MEDIA RELEASE

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IOSCO Publishes report on Liquidity Management Tools in CIS

The International Organisation of Securities Commissions today published a report on *Liquidity Management Tools in Collective Investment Schemes (CIS)* that maps existing liquidity management frameworks in 26 member jurisdictions with a particular focus on tools to help deal with exceptional situations (e.g., significant redemption pressure). The report is based on a survey sent to members of IOSCO's Committee 5 on Collective Investment Schemes.

Greater attention has been focused recently on the tools available to manage liquidity risk in the asset management space, including on the availability of tools, their use, effectiveness and system-wide implications. This report sets out clearly, for a large number of jurisdictions, the various frameworks and policy tools currently at the disposal of asset managers and the scope of funds to which they apply. As such, the document provides a useful, jurisdictional level, reference point on the liquidity management tools available globally.

The report highlights the following observations:

- many liquidity management tools are available to jurisdictions, some of which are specifically tailored to the features and nature of the funds considered (e.g., money market funds, real estate funds, hedge funds). In particular, most jurisdictions clearly distinguish open-ended schemes from closed-ended ones;
- the most common tools are: redemptions fees; redemptions gates; redemptions in kind; side pockets; and suspension of redemptions. Suspension of redemptions is available in all responding jurisdictions, with the power to activate, in exceptional circumstances, in both the hands of the fund/asset manager and regulator;
- funds are generally required to have appropriate risk management and internal quality controls to ensure that all material risks are properly identified, assessed, monitored and controlled;

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- open-ended funds are generally subject to additional regulatory requirements dealing with fund leverage, asset concentration, investor concentration, restrictions on illiquid asset investment and short-term borrowings; and
- historically, many of the liquidity management tools outlined in the report have been activated within individual jurisdictions, with the recent financial crisis being a particularly rich source of recent case studies.

Future steps:

IOSCO, through its policy Committee C5 on Investment Management, is conducting work on enhancing collection of data about asset management activity and is considering developing guidance on liquidity risk management beyond its 2013 principles, including on stress testing.

NOTES TO THE EDITORS

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions and it continues to expand.

2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO). The Board is made up of 34 securities regulators. Mr Greg Medcraft, chairman of the Australian Securities and Investments Commission, is the chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Australia, Belgium, Brazil, China, Egypt, France, Germany, Greece, Hong Kong, India, Italy, Japan, Kenya, Korea, Malaysia, Mexico, the Netherlands, Nigeria, Ontario, Pakistan, Peru, Quebec, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, Trinidad and Tobago, Turkey, United Kingdom and the United States.

3. IOSCO aims through its permanent structures:

   - to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;

   - to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and

- to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

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