**Annex – Question 20. Table on eligible assets UCITS EAD.**

For the purposes of Question 20, please complete the table below with the requested information, taking into account the instructions provided in the footnotes. After having completed the form, please save the document (according to the following convention: “ESMA\_Q20\_nameofrespondent”) and upload it online at <https://www.esma.europa.eu/press-news/consultations/call-evidence-review-ucits-eligible-assets-directive>under the heading *‘Your input - Consultations’*, as an Annex to the Reply Form. In case you upload a pdf file, please choose an editable form.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Asset class[[1]](#footnote-2)** | **Merits of allowing direct UCITS exposures** | **Merits of allowing *indirect* UCITS exposures[[2]](#footnote-3)** | **Extent/amount of existing UCITS exposures[[3]](#footnote-4)**  | **Additional comments[[4]](#footnote-5)** |
| 1. Loans[[5]](#footnote-6) |  |  |  | “Loans” is a very vast asset category. If UCITS funds were to be allowed to invest in loans, that authorisation would need to be restricted to the safest kinds of loans, in a way that offers sufficient guarantees to investors. These fall clearly in the illiquid, private assets category which must remain limited |
| 2. Catastrophe bonds (‘Cat bonds’) |  |  |  | Preferably listed ones |
| 3. Contingent Convertible bonds (‘CoCo bonds’) |  |  |  | Preferably listed ones |
| 4. Unrated bonds |  |  |  | Preferably listed ones |
| 5. Distressed securities |  |  |  | Very limited |
| 6. Unlisted equities[[6]](#footnote-7) |  |  |  | Again, the category “unlisted equities” is extremely vast and varied. There may be some merit to allowing UCITS investments in private equity, provided that said equity comes with sufficient information for the investor and offers near equivalent levels of investor protection.  |
| 7. Crypto assets[[7]](#footnote-8) |  |  |  | There should be a clear warning in that case that most crypto assets do not give rights to any real assets, and therefore are very speculative investments. |
| 8. Commodities and precious metals[[8]](#footnote-9) |  |  |  | Some exposures to commodities and precious metals might be acceptable, provided such exposures are clearly in line with the fund’s investment policy, which, again, must be presented to the investor in a clear and intelligible manner. |
| 9. Exchange-traded commodities (‘ETCs’) |  |  |  |  |
| 10. Real estate | Why not, but then must be included in the very illiquid, private assets, and diversification rules should apply. |  |  |  |
| 11. Real Estate Investment Trusts (‘REITs’) | This category (referring to a US investment product) is missing the most used funds investing in real estate in the EU, such as the “SCPI” or “OPCI” in France, for example. |  |  |  |
| 12. Special Purpose Acquisition Companies (‘SPACs’) |  |  |  | Must be listed ones, otherwise fall in the private asset categories. |
| 13. EU AIFs[[9]](#footnote-10) |  |  |  | For investment in both EU and non-EU AIFs, the real question is: what investment strategies are acceptable? The AIF category is extremely vast and encompasses very different types of funds, some of which may be acceptable as investments for a UCITS fund, while many are not. It is, therefore, paramount that allowing exposures to AIFs come with a requirement to analyse the assets of the AIF and ensure these are acceptable as investments for the UCITS fund itself.More generally funds of funds are often very expensive adding another layer of costs to be borne by the fund investor and increases the opacity of the underlying assets the UCITS fund is invested in. |
| 14. Non-EU AIFs |  |  |  |
| 15. Emission allowances |  |  |  |  |
| 16. Delta-one instruments |  |  |  | As commented on in our response to the consultation, we do not see merit in allowing UCITS exposures to derivatives beyond pure hedging purposes. |
| 17. Exchange-traded notes (‘ETNs’) |  |  |  |  |
| 18. Asset-backed securities (‘ABS’) including mortgage-backed securities (‘MBS’) |  |  |  | As the subprime crisis illustrated, ensuring a proper look-through approach to examine the quality of the underlying assets of ABS is often too complex and costly. UCITS funds could invest in ABS if they are listed on liquid markets, like on the US market. But the risk is then that these MBS themselves are not enough diversified. |
| 19. Other relevant asset classes (please specify) |  |  |  |  |

1. ESMA acknowledges that most of the asset classes listed below have not been clearly defined in EU legislation and this might be a source of divergent interpretations and misunderstandings. Where possible, ESMA invites stakeholders to specify their understanding or definition of the relevant asset classes under the “additional comments” box. [↑](#footnote-ref-2)
2. Where relevant, please distinguish between indirect exposures via instruments such as delta-one instruments, exchange-traded products, derivatives, or AIFs (EU or non-EU). [↑](#footnote-ref-3)
3. Please share any available data or estimates that help to assess the amount or extent to which there are existing UCITS exposures (distinguishing between direct and indirect, where possible) to these asset classes. Where no reliable data is available, ESMA would appreciate receiving estimates in terms of numbers and/or percentages of UCITS exposed to these asset classes and what is the average proportion in the relevant portfolios. Any additional data and insights on strategies, techniques and instruments used to gain exposure to these asset classes would be also highly appreciated. [↑](#footnote-ref-4)
4. Please include under this column any other evidence or views that you would like to share. [↑](#footnote-ref-5)
5. Where relevant, please distinguish between leveraged/structured loans, collateralised loan obligations (CLOs) and other types of loans or loan participations (please specify). [↑](#footnote-ref-6)
6. Where relevant, please distinguish between equity instruments issued by (1) private companies and (2) shares in public companies that that are not listed. [↑](#footnote-ref-7)
7. Where relevant, please specify what type of crypto assets and whether the implementation of MICA will change anything in terms of your assessment. With respect to indirect exposures, ESMA is particularly interested in stakeholder input on exchange-traded products including ETFs with crypto assets as an underlying. [↑](#footnote-ref-8)
8. With respect to indirect exposures, ESMA is particularly interested in stakeholder input on ETFs with commodities/precious metals as underlying. Please note that under the current UCITS rules, precious metals and certificates representing them are not eligible (Article 50(2)(b) of the UCITS Directive). [↑](#footnote-ref-9)
9. Where relevant, please distinguish between different types of AIFs (e.g. open-ended, closed-ended) and investment strategies (e.g. real estate, private equity, hedge funds). [↑](#footnote-ref-10)