STATE STREET.

28 March 2013

Via e-mail: fundspolicy@centralbank.ie

UCITS Consultation
Markets Policy Division
Central Bank of Ireland
Block D
Iveagh Court
Harcourt Road
Dublin 2

Consultation Paper 77 - Consultation on publication of UCITS Rulebook ("CP77")

Dear Sir/Madam:

State Street Corporation ("State Street") appreciates the opportunity to comment on CP77 issued by the Central Bank of Ireland ("CBI") regarding the production of a single UCITS Rulebook.

Headquartered in Boston, Massachusetts, with branches and subsidiaries throughout the European Union ("EU"), State Street specialises in providing institutional investors with investment servicing, investment management and investment research and trading. With EUR 19.7 trillion in assets under custody and administration and EUR 1.6 trillion in assets under management, State Street operates in 29 countries and in more than 100 markets worldwide[1]. Our European workforce of 9,000 employees provides services to our clients from offices in ten EU Member States and includes 2,000 employees and 5 locations in Ireland.

[1] As of September 30, 2013.

We have broken the response into two main parts: our responses to the three specific questions raised by the CBI in its introductory section to CP77 and comments on the content of the Rulebook generally.

Specific Questions for consideration:

1. The Central Bank has previously placed significant reliance on the Promoter to underpin the formal regulatory regime by ensuring that only sizable entities with relevant experience could establish UCITS in Ireland, entities who could support UCITS in difficulty. To this end, the Central Bank has had a promoter approval process. We eliminated the promoter approval process for Irish authorised AIFs and placed reliance instead on the alternative investment fund manager ("AIFM"), taking into account the obligations on AIFM which the AIFMD imposes on them. In conjunction with this, we also elaborated in more detail the obligations of directors when an AIF gets into difficulties. We are proposing to take a similar approach for UCITS where we propose to also eliminate the promoter approval process. We will instead place reliance on the regulatory regime for UCITS management companies and will also elaborate the obligations of directors when a UCITS gets into difficulties. Do you agree with this approach?

ANSWER:

State Street welcomes the proposal to eliminate the promoter approval process for UCITS Funds. This proposal represents a logical alignment between the AIFM and UCITS regime. We are supportive of the approach of placing obligations on management companies of UCITS funds and the directors of UCITS management companies provided that this is aligned with the AIFMD regime. We would like to understand whether, as a result of this change, the CBI intends to seek additional documentation or introduce additional ongoing obligations for UCITS Management Companies and SMICs, from a capital requirement, operations and governance perspective.

2. UCITS are permitted to invest in transferable securities and financial derivative instruments which are listed or traded on stock exchanges or regulated markets. Guidance Note 1/96 sets out the Central Bank's approach to the determining whether a market meets the criteria for 'regulated markets' set out in the UCITS Regulations. Since the introduction of Commission Directive 2007/16/EC on eligible assets, there has been some overlap between matters covered by that Directive and Guidance Note 1/96. The Central Bank is removing this duplication by withdrawing that guidance note. As a result, the Central Bank will no longer review submissions

on proposed regulated markets and will no longer publish a list of permitted markets for UCITS. Do you agree with this approach?

ANSWER

State Street supports the CBI's decision to withdraw Guidance Note 1/96. State Street believes that it is appropriate for the UCITS to assess and determine whether the exchanges and markets on which it intends to trade are eligible markets within the criteria provided for in the UCITS Regulations as required in the Rulebook Chapter 1, Part I, section 4(i)(1). This approach is more consistent with other EU jurisdictions such as Luxembourg and the UK where the competent authorities do not provide a pre-approved list of eligible markets.

3. To aid the Central Bank's supervision of UCITS management companies and depositaries, it is proposed to extend the current financial reporting requirements. Currently UCITS management companies and depositaries are required to submit half-yearly management accounts covering the first six months of the financial year and audited annual accounts. It is proposed to require the additional submission of half-yearly management accounts covering the second six months of the financial year. Do you believe that the proposal would add significantly to the current reporting burden placed on UCITS management companies and depositaries?

ANSWER:

State Street believes this will add significantly to the financial reporting burden. At year-end financial reporting staff are engaged in preparing the annual financial statements and preparing for the statutory audit. The same staff would also be required to prepare six monthly management accounts. It would give rise to duplication of effort to prepare a second set of 6 monthly accounts when the results are reported in the annual financial statements. We believe this is unnecessary because a reader of the accounts would be able to assess the performance of the management company or the depositary in the second half of the year by referring back to this previously issued half yearly report.

