MEDIA RELEASE

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

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IOSCO Publishes Principles of Liquidity Risk Management for CIS

The International Organization of Securities Commissions published today the final report on *Principles of Liquidity Risk Management for Collective Investment Schemes*, which contains a set of principles against which both the industry and regulators can assess the quality of regulation and industry practices concerning liquidity risk management for collective investment schemes (CIS).

Good liquidity risk management is a key feature of the correct operation of a CIS. Its fundamental requirement is to ensure that the degree of liquidity that the open-ended CIS manages will allow it, in general, to meet redemption obligations and other liabilities. The principles of liquidity risk management published today provide details on how compliance with this requirement can be achieved.

Since the outbreak of the global financial crisis, the issue of liquidity has been a major concern for regulators. However, the discussions on regulatory reform have tended to focus more on the importance of liquidity in the banking sector than in other sectors. These principles have been designed to address the specificities of liquidity risk management in the context of the operation of a CIS.

They are structured according to the time frame of a CIS's life. They start with principles that should be considered in the design (pre-launch) phase of a CIS. They then outline the principles that should form part of the day-to-day liquidity risk management process.

To deal with the exceptional circumstances where a liquidity problem may lead a CIS to temporarily suspend all investor redemptions, IOSCO has published, in January 2012, a report on *Principles on Suspensions of Redemptions in Collective Investment Schemes*.

Generally, the principles aim to reflect a level of common approach and to be a practical guide for regulators and industry practitioners. They are addressed to the entity/entities responsible for the overall operation of the CIS, and in particular its compliance with the legal / regulatory framework in the respective jurisdiction but do not provide directly applicable standards to firms. When being implemented, the principles have to be transposed taking into account the local regulatory framework.

NOTES FOR EDITORS

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2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO), and is made up of 32 securities regulators. Mr. Masamichi Kono, Vice Commissioner for International Affairs at the Financial Services Agency of Japan (JFSA), is the Chairman of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Belgium, Brazil, Chile, China, France, Germany, Hong Kong, India, Italy, Japan, Korea, Malaysia, Mexico, Morocco, the Netherlands, Nigeria, Ontario, Pakistan, Portugal, Quebec, Romania, Singapore, South Africa, Spain, Switzerland, Trinidad and Tobago, Turkey, United Kingdom and the United States.

3. The Emerging Markets Committee is a specialized working group established by IOSCO’s Executive Committee, representing the world’s emerging financial markets. It endeavors to promote the development and improvement in efficiency of emerging securities and futures markets by establishing principles and minimum standards, preparing training programs for the

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staff of members and facilitating exchange of information and transfer of technology and expertise.

4. 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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