Deloitte regulatory news alert

Revision of guidelines on collateral diversification for UCITS and updated Q&A

On 24 March 2014, ESMA published a revision of its guidelines on ETFs and other UCITS issues and an updated version of the related Q&A.

Taking into account feedback from the industry, ESMA grant some flexibility on rules for diversification of collateral made of transferrable securities or money market instruments issued by governments or their bodies. Those revised guidelines apply from 2 months after publication of translation.

The updated Q&A provides further clarification on requirements for financial indices eligibility.

Diversification of collateral

ESMA takes into account industry concerns and aligns diversification rules applicable to transferrable securities or money market instruments issued by governments or their bodies held as collateral with those applicable when directly held in portfolio. As such, UCITS are entitled to hold securities issued by a single government up to 100%, provided that the UCITS holds securities from at least six different issues and no issue accounts for more than 30%.

Investment in financial indices

The updated Q&A provides a clear definition of the public availability eligibility criteria for financial indices. The calculation methodology should be published in such a way that direct access to this information is possible. For instance, via a source which directly links to a public website which is not password protected, encrypted and allows for immediate and direct access.

Finally, technical clarifications are provided for commodity without historical data of five years when calculating correlation to assess indices eligibility. It allows for the use of proxy after documented qualitative and quantitative validation of its adequacy by Management Companies.

Should you need more information, please do not hesitate to contact our experts.

Kind regards,
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