Comments on the Rulebook

General comments

State Street is supportive of the CBI's decision to produce a consolidated document of all requirements imposed on UCITS, management companies and depositaries.

Though we understand the CBI's desire not to repeat any of the requirements contained in the UCITS Regulations or UCITS Level 2 Regulations, State Street believes that the CBI would better achieve a more accessible, readable and consolidated regulatory framework if the UCITS Rulebook were to include cross-references to the applicable Regulations.

For example, the definitions section does not include references to terms such as "credit institution" and "senior management", which are used throughout the Rulebook. The user of the Rulebook would be expected to know that these terms have a specific definition attributed to them in a separate document: the UCITS Regulations. State Street believes that it would be appropriate to include a paragraph in Chapter 1, Part I, section 1 of the Rulebook referencing the applicable UCITS Regulations covering UCITS restrictions. Further, it may be desirable to include a section dedicated to Master-Feeder UCITS in Chapter 1, Part II of the Rulebook even if this were simply a cross-reference to the applicable UCITS Regulations.

There are also some areas which look a little peculiar as a result of the approach taken not to repeat any of the requirements as contained in the UCITS Regulations themselves. For example, Chapter 1, Part I, Section 5(i)(1)(a) lists the separate items to be reflected in the statement of assets and liabilities. This list does not include "transferable securities", being a reference already made in the UCITS Regulations. The result is a list which appears to be complete in so far as it contains a number of items, but is missing elements.

The CBI's existing set of UCITS Notices does contain details from the UCITS Regulations and, to this extent, achieves a level of consolidation of all the rules and regulations applicable to a UCITS and its management company, which will be lost given the approach that the CBI is taking in the UCITS Rulebook. Moreover, the Rulebook will not be a consolidated set of conditions and guidelines, given that the CBI will also publish a UCITS Q&A alongside the Rulebook as well as other residual guidance which the CBI indicates will be published elsewhere on the CBI's website. We would ask the CBI to consider the above points when finalizing its UCITS Rulebook given the objective of the Rulebook constituting "a more accessible and readable regulatory framework."

Definitions

There are a number of definitions which were in the UCITS Notices but which have been removed from the Rulebook. Some of these definitions are words and phrases which are still commonly used throughout the Rulebook and may be useful to maintain or in some way indicate that such terms have the same meaning as in the UCITS Regulations. Such definitions include:

- "related company" [the term is not used in this exact phrase but there is a reference to "related entity" in Chapter 1, Part I, section 1(vi)(10) which lacks a definition as to what constitutes "related"]
- "senior management" [as noted in our general comments, this is defined in the UCITS Regulations but it may be worth considering also including in the Rulebook as a commonly used term]
- "credit institution" [as noted in our general comments, this is defined in the UCITS Regulations but it may be worth considering also including in the Rulebook as a commonly used term]

Page 8

"Regulatory criteria": Point (c) under this definition in CP77 references authorised AIFs and the AIFM Regulations rather than UCITS.

CHAPTER 1 - Product Requirements

Part I. GENERAL RULES

1. UCITS restrictions

Section ii – Eligible assets

General comment

We notice that there is no reference in this section referring to eligible open-ended collective investment schemes. In the current regime, the CBI requires such investments to meet the requirements of Guidance Note 2/03, which sets out, among other things, those non-UCITS schemes deemed to be acceptable for investment by an Irish UCITS. The draft Rulebook does not contain any of this existing guidance. If it is the CBI's intention that this guidance remains, as we believe is the intention following its reference in the CBI's UCITS Q&A issued in February, we would suggest including this in the Rulebook in order to better achieve a single consolidated document.

Paragraph 14(c) – page 17

The language in this paragraph stems from the change to the UCITS Notices made by the CBI in October 2013. The change seems to suggest that a central counterparty ("CCP") is an eligible counterparty, though this in turn potentially means that the CCP is also subject to the 5% limit. Bearing in mind that the UCITS may now

be facing only one CCP for all of its OTC over-the-counter ("OTC") FDI, this exposure could potentially be significant, yet the purpose of the introduction of the CCP is to remove counterparty exposure as a risk in the market.

