ESMA_QA_729

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Additional Information

Level 1 Regulation
Benchmarks Regulation (BMR) - Regulation 2016/1011

Topic
Benchmarks Regulation

Subject Matter
Definition of a benchmark in relation to investment funds (ESMA70-145-114 Q&A_5.4)

Question
What types of investment funds are considered to be using an index for the purpose of “tracking the return of [an] index”?

ESMA Answer

05-02-2018

Original language

Article 3(1)(3) of the BMR defines a benchmark, inter alia, as an index that is used to measure the performance of an investment fund with the purpose of tracking the return of such index.

ESMA considers that investment funds using indices to measure their performance with the purpose of tracking the return of such indices include:

1. investment funds the strategy of which is to replicate or track the performances of an index or indices e.g. through synthetic or physical replication; and
2. structured investment funds that provide investors with algorithm-based payoffs that are linked to the performance, or to the realisation of price changes or other conditions, of indices.