

MEDIA STATEMENT



International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores

IOSCO/MS/04/2011

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IOSCO launches consultation on suspension of CIS redemptions

The Technical Committee of the International Organization of Securities Commissions (IOSCO) has published a consultation report, [*Principles on Suspensions of Redemptions in Collective Investment Schemes*](#), which analyses how different jurisdictions' regulatory regimes address the suspension of redemptions by open-ended collective investment schemes (CIS) and proposes principles which provide general standards for how regulatory regimes should approach and oversee suspension of redemptions.

Proposed Principles for Suspension of CIS Redemptions

The principles generally cover all types of open-ended CIS which offer a continuous redemption right, and apply irrespective of whether they are offered to institutional or retail investors. They are addressed to those entities responsible for the overall operation of the CIS and in particular its compliance with the legal/regulatory framework in the respective jurisdiction and thus for the implementation of the principles. The delegation of activities may not be used to circumvent the principles and there should be compliance with the principles, whether activities are performed directly or through a third party.

Management of liquidity risk

- 1. The responsible entity should ensure that the degree of liquidity of the open-ended CIS it manages allows it in general to meet redemption obligations and other liabilities.*
- 2. Before and during any investment, the responsible entity should consider the liquidity of the types of instruments and assets and its consistency with the overall liquidity profile of the open-ended CIS. For this purpose, the responsible entity should establish, implement and maintain an appropriate liquidity management policy and process.*

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Criteria/Reasons for the suspension

- 3. Suspension of redemptions by the responsible entity may be justified only in exceptional circumstances provided such suspension is in the best interest of all unitholders within the CIS or if the suspension is required by law.*

Decision to suspend

- 4. The responsible entity should have the operational capability to suspend redemptions in an orderly and efficient manner*
- 5. The decision by the responsible entity to suspend redemptions, in particular the reasons for the suspension and the planned actions should be appropriately:*
 - a) documented;*
 - b) communicated to competent authorities and other relevant parties;*
 - c) communicated to unitholders.*

During the suspension

- 6. During the suspension of the redemptions, the responsible entity should generally not accept new subscriptions. Subscriptions cannot be accepted if a reliable, meaningful and robust valuation of the assets is not possible.*
- 7. The suspension should be regularly reviewed by the responsible entity. The responsible entity should take all necessary steps in order to resume normal operations as soon as possible having regard to the best interest of unitholders.*
- 8. The responsible entity should keep the competent authority and unitholders informed throughout the period of suspension. The decision to resume normal operations should also be communicated immediately.*

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Implementation of the principles may vary from jurisdiction to jurisdiction, depending on local conditions and circumstances.

The consultation period is open for comments until 30 May 2011.

NOTES FOR EDITORS

1. [*Principles on Suspensions of Redemptions in Collective Investment Schemes*](#).
2. IOSCO is recognized as the leading international policy forum for securities regulators. The organization's membership regulates more than 95% of the world's securities markets in over 100 jurisdictions and its membership is steadily growing.
3. The [Technical Committee](#), a specialised working group established by IOSCO's Executive Committee, is made up of 18 agencies that regulate some of the world's larger, more developed and internationalized markets. Its objective is to review major regulatory issues related to international securities and futures transactions and to coordinate practical responses to these concerns. Mr. Hans Hoogervorst, Chairman of the Netherlands AFM is the Chairman of the Technical Committee. The members of the Technical Committee are the securities regulatory authorities of Australia, Brazil, China, France, Germany, Hong Kong, India, Italy, Japan, Mexico, the Netherlands, Ontario, Quebec, Spain, Switzerland, United Kingdom and the United States.
4. IOSCO aims through its permanent structures:
 - to cooperate in developing, implementing and promoting adherence to internationally recognised 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.

MEDIA ENQUIRIES

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