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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
Financial derivative instruments - KIID

Question
Section XI of the guidelines on financial derivative instruments refers to total return swaps or other financial derivative instruments with similar characteristics. What types of instrument are covered here?

ESMA Answer

05-01-2015

Original language

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

First of all, the purpose of paragraphs 36 and 37 is to clarify that total return swaps should be treated like any other financial derivative instrument. This means that, in accordance with Article 51(3) of the UCITS Directive, the UCITS' investment portfolio as well as the final exposure of the UCITS resulting from the investment in financial derivative instruments should comply with the UCITS investment limits laid down in Articles 52, 53, 54, 55 and 56 of the UCITS Directive.

As far as paragraph 36 is concerned, ESMA's intention is to make sure that the guidelines are not circumvented via the use of financial derivative instruments that are not total return swaps but that have similar characteristics.