ESMA_QA_1952

Submission Date
13/09/2012

Status: Answer Published

Additional Information

Level 1 Regulation
Short Selling Regulation (SSR) Regulation (EU) No 236/2012

Topic
Other SSR-related topics

Subject Matter
Uncovered Credit Default Swap - Using a sovereign CDS position to hedge the risk related to another CDS position

Question
May a sovereign CDS be used to hedge the risk under another CDS referring to the same sovereign debt?

ESMA Answer

13-09-2012

Original language

[ESMA70-145-408 SSR Q&A, Q&A 11.2]

Yes, it would be legitimate to use a sovereign CDS position to hedge a risk related to another CDS position in so far as the conditions prescribed in Chapter V (in particular Articles 18 and 19) of the DR (Commission Delegated Regulation No 918/2012) are fulfilled.