



GOPS

FUNDS  AXIS

Contents

- 1. Background..... 3
- 2. Rules available in the system..... 5
 - P20030:..... 5
 - P20031 & P20034:..... 6

1. Background

Per the UCITS Directive, Article 52. 3. Member States may raise the 5 % limit laid down in the first subparagraph of paragraph 1 to a maximum of 35 % if the transferable securities or money market instruments are issued or guaranteed by a Member State, by its local authorities, by a third country or by a public international body to which one or more Member States belong.

Therefore, UCITS GOPS are securities where the Issuer is:

- An EU Member State
- An EU Local Authority
- Another country*
- A public international body to which one or more Member States belong.

Other Countries

* Whilst this wording looks wide enough to cover any country, the wider provisions in respect of GOPS are only available were provided for by Member States. The specific GOPS to be permitted could therefore be restricted in the Member States regulations and guidance or in the authorisation process for the UCITS.

In Ireland, for example, this is dealt with in the authorisation process for the UCITS. In this regard, the Ireland Central Bank UCITS Q&A also provide:

“The UCITS Regulations and the AIF Rulebook provide for investment by UCITS and Retail Investor AIF respectively of up to 100% of their net assets in the securities of certain issuers, details on which are set out in the investment fund application forms. Will this list include securities and instruments issued by the government of the People’s Republic of China? A. The Central Bank will not object if UCITS and AIFs provide for investment of up to 100% of their net assets in securities and instruments issued or guaranteed by the government of the People’s Republic of China. This position has been reflected in the investment fund application forms.”

To accommodate the above, Funds-Axis define UCITS GOPS by reference to a narrower list of Governments being the G20 Governments and any AAA rated Governments. Consideration of amendments to this list can be made on a case-by-case basis.

This seems to be any country, but a more restricted view of acceptable 3rd countries is suggested.

G20 (excluding EU Countries)

G20 Countries – non-EU
Argentina
Australia
Brazil
Canada
China
Indonesia
India
Japan
South Korea
Mexico
Russian Federation
Saudi Arabia
Turkey
United States
United Kingdom
South Africa

AA- and above rated countries

Country	SP Country Rating
United Arab Emirates	AA
Israel	AA-
Qatar	AA-
Hong Kong	AA+
New Zealand	AA+
Taiwan	AA+
Liechtenstein	AAA
Norway	AAA
Singapore	AAA
Switzerland	AAA

Public International Bodies

Public International Bodies include:

Public International Body	Is an EU State a member?
European Investment Bank	
The World Bank	
International Monetary Fund	
ASIAN DEVELOPMENT BANK	
African Development Bank	

2. Rules available in the system

- P20030: Max 35% in the Securities of any 1 GAPS Issuer, unless the Issuer is 100% GAPS
- P20031: If Issuer is a 100% GAPS Issuer, Max 30% in any one Issue.
- P20032: Max 100% Exposure to any one GOPS Issuer
- P20034: IF GOPS Issuer >35%, Minimum 6 Issues of the Issuer

P20030:

This rule states you can have a maximum of 35% of the scheme NAV invested into one Government unless it is stated otherwise in the scheme's prospectus.

Example UCITS portfolio

Holding	% NAV
UK Govt Bond	35
Italian Govt Bond	30
US Govt Bond	35
Total	100

P20031 & P20034:

However, you can have more than 35% in any one government issuer if the issuer is stated in the scheme prospectus. If the issuer is stated in the prospectus, then you can have more than 35% in one issuer and up to 100% in that issuer, so long as there is a maximum of 30% of the scheme NAV held in any one issue, and a minimum of 6 different issues held.

Example UCITS portfolio

Holding	% NAV
UK Govt 1 year bond	30
UK Govt 5-year bond	30
UK Govt 10-year bond	10
UK Govt 15-year bond	10
UK Govt long bond	15
UK Govt perpetual bond	5
Total	100

Above we have 6 different issues of UK Government bonds, with a maximum of 30% in any one issue.