This position seems to be at odds with the ESMA Guidelines on Risk Measurement and the Calculation of Global Exposure and Counterparty Risk for UCITS (CESR/10-788), if one maps the evolution of the final ESMA guidelines from the consultation on the calculation of global exposure and counterparty exposure, through the feedback statement and its final form. The original consultation language seemed to clearly indicate ESMA's intention that the strict counterparty limits should apply to the exposure at the CCP. However, the feedback statement shows that ESMA was prepared to accept the general disagreement with this potential policy on the grounds that CCPs are intended to remove OTC counterparty exposure and the final language in the guidelines is deliberately non-committal in relation to how this exposure should be considered, which is reflected in the Rulebook at Chapter 1, Part I, Section 1(iii)(7). This appears to leave it open to the management company or board of the UCITS to agree and document in its RMP a policy as to how the fund wishes to treat this exposure.

However, the CBI has used language in this section taken directly from the original ESMA consultation, including the reference to the "subsequent novation" of the OTC position to the CCP.

We would like to understand from the Central Bank what was the intention of the language in relation to CCPs. We would also ask the CBI to consider amending the language to clarify that a CCP is not deemed to be subject to the UCITS OTC counterparty limits.

We would also ask the CBI to amend the reference to the "subsequent novation" of the OTC position. We would recommend that the CBI does not use this language from the consultation paper unless there is a justifiable reason for doing so.

<u>Paragraph 15</u> – page 17

We would request that the CBI clarifies in this paragraph that Article 9(2) of the Eligible Asset Directive (2007/16/EC) still applies to a financial index made up of eligible assets where one or more of those assets exceeds the diversification limits set out in Regulation 71 and that such investment must be assessed as an investment in the basket of eligible assets on a look-through basis rather than as a financial index. We feel that such clarification is necessary because of the potential confusion cause by Answer 7b in ESMA's Q&A on its guidelines on ETFs and other UCITS issues (ESMA 2013/1547) which states:

> This means that the guidelines on ETFs and other UCITS issues take precedence over the guidelines on eligible assets issued by CESR in 2008

(Ref. CESR/07-044b) and that UCITS should not invest even a small amount of their assets in financial indices that do not comply with paragraphs 48 to 61 of the guidelines.

Paragraphs 15 to 26 on Financial Indices – pages 17 – 26

Does the CBI intend maintaining any of the additional requirements for financial indices contained within its Guidance Note 2/07, e.g. the requirement for certain financial indices to be subject to a pre-approval submission process by the CBI? If this is the case, we would suggest that such additional requirements are incorporated into the Rulebook and not left as a stand-alone guidance note.

Section iv – Borrowing powers – page 21

In the Rulebook, this section is denoted as "vi" instead of "iv"

Section vi – Efficient portfolio management

Paragraph 7 – page 28

Following ESMA's publication of their "Guidelines on ETF's and other UCITS issues" (ESMA 2012/832), ESMA also issued a Q&A document (ESMA 2013/1547), which is subject to ongoing revision. In this document, ESMA makes reference in question 6e of the section on "Collateral Management" that collateral can be held by a custodian that is not the depositary but the depositary must have delegated the custody of the collateral to a sub-custodian and the depositary must remain liable for the collateral in the event of its loss. The draft Rulebook does not include language to this effect and we would request for the purposes of clarity, that such a provision be reflected in this paragraph.

We would suggest that the CBI confirm that updates, variances or other interpretative provisions provided by ESMA by way of their Q&A can be deemed to also update the Rulebook. If this is not the case we would propose that the Rulebook be updated with any such amendments already published by ESMA or that may be updated in the future.

Paragraph 9 – page 28

UCITS engaging in securities lending transactions frequently accept cash collateral in respect of the loans they have undertaken. This paragraph reflects ESMA's

guidelines and provides that cash collateral may only be invested in certain ways. The most common and, in a majority of cases, the only practical option is (d) reinvesting cash collateral in a qualifying Money Market Fund ("MMF").

State Street has encountered a number of different opinions/interpretations in relation to this element, which, as a result, appear to be creating an uneven playing field for some UCITS. Our understanding is that some UCITS are assessing the issuer / collateral diversification limits on a look-through basis to the underlying assets of the MMF. These UCITS are therefore adopting the position that cash collateral investment in a single MMF is not required to be capped at 20% of the UCITS overall net asset value ("NAV").

Other UCITS believe the maximum amount of cash collateral that can be reinvested in a single UCITS MMF is 20% of their NAV. This appears to be driven by the assumption that invested cash collateral must be taken into account for *all* diversification restrictions applicable to a UCITS. These UCITS, which lend predominantly or solely versus cash collateral and only wish to reinvest in MMF, are limited to lending a maximum of 20% of their portfolios and may be limiting themselves unnecessarily.

