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Additional Information

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

Topic
UCITS eligible assets and investment restrictions

Subject Matter
KIID Collateral management

Question
Which types of asset do not comply with the requirement of correlation of paragraph 43 (d) of the guidelines?

ESMA Answer

01-10-2016

Original language

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

According to paragraph 43 (d) of the guidelines, collateral received by the UCITS should be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty. Therefore, collateral issued or guaranteed by the counterparty of an OTC financial derivative transaction or EPM technique or by one of its subsidiaries or by a parent company, or more generally by an entity belonging to the same issuer group should not be considered compliant with paragraph 40 (d) of the guidelines.