

Submission Date

09/01/2015

ESMA_QA_1112

Status: Answer Published

Additional Information

Level 1 Regulation

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

Topic

Disclosures

Subject Matter

Financial derivative instruments - KIID

Question

When a UCITS enters into an unfunded swap, should the exposure swapped into the UCITS be considered in combination with the assets that are swapped out to assess the compliance with investment limits laid down in Article 52, 53, 54, 55 and 56 of the UCITS Directive?

ESMA Answer

09-01-2015

Original language

[ESMA 34-43-392 UCITS Q&A, section 3, Q&A 5a]

No. If the UCITS swaps the performance of its assets against the performance of another portfolio of assets, the UCITS should not combine both the assets swapped out and the exposure swapped into the UCITS when assessing the investment limits laid down in Articles 52, 53, 54, 55, 56 of the UCITS Directive because the ultimate exposure of the UCITS is not a combination of the two portfolios.

However, pursuant to paragraphs 36 and 37 of the guidelines, when a UCITS enters into an unfunded swap, both the UCITS' investment portfolio that is swapped out and the portfolio that is swapped into the UCITS should comply with the investment limits laid down in Articles 52, 53, 54, 55 and 56 of the UCITS Directive.