The ESMA Q&A 6m indicates that invested cash collateral must be aggregated with the UCITS direct holdings in assessing its compliance with Article 52(1) and Article 52(2) but makes no explicit reference to Article 55, which sets the limit on investment in other collective investment schemes. ESMA Q&A 6k also clarifies that invested cash collateral must be combined with received non-cash collateral for the purposes of assessing the UCITS compliance with the 20% issuer diversification limit within the collateral pools, but it is not clear from the ESMA guidelines whether a diversified MMF is to be considered as an "issuer" for the purposes of this limit. We would be interested in whether CBI has any views on this particular aspect and should the view of the CBI that this is not a requirement in respect of cash collateral, qualify paragraph 9(d) in a manner that clarifies this position.

Paragraph 9(c) – page 28

This is labelled (b) in the draft Rulebook.

Paragraph 9(c) and paragraphs 15 and 16 – pages 28 and 29

The ESMA Guidelines on repurchase and reverse repurchase agreements published on 4 December 2012 (ESMA 2012/722), Annex II, section IV paragraph 10 provides that "Fixed- term repurchase and reverse repurchase agreements that do not exceed seven days should be considered as arrangements on terms that allow the assets to be recalled at any time by the UCITS". This provision does not appear to be included

with the draft Rulebook and we would be grateful if the CBI would review this and if deemed acceptable incorporate this provision in its final deliberations.

Section viii – Constitutional documents

Paragraphs 2 and 3 – page 31

Please clarify that the reference to "constitutional documentation" should be replaced with a reference to "prospectus". It would be very unwieldy to amend the M&A of a Fund in the event that the Fund intended to trade in new markets and is not a current requirement of the CBI.

Paragraph 7, 4th bullet – page 32

State Street does not believe that this should be a requirement imposed on depositaries. Reviewing a proposed *in specie* subscription would be akin to providing pre-trade compliance, which is beyond the remit of depositaries. It should be the responsibility of the UCITS to ensure that when it is accepting in kind contributions that it has ensured that the portfolio of securities to be received is both in line with the investment policy, objectives and restrictions of the fund and is being valued in accordance with the fund's pricing policy. The depositary should only be required to carry out post-trade monitoring as part of its on-going obligations.

Paragraph 8, 2nd bullet – page 32

State Street would view the decision regarding asset allocation being one determined by the Investment Manager and approved by the board of the UCITS making the redemption. The depositary's oversight role in this regard would be to review the proposed asset allocation for the in-specie redemption and ensure fair treatment to all investors and adherence to any policy of the UCITS.

Section ix – Dealing

Paragraph 3 – page 33

Though we agree with the principle that the CBI is expressing in the second sentence of this paragraph, we would like to point out that there are scenarios in which the UCITS or the UCITS' administrator may receive an application for a subscription or redemption after the valuation point and the UCITS may nevertheless wish to accept the application. For example, the investor may have provided their instruction before the stipulated deadline but this may not have been received by the

UCITS on time due to technical issues or a delay at the intermediary. In such circumstances, we would suggest that the UCITS should be able to accept an application received after the deadline provided that the investor can evidence that the application was in fact attempted before the dealing deadline and there is clearly no attempt to engage in market timing. We would ask the CBI to consider whether the language in this paragraph should be amended to reflect this as the paragraph as it stands states "under any circumstances" which could be interpreted overly strictly.

Section x – Valuation

Paragraph 9 – pages 34 to 36

State Street supports the CBI's decision to remove the prescriptive approach to the valuation of OTC financial derivative instruments (FDI). We believe the CBI is correct to permit a UCITS to value OTC FDI in accordance with the overarching principles contained within Schedule 9 of the UCITS Regulations.

2. Supervisory requirements

Section ii - Replacement of depositary

Paragraph 1 – page 52

Can the CBI confirm whether it is proposed to retain the existing change of service provider process (COSP) in relation to the replacement of the depositary?

3. Prospectus and Key information document requirements

Section i – General Requirements

Paragraph 1 – page 54

What assurances does the CBI require if any that translations into other languages are accurate? Should the CBI be informed once a foreign language version of the prospectus is utilised?

Section iii – Investment policy

Paragraph 3 – page 59

This paragraph appears to contain a new requirement on a UCITS to disclose the percentage values of long and short positions in a portfolio. Whereas in many cases, for example a 130/30 or market neutral strategy, this would be an obvious disclosure to make, for other UCITS, the ability to vary the long and short exposures over time may be part of the UCITS strategy. Provided the UCITS is managed within the limits permitted by the UCITS framework, this should be an acceptable strategy. We would therefore ask the CBI to take this into account in the drafting of this paragraph to allow a UCITS to state that the positions may vary and are not fixed, rather than specifying any specific limit or range.

