settled, and
(d) der Summe aller der anderen Partei geschuldeten anteiligen Pensionsentgelte aus noch nicht vollständig abgewickelten Einzelabschlüssen; das anteilige Pensionsentgelt errechnet sich aus dem Pensionssatz, bezogen auf den Kaufpreis und auf die Zeit vom Kaufdatum (einschließlich) bis zum jeweiligen Bankarbeitstag (ausschließlich), zu dem die Summe der empfangenen und geschuldeten Leistungen errechnet werden; Nr. 4 Abs. 4 Satz 3 gilt entsprechend.	(d) The total amount of all proportionate repo remuneration payments owed to the other party under Transactions which have not yet been fully settled; the proportionate repo remuneration payment is calculated on basis of the repo rate, applied on the purchase price and the period from and including the purchase date up to but excluding the relevant Business Day, on which the total amount of performances received and owed is calculated: number 4 para. 4 sentence 3 applies accordingly.
(e) Maßgeblich für die Feststellung der Marktwerte ist der Zeitpunkt des Geschäftsschlusses von Banken in Frankfurt am Main an dem betreffenden Bankarbeitstag.	(e) The time at which the market values are determined shall be the point of time at which banks located in Frankfurt am Main close on the relevant Business Day.

In other words:

The aforementioned master agreement clearly demonstrates that neither the purchase price nor the objects of purchase under a repurchase agreement form part of any collateral contributions to be made by the parties under a repurchase agreement.

2011 Global Master Repurchase Agreement (GMRA), issued by the International Capital Markets Association[2]:

[2] http://www.icmagroup.org/assets/documents/Legal/GMRA-2011/GMRA-2011/GMRA%202011_2011.04.20_formular.pdf

"1. Applicability

(a) From time to time the parties hereto may enter into transactions in which one party, acting through a Designated Office ("Seller") agrees to sell to the other, acting through a Designated Office ("Buyer") securities or other financial instruments ("Securities") (subject to paragraph 1 (c), other than equities and Net Paying Securities) against the payment of the purchase price by Buyer and Seller, with a simultaneous agreement by Buyer to sell to Seller Securities equivalent to such Securities at a date certain or on demand against the payment of the repurchase price by Seller to Buyer."

[…]

"4. Margin Maintenance

(a) If at any time either party has a Net Exposure in respect of the other party it may by notice to the other party require the other party to make a Margin Transfer to it of an aggregate amount or value at least equal to that Net Exposure.

(b) […]

(c) For the purposes of this Agreement a party has a Net Exposure in respect of the other party if the aggregate of all the first party's Transaction Exposures plus any amount payable to the first party exceeds the aggregate of all the other party's Transaction Exposures plus any amount payable to the other party under paragraph 5 but unpaid less the amount of any Net Margin provided to the other party; and the amount of the Net Exposure is the amount of the excess. For this purpose any amounts not denominated in the Base Currency shall be converted into the Base Currency at the Spot Rate prevailing at the relevant time."

Quoting the applicable definitions would draw off the attention from the essential:

Also the provisions of the GMRA set out that neither the purchase price nor the objects of purchase of a repurchase agreement form part of any collateral contributions to be made by the parties of a repurchase agreement.

Therefore an amendment of the current definition is necessary to avoid unintended consequencs and confusion.

Considering para. 42 of ESMA's Guidelines on ETFs and other UCITS issues (ESMA/2014/937EN) would even give a more vague picture, because if

- FSB wrongly deems the object of purchase under a repurchase agreement collateral,
- ESMA (already) wrongly deems the purchase price under a repurchase agreement collateral and

- the master agreements governing repurchase agreements deems the performance provided by one party to the other (in order to mitigate the delta in the market value of the object of purchase and the purchase price) collateral,

one would conclude that both parties of a repurchase agreement only provide each other with collateral not securing any obligation and collateral contributions due to the master agreement ensure that the party that has provided more collateral not securing any obligation is protected against the default of the counterparty it has provided with collateral.

We believe that the FSB (and ESMA) should consider what market participants have agreed in practice: The purchase and repurchase of an asset in order to gain liquidity where only the counterparty risk is collateralized. Collateral provided secures existing obligations any only mitigates counterparty risk where such exists (the "delta" explained above).

