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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 - Issuer concentration

Question
When UCITS reinvest cash collateral, should the reinvested cash collateral be taken into account for the calculation of the issuer concentration limits laid down in the UCITS Directive?

ESMA Answer

01-10-2016

Original language

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

Yes, in accordance with paragraph 2 of Box 27 of the guidelines on Risk Measurement and Calculation of Global Exposure and Counterparty Risk for UCITS (Ref. CESR/10-788) the reinvested cash collateral should be taken into account for the calculation of the investment restrictions applicable to UCITS. For example, this means that if a UCITS has already placed 10% of its assets on deposits with a given issuer, it should not reinvest cash collateral for more than 10% of its assets in deposits with the same issuer in order to comply with the 20% limit of Article 52(1)(b) of the UCITS Directive.

In addition, the reinvested cash collateral has to comply with the diversification requirement laid down in paragraph 44 of the ESMA guidelines on ETFs and other UCITS issues.