European Securities and Markets Authority

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Additional Information

Level 1 Regulation
Undertakings for Collective Investment in Transferable Securities Directive (UCITS) Directive 2009/65/EC

Topic
Disclosures

Subject Matter
Issuer concentration

Question
Where a UCITS has a hedged share class in a different currency, should unrealised FX profits and losses be counted towards the NAV of the hedged share class and accordingly be taken into account when calculating the counterparty risk limit of Article 52(1) of the UCITS Directive?

ESMA Answer

01-02-2023

Original language

[ESMA 34-43-392 UCITS Q&A, Section 1, 5d]

FX forward are OTC instruments. This means that when UCITS invest in this type of instruments for currency hedging purposes in a share class they should comply with the counterparty risks limits laid down in Article 52(1) of the UCITS Directive in respect to the NAV of the share class as provided in paragraph 26a of the ESMA's Opinion on share classes[1]. Therefore, unrealised FX profits and losses should be counted towards the NAV of the hedged share class of the UCITS and taken into account when calculating the counterparty risk limits of Article 52(1) of the UCITS Directive in respect to the NAV of the hedged share class.

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[1] See ESMA's Opinion on share classes (ESMA34-43-296)