For the above reasons, we suggest to adjust the definition of repurchase agreements in 2.2.1 accordingly:

> *"A repurchase agreement (repo) is an arrangement involving the provision of securities or other financial assets ("~~collateral~~object of purchase") in exchange for cash ("purchase price") (spot leg) with a commitment to repurchase the object of purchase~~same or similar collateral~~ at a fixed price (forward leg) either on a specified future date or on demand ("open" or extendable repos). A repo is viewed from the perspective of the ~~provider of the collateral - i.e. the cash taker~~initial seller. The transaction is called a reverse repo when viewed from the perspective of the initial buyer ~~of collateral and cash provider~~."*

Other parts deeming the objects of purchase collateral should be amended subsequently.

Regarding sell/buy back transactions we do not share FSB's view that the structure of these transactions makes it difficult to legally enforce margin calls and exercise the right of collateral substitution. We refer to no. 14 of the Master Agreement for Securities Repurchase Transactions (Repos) ("Rahmenvertrag für Wertpapierpensionsgeschäfte"), issued by the Association of German Banks, which clarifies that sell/buy back transactions are also subject to the master agreement and adjusts certain provisions of the master agreement accordingly.[3] Legally enforceable margin calls and exercising the right of collateral substitution are only problematic if one deems certain assets exchanged between the parties as collateral which are not (as currently proposed by FSB and practiced by ESMA, please see above).

Q2-2. In a later stage, a list of transactions that are economically equivalent to repos may be added to the reporting framework (see also Section 6 for details). Which economically equivalent transactions would you suggest for future inclusion? Please provide a definition of such transactions and explain the rationale for inclusion.

[3] http://bankenverband.de/downloads/fachinformationen/finanzmaerkte/rahmenvertraege-fuer-finanzgeschaefte/deutscher-rahmenvertrag-fuer-wertpapierpensionsgeschaefte

We believe that in practice “theoretically” only sell/buy back transactions are relevant and should be considered.

We use the term “theoretically” because neither repos nor sell/buy back transactions are agreed anymore by UCITS and other regulated investment funds respectively their managers.

The reason for that is that ESMA has closed the essential source of liquidity for UCITS (repos and sell/buy back transactions) via para. 42 of the aforementioned ESMAs Guidelines:

> *“All assets received by UCITS in the context of efficient portfolio management techniques should be considered as collateral for the purpose of these guidelines and should comply with the criteria laid down in paragraph 43 below.”.*

It is set out in para. 43 j) that:

> *“Cash collateral received should only be […] placed on deposits […]; invested in high-quality government bonds; used for the purpose of reverse repo transactions […]; invested in short-term money market funds […].”.*

As a result of the G-20 summit in Pittsburgh, regulatory measures took place that increased the requirement of liquidity for UCITS. Like in the past, UCITS require liquidity to fulfill the redemption of fund units and to meet payment obligations. Now, UCITS additionally have to provide cash collateral for uncleared OTC derivative transactions where the UCITS’ assets are not accepted by counterparties as collateral. There is no alternative as UCITS are not allowed to borrow securities that might be eligible collateral (cf. recital 13 of Directive 2007/16/EC). Furthermore all CCPs require Variation Margin (“VM”) in cash. Consequently, UCITS will only have access to OTC derivatives subject to a clearing obligation, if they have sufficient liquidity for providing VM.

However, the restrictions released by ESMA, which have been adopted into binding regulations by the national competent authorities lead to the consequence that the purchase price, UCITS gain under a repo cannot be used for making collateral contributions. Against this background loans are the only source for UCITS to gain liquidity. This source is limited by 10 per cent of the UCITS’ assets (Art. 83 of Directive 2009/65/EC). De-investments would not be a solution as asset managers according to the investment policy of the respective funds are obliged to invest the investor’s money and not to hold big cash positions that would dilute the return.

Hence, we believe that ESMAs Guidelines and their implementation into national regulations by the national competent authorities are conflicting G-20’s overarching aim to build a more resilient financial markets and can be seen as overlapping regulation. We fear that any further demand for liquidity (e.g. following a concrete clearing obligation) will effectively hamper UCITS ability to hedge existing market risks sufficiently. Even being addressed numerous times, ESMA´s revision of the guidelines (ESMA/2014/294) did not take into account these issue and furthermore, ESMA expressively denies the usage of liquidity gained via repos for EMIR purposes (cf. Q 6j ESMA/2014/295).

We hope that the above provides are more clear picture of the situation UCITS and other regulated investment funds currently face. Also, we believe that the above demonstrates that despite the increased demand for liquidity, UCITS and other regulated investment funds won't obtain such via repos or sell/buy back transactions.