Paragraph 7 – page 60

Is it intended that the principal contained in this single paragraph will replace the detailed requirements contained in the existing Guidance Note 3/07?

Section v - Dealing

Paragraph 4, 2nd bullet – page 61

State Street would view the decision regarding asset allocation being one determined by the Investment Manager and approved by the board of the UCITS making the redemption. The depositary's oversight role in this regard would be to review the proposed asset allocation for the in-specie redemption and ensure fair treatment to all investors and adherence to any policy of the UCITS.

Section xii – Distributions out of and charging of fees and expenses to capital

Paragraphs 1(b) and 2(c) – page 65

The CBI requires prominent risk warnings to be made at the front of a UCITS' prospectus where that UCITS wishes to makes distributions or charge fees and expenses to capital. The CBI requires that the latter must be in bold text but not the former. We would like to understand why the CBI makes this distinction.

Part II. SPECIFIC FUND-TYPE REQUIREMENTS

2. Money market UCITS

Section i – Short-Term Money Market Funds

Paragraph 4 – page 80

Q&A 9 in ESMA's Q&A on a Common Definition of European Money Market Funds (ESMA / 2011 / 273) clarifies that the exercise date of an instrument embedding a put option cannot be taken into account when assessing the final legal maturity of any specific instrument held by the fund. We believe that it would be appropriate to include this clarification in paragraph 4 of this section of the Rulebook in order to avoid confusion with the provisions of paragraph 7 of this section, which allows the exercise date of an embedded put option to be used when calculating the overall WAL of the fund.

Paragraph 10 – page 80

Though this paragraph reflects the language in the existing UCITS Notice 17.0 and the ESMA Guidelines on a common definition of European money market funds (CESR 10-049), we believe there is a potential that this paragraph be misconstrued that money market funds may only invest in FDI to hedge currency risk, whereas we believe that it should be clarified that FDI on interest rates are also permissible.

Section ii – Money Market Funds

Paragraph 4 – page 81

Q&A 9 in ESMA's Q&A on a Common Definition of European Money Market Funds (ESMA / 2011 / 273) clarifies that the exercise date of an instrument embedding a put option cannot be taken into account when assessing the final legal maturity of any specific instrument held by the fund. We believe that it would be appropriate to include this clarification in paragraph 4 of this section of the Rulebook in order to avoid confusion with the provisions of paragraph 7 of this section, which allows the exercise date of an embedded put option to be used when calculating the overall WAL of the fund.

Paragraph 10 – page 82

This paragraph should start on a new line. Though this paragraph reflects the language in the existing UCITS Notice 17.0 and the ESMA Guidelines on a common definition of European money market funds (CESR 10-049), we believe there is a potential that this paragraph be misconstrued that money market funds may only invest in FDI to hedge currency risk, whereas we believe that it should be clarified that FDI on interest rates are also permissible.

Part III: CROSS-BORDER NOTIFICATION OF UCITS

Section i – Outward marketing – UCITS authorised under the Regulations

Paragraph 1 – page 88

Is there a prescribed form of notification where a UCITS is permitted to market in another jurisdiction outside of the European Union?

CHAPTER 2 – Management Company Requirements

Part I. GENERAL RULES

Section i – Operating conditions

Paragraphs 1 and 2 – page 91

State Street does not see the benefit or necessity for filing 2nd half yearly management accounts. State Street believes this would add a considerable burden to service providers as the accounts would need to be prepared alongside the annual audited accounts.

Section iv – Code of conduct in relation to collective portfolio management

Paragraphs 4 – page 94

In reference to the language "A management company shall ensure that the complainant is notified of their right to refer their complaint to the Financial Services Ombudsman", we would suggest adding some wording clarifying that such notification will be made "where it appears to a management company that the complainant is not satisfied with the outcome of the investigation into their complaint", which would be in line with the current requirement.

CHAPTER 3 - UCITS Depositary Requirements

Section ii – Conditions applicable to depositaries which fall within Regulation 35(2)(c) of the UCITS Regulations

Paragraph 1(e) – page 112

State Street does not see the benefit or necessity for filing 2nd half yearly management accounts. State Street believes this would add a considerable burden

to service providers as the accounts would need to be prepared alongside the annual audited accounts.

