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01/12/2013

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Additional Information

Level 1 Regulation

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

Topic

Risk management

Subject Matter

Risk Measurement and Calculation of Global Exposure and Counterparty Risk for UCITS - exchange-traded derivatives and centrally-cleared OTC transactions

Question

How should UCITS calculate their counterparty risk for exchange-traded derivatives and OTC transactions that are centrally cleared under the European Market Infrastructure Regulation (EMIR)?

ESMA Answer

01-12-2013

Original language

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

When calculating the counterparty risk for exchange-traded derivatives and OTC transactions that are centrally cleared, UCITS should look at the clearing model used to determine the existence of counterparty risk and, if any, where the counterparty risk is located. When analysing the clearing model used, UCITS should have regard to the existence of segregation arrangements of the assets and the treatment of claims on these assets in the event of bankruptcy of the clearing member or central counterparty.^[1]

[1] Since this question was last updated, ESMA has issued an opinion to the European institutions on the Impact of Regulation 648/2012 on Articles 50(1)(g) (iii) and 52 and of Directive 2009/65/EC for over-the-counter financial derivative transactions that are centrally cleared ([ESMA/2015/880](#))