We fear that especially the aforementioned Guidelines and their equivalent implemented national regulations set at least an incentive for UCITS and their managers to decrease the liquidity demand by limiting the hedge of existing market risks, abstaining from using standardized (cleared) derivatives or increasing liquidity by (partially) replacing physical investments by synthetic (leveraged) investments.

However, since derivatives are already subject to mandatory reporting, we do not believe that an extension of the reporting obligations suggested by FSB is required. Far from it: As long as provisions like the ones in ESMAs Guidelines block UCITS' access to liquidity via repos and sell/buy back transactions, we do not see any potential systemic risk which could be disclosed or mitigated by the suggested reporting obligations. Therefore either UCITS and other regulated investment funds should be removed from the scope of application or FSB should dismiss any reporting obligation related to repos and sell/buy back transactions.

Q2-3. Are the proposed definitions and level of granularity of the data elements described in Tables 2 to 4 appropriate for a consistent collection of data on repo markets at the national/regional level and for aggregation at the global level? In particular, are the detailed breakdown of major currencies (in Table 2), sector of the reporting entity and counterparty as well as bucketing for repo rate (in Table 3), collateral residual maturity, haircut and collateral type (in Table 4) appropriate? If not, please specify which definitions or classifications of data element(s) require modification, why the modification is necessary, and the alternative definitions/classifications.

No.

As explained above, the object of purchase is not collateral. For that reason, it is likely that market participants would report inconsistent data. Furthermore it needs to be raised that no haircut applies on the object of purchase under a repo respectively a sell/buy back transaction.

As collateral annexes may include 150 to 200 different kind of assets constituting eligible collateral (e.g. stocks of the DAX, stocks of the DJS 600 (Return), German government bonds denominated in EUR, German government bonds denominated in USD, bonds issued by the African Development Bank, corporate bonds issued by companies listed in the BEL 20 Index, Money Market instruments issued in the UK denominated in GBP) and only regarding some assets haircuts may differ based on the remaining maturity (not all assets have a maturity, therefore Element 4.13 of table 4 is misleading when it considers a maturity for equities – furthermore, considering equities in Element 4.13 contradicts Element 4.11), depending on the agreement with the individual counterparty, we deem it very difficult and probably impossible to build up a reporting system, reflecting all these specifics.

We do not believe that reporting the haircuts agreed would bring any benefit. Reporting the "real" collateral's value as well as the object of purchase's value and re-purchase price should be sufficient for identifying excessive risks, if any.

For the reasons given, it would not be proportionate requiring market participants to report Element 4.13 of Table 4.

Q2-4. Do you see any practical difficulties in reporting the total market value of collateral that has been re-used? Do you have any suggestion for addressing such difficulties?

We believe that FSB should define more precise, what it considers as “re-use”. According to para. 43 j) of ESMA’s Guidelines on ETFs and other UCITS issues (cf. Q2-2), placing the purchase price received under a repo respectively sell/buy back transaction on a deposit already means a “re-use” of collateral. In some countries, such as Germany, these Guidelines have been implemented by extending their scope also to AIF.

According to FSBs current definition even purchasing stocks from the purchase price gained under a repo would not mean a “re-use” as only the object of purchase is deemed collateral.

Deeming assets collateral, which are not leads to curious following questions like whether the object of purchase under the re-purchase / buy back also is deemed collateral or whether an asset which once became object of purchase under a repo or sell/buy back transaction has ever a chance to lose its status as “collateral”.

FSB should only deem assets collateral, which form collateral under the relevant master agreements. Doing so would eliminate any questions on the volume of collateral and consequently its total market value.

Q2-5. Do the classifications provided for “market segment – trading” (in Table 3) and “market segment – clearing” (in Table 3 and 4) appropriately reflect relevant structural features of the repo markets? Are there additional structural features of repo markets that should be considered?

We do not believe that there are additional structural features of repo markets that should be considered.

Q2-6. Are there additional repo data elements that should be included in the FSB global securities financing data collection and aggregation for financial stability purposes? Please describe such additional data elements, providing definitions and the rationale for their inclusion.

As far as FSB deems it necessary to identify the reporting parties respectively the counterparties to the transactions, the LEI should be considered.

Q2-7. Does the proposed definition of securities lending provide practical basis for the collection of comparable data across jurisdictions as well as the production of comprehensive and meaningful global aggregates?

Generally yes.

