

### **Circular regarding the UCITS IV Directive**

**This circular outlines the recent developments on the UCITS IV Directive. These relate to the publication of the UCITS IV – Level II Implementing Measures and CESR’s Level III Guidelines on risk measurement and the calculation of global exposure and counterparty risk.**

#### **UCITS IV – Level II Implementing Measures**

On the 8<sup>th</sup> July, the MFSA issued a circular to the industry, wherein it was indicated that the European Commission had adopted four implementing measures in the form of two Directives and two Regulations. The circular also indicated that these measures had not yet been published.

The Commission’s implementing measures were published in the EU’s Official Journal on the 10<sup>th</sup> July, 2010. These have now been uploaded on the MFSA’s website ([www.mfsa.com.mt](http://www.mfsa.com.mt)) under the section ‘*Securities – UCITS IV*’.

#### **CESR – Level III Guidance**

CESR has on the 28<sup>th</sup> July, 2010 issued Level III Guidelines on risk measurement and the calculation of global exposure and counterparty risk for UCITS (Ref. CESR/10-788).

CESR’s guidelines set out detailed methodologies that have to be followed by UCITS when they use either the commitment or the Value-at-Risk (VAR) approach for calculating their global exposure. For UCITS using the VAR approach, the guidelines also provides for additional safeguards which UCITS should follow when calculating the global exposure.

The guidelines also set-out the high-level principles relating to assets that may be used as collateral and cover rules for transactions in financial derivatives instruments.

A copy of the above-mentioned CESR documents is available on the MFSA’s website ([www.mfsa.com.mt](http://www.mfsa.com.mt)) under the section ‘*Securities – UCITS IV*’.

Should you have any queries regarding the above, please do not hesitate to contact Christopher P. Buttigieg, Senior Manager, Securities and Markets Supervision Unit, on 2548 5229, *e-mail*: [cbuttigieg@mfsa.com.mt](mailto:cbuttigieg@mfsa.com.mt) or Ms Antonella Mercieca, Manager, on 2548 5452, *e-mail*: [amercieca@mfsa.com.mt](mailto:amercieca@mfsa.com.mt).

**Communications Unit**  
**2<sup>nd</sup> August 2010**