

ESMA finalises guidelines on repo arrangements for UCITS funds

On Tuesday, 4 December the European Securities and Markets Authority (ESMA) published its final guidelines on repurchase and reverse repurchase agreements for UCITS funds. The guidelines state that UCITS should only enter into such agreements if they are able to recall at any time any assets or the full amount of cash.

Key elements of the guidelines are:

- For repurchase arrangements, UCITS should be able to recall at any time the assets subject to such arrangements;
- For reverse repurchase agreements, UCITS should be able to recall at any time the full amount of cash on either an accrued or a mark-to-market basis. However, when cash is recalled on a mark-to-market basis, the mark-to-market value of the reverse repurchase agreements should be used for the calculation of the net asset value of the UCITS; and
- ESMA considers fixed-term repurchase and reverse repurchase agreements that do not exceed seven days as arrangements that allow the assets to be recalled at any time by the UCITS.

The guidelines will now be translated into all EU languages and will be incorporated into ESMA's Guidelines on ETFs and other UCITS issues, published in July 2012. The full set of guidelines will enter into force two months after the publication of the translations. This will result in a comprehensive framework for UCITS that will increase transparency and investor protection and contributes to safeguarding the stability of financial markets.