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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 Financial indices

Question
Paragraph 50 of the guidelines prohibits investment by UCITS in commodity indices that do not consist of different commodities and applies a correlation factor to be considered in this regard. Can UCITS invest in a commodity index for which a particular commodity component does not have 5 years of price history available for the purposes of the correlation

observation?

ESMA Answer

20-03-2014

Original language

[ESMA 34-43-392 UCITS Q&A, section 3, Q&A 7k]

Yes, provided that a similar asset serves as an adequate proxy. The basis for such an asset being considered as an adequate proxy needs to be supported by both qualitative and quantitative data. Those qualitative and quantitative data should be documented by UCITS management companies. The proxy asset cannot constitute more than 3 years of the 5 years of data for the purposes of the calculation. The proxy must be a single commodity (rather than a component of a basket or other amalgam/hybrid product) asset. However, this asset could include a financial index which complies with section XIII of the guidelines.