ESMA_QA_1196

Submission Date
01/07/2012

Status: Answer Published

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
When calculating the global exposure according to the Commitment Approach, can UCITS that invest in other funds make use of hedging arrangements?

ESMA Answer

01-07-2012

Original language

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

According to Box 8 of CESR’s guidelines, for the purpose of calculating global exposure under the Commitment Approach, hedging arrangements may only be taken into account if they relate to the same asset class. Therefore, hedging arrangements for UCITS funds of funds are possible provided that the management company of the investing UCITS has full knowledge of the underlying investments of the target funds.