

**Submission Date**

29/01/2013

# ESMA\_QA\_1954

Status: Answer Published

## **Additional Information**

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### **Level 1 Regulation**

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

### **Topic**

Other SSR-related topics

## **Subject Matter**

Uncovered Credit Default Swap - Static hedging through the holding of a sovereign bond

## **Question**

Should the holding of a sovereign bond be treated as a static or dynamic hedge for the purposes of Articles 19 and 20 of the DR?

## ESMA Answer

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29-01-2013

Original language

[ESMA70-145-408 SSR Q&A, Q&A 11.4]

Article 20(2) of the DR specifies that direct exposures to sovereign or public sector bodies in the sovereign are examples of static hedging. The holding of a sovereign bond should therefore be treated as a static hedge.