Section iii – Depositary tasks

Paragraph 1 – page 112

We note that the requirement outlined in UCITS 4.6(8) on the location of the trustee has been removed. Was this intentional?

Paragraph 2 – page 112

We would like to clarify that "any breach" of the Regulations solely refers to a breach of the fund in so far as it relates to the depositary obligations. The depositary cannot be expected to report 'all breaches' of the UCITS Regulations by the UCITS where it does not have a monitoring obligation.

Paragraph 3 – page 113

We would like to clarify that "any material breach" of the Regulations solely refers to a breach of the fund in so far as it relates to the depositary obligations. The depositary cannot be expected to report 'all breaches' of the UCITS Regulations by the UCITS where it does not have a monitoring obligation.

Paragraph 4 – page 113

We note that an additional requirement to report "aged" non-material breaches to the Central Bank has been added; and that this is contained in neither the underlying legislation nor the AIFMD equivalent rules. We do not understand the rationale behind its being added and would therefore request that this paragraph be deleted in its entirety for the following reasons:

a) Non-material breaches are considered as much for a reason, and where they do warrant regulatory attention, they would be escalated, as required. Given the nature of a non-material issue, it may be plausible that it could take four weeks or more before such an issue is wholly resolved. This requirement would add administrative burden with little or no benefit.

b) There is no clarity in the requirement as to what the Central Bank means by a "non-material breach". This, in turn, would lead to inconsistent reporting from

depositaries and it would then be questionable as to what value this would add to the Central Bank itself.

c) We are not aware of this requirement from other European competent authorities.

Paragraph 5 – page 113

State Street would request that this Paragraph be deleted as it requires a level of pre-trade enquiry which depositaries do not currently engage in and have no obligation to do. If any comfort is required in this regard it should be confined to the existing Guidance Note 2/03 requirement. The primary obligation to ensure that the UCITS invests only in eligible collective investment schemes rest with the UCITS itself and not with the depositary. In any case, State Street does not understand why investment in other collective investment schemes is singled out by the CBI for a written confirmation by the depositary when the depositary is expected to have oversight of the manager's adherence to all UCITS investment restrictions. As such, we would suggest the removal of this requirement in its entirety.

Paragraph 6(a) and 7(a) – page 113

The term "fiduciary basis" does not have exact legal understanding/grounds and we would suggest that it be replaced with a more precise defined term. The term 'fiduciary basis', in so far as it applies to sub-custodians, can be problematic in so far as we have to demonstrate as depositary that assets are held on a fiduciary basis, but that obligation should apply mutatis mutandis to any sub-custodians we appoint. In practice, sub-custodians have resisted the idea that they are acting on a fiduciary basis since they do not have the oversight associated with a trustee to act in "best interests of unitholders". We believe it would be helpful to get clarity on this point vis-à-vis any sub-custodians because they will never accept that they have the fiduciary overlay that an Irish trustee has.

Section iv – Operating conditions

Paragraph 7 – page 115

As noted in our response to Question 2 on the proposed withdrawal of Guidance Note 1/96, State Street considers it important that the CBI ensures that there is clarity that it is the responsibility of the UCITS that it invests only in permitted regulated markets.

We do welcome the removal of the requirement for the depositary to write to the CBI that it can provide safekeeping in the markets specified by the UCITS. A separate

letter to the CBI does not, in our opinion, add any additional benefits or investor protection. We would request that the CBI implements the same change in the next iteration of the AIF Rulebook and removes the requirement for a depositary letter as currently required for Retail AIFs.

Paragraph 11 – page 115

State Street does not believe that this should be a requirement imposed on depositaries. Reviewing a proposed *in specie* subscription would be akin to providing pre-trade compliance, which is beyond the remit of depositaries. It should be the responsibility of the UCITS to ensure that when it is accepting in kind contributions that it has ensured that the portfolio of securities to be received is both in line with the investment policy, objectives and restrictions of the fund and is being valued in accordance with the fund's pricing policy. The depositary should only be required to carry out post-trade monitoring as part of its on-going obligations.

Paragraph 12 – page 115

State Street would view the decision regarding asset allocation being one determined by the Investment Manager and approved by the board of the UCITS making the redemption. The depositary's oversight role in this regard would be to review the proposed asset allocation for the in-specie redemption and ensure fair treatment to all investors and adherence to any policy of the UCITS.

Please feel free to contact me should you wish to discuss State Street's submission in greater detail.

Sincerely,

Susan Dargan, Head of Global Services Ireland

State Street International (Ireland) Limited