However, in Germany "over-collateralization" is not only generated by haircuts on the collateral provided by also simultaneously by a surcharge on the value, usual in the market. For example: UCITS Fund A lends stocks in a value of EUR 1,000,000.00 to Bank B. According to the mandatory surcharge, a value of 1,030,000.00 is to be collateralized. The haircuts agreed between UCITS Fund A and Bank B apply on the collateral Bank B posts in order to collateralize 1,000,000.00.

Q2-8. In a later stage, a list of transactions that are economically equivalent to securities lending may be added to the reporting framework (see also Section 6 for details). Which economically equivalent transactions would you suggest for future inclusion? Please provide a definition of such transactions and explain the rationale for inclusion.

When the FSB asks for transactions that are economically equivalent to securities lending, the question is asked in front of the background that FSB recommendations for national/regional authorities are made to "detect financial stability risks and to develop policy responses" (cf. FSB's introduction, para. 1).

For us, it is already impossible to understand how securities lending shall create "financial stability risks" in the existing regulatory surrounding.

According to Art. 52 para. 1 of Directive (EU) 2009/65/EC, the risk exposure to a counterparty of UCITS in OTC derivative transactions shall not exceed either 10% of its assets when the counterparty is a credit institution or 5% of its assets in all other cases. In extension of ESMA's power to issue guidelines, which ESMA has been granted under Art. 16 of Regulation (EU) No 1095/2010, in order to establish consistent, efficient and effective supervisory practice within the ESFS and to ensure the common, uniform and consistent application of existing Union law, ESMA issued Guidelines on ETFs and other UCITS issues on December 18, 2012 (ESMA/2012/832EN). According to para. 41 of these guidelines, the risk exposures to a counterparty arising from OTC financial derivative transactions and *efficient portfolio management techniques* (including securities loan transactions) should be combined when calculating the counterparty risk limits of Article 52 of Directive (EU) 2009/65/EC. National competent authorities have implemented this new "Union law" into national regulations with a legally binding character.

This means that the counterparty risk to be borne by the investors of an UCITS, including those related to securities financing transactions being in the focus of FSB, will not exceed a total of 10% of the UCITS assets. In some countries (including Germany) the above also applies to non-UCITS.

Without getting lost in details of further applicable rules and regulations – like a mandatory right to terminate securities financing transactions at any time (cf. para. 30-32 of the ESMA Guidelines on ETFs and other UCITS issues), concentration limits (under the German law, securities lending to one counterparty is limited on a gross basis to 10% of the fund's NAV. Transactions with several counterparties belonging to the same corporate group are all counted towards the same limit, cf. § 200 para. 1 KAGB (German Investment Act)), man-

datory collateralization (cf. § 200 para. 2 and 3 KAGB) or the UCITS' limitation only to act as security lender but not borrower (cf. § 200 para. 1 KAGB) – already the above demonstrates that securities financing transaction activities of UCITS and other regulated investment funds respectively their managers cannot not pose any financial stability risks.

However, at least in Germany UCITS and other regulated investment funds respectively their manager are obliged to report immediately any undercollateralization of security loan transactions to the national competent authority BaFin, explaining the reasons for the under-collateralization (§ 200 para. 4 KAGB) and BaFin is obliged to forward such report to the German Central Bank (§ 13 para. 1 no. 8 KAGB).

We believe that any potential systemic risk the FSB considers is strongly related to exposure not secured by collateral exchanged between the parties. As explained above, there are numerous regulatory measures which prevent any systemic risk.

As we are aware that at least the existing reporting obligation described above might not be in place in each and any country, FSB should evaluate if the reporting obligation set out in §§ 200 para. 4 KAGB and 13 para. 1 no. 8 KAGB would be an alternative to the reporting obligations currently suggested, as it would mean much lower implementation costs while providing sufficient transparency.

For the reasons provided we do not see why any financial stability risk shall exist or may potentially arise regarding securities lending and therefore we have doubts that the approach suggested regarding securities lending is appropriate.

In light of the existing regulation, it is not possible to determine any kind of transaction being an equivalent to securities lending being subject to a less restrictive regulation.

Q2-9. For securities lending, do you think that an additional table with flow data would add insights into the operations of securities financing markets and assist regulators in their financial stability monitoring?

