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
KIID Collateral management

Question
Should re-invested cash collateral comply with the 20% issuer limit of paragraph 43 (e)?

ESMA Answer

01-10-2016

Original language

[ESMA 34-43-392 UCITS Q&A, section 3, Q&A 6b]

Yes. According to paragraph 44 of the guidelines, re-invested cash collateral should be diversified in accordance with the diversification requirements applicable to non-cash collateral. This means that the 20% issuer limit applies to:

- entities prescribed in Article 50(f) of the UCITS Directive at which UCITS may place cash collateral;
- high-quality government bonds and Short-Term Money Market Funds in which cash collateral may be reinvested;

If UCITS reinvest cash collateral in reverse repo transactions, the reverse repo transactions should comply with sections X and XII of the guidelines on efficient portfolio management techniques and collateral management.