

MEMO# 33492

April 23, 2021

Joint Trade Association Letter on the Eligibility of EEA UCITS as Collateral under the UK UMR

[33492]

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TO: Derivatives Markets Advisory Committee

ICI Global Brexit Task Force

ICI Global Regulated Funds Committee RE: Joint Trade Association Letter on the Eligibility of EEA UCITS as Collateral under the UK UMR

On 15 April 2021, ICI Global co-signed letter sent by several trade associations^[1] to the Bank of England, Financial Conduct Authority and Her Majesty's Treasury urging them to permit the use of European Economic Area (EEA) UCITS for initial margin (IM) purposes in the UK Uncleared Margin Requirements (UMR) Binding Technical Standards (2016/2251) once the current 'standstill' comes to an end on 31 March 2022.^[2]

In the letter, the trade associations argued that derivatives counterparties, including UCITS managers and investment managers, may use UCITS as IM. In the case of funds, this may be more efficient than (as applicable) having their depository or custodian reinvest cash into UCITS MMFs, for several reasons, including:

- The lack of alternative eligible collateral available to the fund's managers.
- The investment guidelines within which the fund must operate, which may limit the ability to trade other types of eligible collateral.
- Operational limitations on the ability of the fund to trade other types of collateral.

The letter also noted that the pool of EEA UCITS is much larger than the pool of UK UCITS, that not expanding eligible IM assets to include EEA UCITS would negatively impact the UK as a place to do uncleared derivatives business in relative and absolute terms, and that restricting the ability to use only UK UCITS as IM (and not EEA UCITS) is not justified on prudential grounds.

Giles Swan

Director of Global Funds Policy

endnotes

[\[1\]](#) The letter was signed by The Alternative Investment Management Association (AIMA), the Institutional Money Market Funds Association (IMMFA), the Investment Company Institute (ICI), the International Swaps and Derivatives Association (ISDA) and the Securities Industry and Financial Markets Association Asset Management Group (SIFMA AMG)

[\[2\]](#) Under the current "standstill", UK counterparties do not have to adapt current procedures and arrangements for exchange of margin in uncleared derivatives business until 31 March 2022.

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