No. In light of the existing regulation, we already deem the suggested tables not appropriate. FSB should evaluate if the reporting obligation set out in §§ 200 para. 4 KAGB and 13 para. 1 no. 8 KAGB would be an attractive alternative to the reporting obligations currently suggested, as it would mean much lower implementation costs while providing sufficient transparency (cf. our response to Q2.8 for further details).

Q2-10. Are the proposed definitions and level of granularity of data elements as described in Tables 5 to 6 appropriate for consistent collection of data on securities lending markets at the national/regional level and for aggregation at the global level? In particular, are the detailed breakdown of major currencies (in Table 2), sector of the reporting entity and counterparty as well as bucketing for securities lending fees or rebate rates (in Table 5), residual maturity (in Table 5), collateral residual maturity and collateral type (in Table 6) appropriate? If not, please specify which definitions or classifications of data element(s) require modification, why the modification is necessary, and the alternative definitions/classifications.

Table 5 refers to table 4. Therefore we would like to point out again:

As collateral annexes may include 150 to 200 different kind of assets constituting eligible collateral (e.g. stocks of the DAX, stocks of the DJS 600 (Return), German government bonds denominated in EUR, German government bonds denominated in USD, bonds issued by the African Development Bank, corporate bonds issued by companies listed in the BEL 20 Index, Money Market instruments issued in the UK denominated in GBP) and only regarding some assets haircuts may differ based on the remaining maturity (not all assets have a maturity, therefore Element 4.13 of table 4 is misleading when it considers a maturity for equities – furthermore, considering equities in Element 4.13 contradicts Element 4.11), depending on the agreement with the individual counterparty, we deem it very difficult if not impossible to build up a reporting system, reflecting all these specifics.

We do not believe that reporting the haircuts agreed would bring any benefit.

We believe that the Element "Position" should be subject to further clarification.

Regarding the Element "Collateral residual maturity" it should be clarified what FSB expects to be reported regarding cash collateral and stocks being posted as collateral.

Overall, we believe that FSB should evaluate if the reporting obligation set out in §§ 200 para. 4 KAGB and 13 para. 1 no. 8 KAGB would be an attractive alternative to the reporting obligations currently proposed, as it would mean much lower implementation costs while providing sufficient transparency (cf. our response to Q2.8 for further details).

Q2-11. Do you foresee any practical difficulties in reporting the total market value of collateral that has been re-used or cash collateral reinvested? Do you have any suggestion for addressing such difficulties?

We believe that FSB should define more precise, what it considers as "re-use". According to para. 42 j) of ESMA's Guidelines on ETFs and other UCITS issues (cf. Q2-2), placing any cash collateral on a deposit already means a "re-use" of collateral.

However, we do not see any reason, why reporting shall be extended to the re-use, as there is no potential left for any systemic risk which might be monitored:

Cash collateral received from securities lending can be either placed on deposits, invested in high-quality government bonds, used for reverse repo transactions with regulated credit institutions or invested in short-term MMFs (cf. para. 43 j) of ESMA's Guidelines on ETFs and other UCITS issues dated December 17. 2012 (ESMA/2012/832). Any potential risk of maturity and liquidity transformation is eliminated by these measures.

Regarding non-cash collateral it is set out that it shall neither be sold, re-invested or pledged (cf. para. 43 i) of ESMA's Guidelines on ETFs and other UCITS issues dated December 17. 2012 (ESMA/2012/832). It must be deposited by the custodian bank (in case of a full transfer of title) (cf. para. 43 g) of ESMA's Guidelines on ETFs and other UCITS issues dated December 17. 2012 (ESMA/2012/832).

In some countries, such as Germany, these Guidelines have been implemented by extending their scope also to AIF.

Q2-12. Do the classifications provided for "market segment – trading" (in Table 5) and "market segment – clearing" (in Table 5 and 6) appropriately reflect relevant structural features of the securities lending markets? Are there additional structural features of securities lending markets that should be considered?

We do not believe that there are additional structural features of securities lending markets that should be considered.

Q2-13. Are there additional securities lending data elements that should be included in the FSB global securities financing data collection and aggregation for financial stability purposes? Please describe such additional data elements, providing definitions and the rationale for their inclusion.

As far as FSB deems it necessary to identify the reporting parties respectively the counterparties to the transactions, the LEI should be considered.

Q2-14. Does the proposed definition of margin lending provide practical basis for the collection of comparable data across jurisdictions as well as the production of comprehensive and meaningful global aggregates?

If FSB means regular loans (any loan provided by a financial institution is collateralized), we are wondering why those shall have the potential to create systemic risk.

