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Additional Information

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

Topic
UCITS global exposure

Subject Matter
Risk Measurement and Calculation of Global Exposure and Counterparty Risk for UCITS - Hedging strategies

Question
Can the following strategy be qualified as a hedging strategy as defined in CESR's guidelines?
A portfolio management practice which only aims to reduce the interest rate risk of a

corporate bond portfolio by entering into a short position on bond future contracts (or an interest rate swap) in the same currency and with a similar interest rate duration. Note that in this case the portfolio credit risk would remain un-hedged.

ESMA Answer

01-07-2012

Original language

[ESMA 34-43-392 UCITS Q&A, section 5, Q&A 1a]

Yes. This strategy could be considered as a hedging arrangement as defined in CESR’s guidelines as it is in line with the example set out in paragraph 33(a) of the guidelines.