Loans are limited by 10 % of the NAV (cf. Art. 83 of Directive 2009/65/EC) and are especially required for effecting the redemption of fund units and for providing cash collateral.

Even if UCITS or other regulated investment funds would invest the 10% with the intend to leverage investments, one must consider that they have to comply with the "cover rule", which means that they are only allowed to agree on derivatives which can be fulfilled with the assets of the investment fund (see also CESR consultation 10-108 as well as Box 28 of CESR's Guidelines on Risk Measurement and the Calculation of Global Exposure and Counterparty Risk for UCITS, published on July 28, 2010 (CESR/10-788)). Furthermore, they have to comply with the 200%-rule (cf. ESMA Guideline 10-788; for Luxembourg: CSSF-Circular III.4.4. Para. 1 11/512; for Germany: § 7 para. 1 DerivateV).

As regulation should be adequate, we believe that prior to suggesting any reporting obligations on the usage of loans, FSB should especially evaluate if the aforementioned (existing) regulations leave space for any systemic risk, FSB intends to make transparent via the suggested reporting obligation.

At least, FSB should exclude UCITS and other regulated investment funds from the scope of the intended reporting obligations.

Finally one must raise the question, how systemic risk shall arise in relation to "margin lending" at all. If parties agree on a loan and the loan is collateralized, it is our understanding, that neither party carries any relevant counterparty risk.

Q2-15. In a later stage, a list of transactions that are economically equivalent to margin lending may be added to the reporting framework (see also Section 6 for details). Which economically equivalent transactions would you suggest for future inclusion? Please provide a definition of such transactions and explain the rationale for inclusion.

None.

Q2-16. Are the proposed definitions of data elements as described in Tables 7 to 9 appropriate for consistent collection of data on margin lending at the national/regional level and for aggregation at the global level? In particular, does the collection of the data elements in table 9, which represents a specific requirement for margin lending, provide relevant information for financial stability purposes? Do you foresee any particular difficulties to reporting the required data elements at the national/regional level?

If FSB means regular loans, those are only used to bridge liquidity gaps (e.g. in case of fund redemptions or for providing cash collateral, as UCITS and other regulated investment funds are not allowed any more to gain liquidity via repos). If FSB means cases were UCITS and other regulated investment funds provide regular loans, FSB should take into consideration that UCITS and other regulated investment funds are not allowed to provide regular loans.

Q2-17. Are the detailed breakdown of major currencies (in Table 2), sector of the client and bucketing for loan rates (in Table 7), collateral type and bucketing for margin requirements (in Table 8) and funding sources (in Table 9) appropriate? If not, please specify which definitions or classifications of data element(s) require modification, why the modification is necessary, and the alternative definitions/classifications.

Please see above (our response to Q2-16).

Q2-18. Is the collection of the data on the customers' short position, in addition to the value of outstanding loans, a necessary metric for assessing the overall clients' exposures and for financial stability purposes? Do you foresee any practical difficulties to report this data element at the national/regional level?

We are not aware of the internal processes within a bank that provides a UCITS or other regulated fund with a regular loan.

Q2-19. Are there additional data elements in relation to margin lending that should be included in the FSB global securities financing data collection and aggregation for financial stability purposes? Please describe such additional data elements, providing definitions and the rationale for their inclusion.

We do not see any other elements to be included.

Q3-1. Is the data architecture described in Section 3 adequate to support the global securities financing data collection and aggregation? Are there other relevant issues to be considered?

We do not see any other relevant issues.

Q3-2. Do you have any other practical suggestions to reduce any additional reporting burden and improve the consistency of the global data collection?

FSB should evaluate, to which extent existing regulation and reporting obligations regarding some kind of entities like UCITS and other regulated investment funds are sufficient for mitigating as potential systemic risk.

We believe that if that work is not done by FSB, there is a huge likelihood that those who are already today subject to the strictest regulation in the financial industry (UCITS and other regulated investment funds) might become subject to new overlapping, duplicative or conflicting regulation.

Q3-4. Are there any confidentiality issues that you consider relevant for the global securities financing data collection other than those explained above? If so, please provide any practical suggestions to overcome such issues?

Data should be stored in a country with high standards of data protection (e.g. Germany).

Q4-1. Do the proposed recommendations as set out above adequately support the authorities in deriving meaningful global aggregate data? Are there any other important considerations that should be included?

Experiences from the implementation of EMIR should be considered.