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
المنظمة الدولية لهيئات الأوراق المالية

IOSCO/MR/35/2022

Madrid, 16 November 2022

IOSCO Reviews Implementation of Liquidity Risk Management Recommendations

IOSCO today published a thematic review ('Review') assessing the implementation of selected recommendations ('Recommendations') issued in 2018 to strengthen the liquidity risk management practices for collective investment schemes ('CIS') globally.

Jean Paul Servais, IOSCO Board Chairman and Chairman of the Belgium FSMA, said "*Effective liquidity management is crucial to safeguard the interests of investors, to maintain the orderliness and robustness of collective investment schemes and markets, and to reduce systemic risks. Effective liquidity management therefore contributes to financial stability. IOSCO will continue to engage with the industry, its members, and other international bodies to ensure that sound liquidity management practices are implemented.*"

The Review found that larger jurisdictions show a high degree of implementation of regulatory requirements consistent with the objectives of the Recommendations. For the CIS design process, the Review identified some challenges with respect to dealing frequency, dealing arrangements and disclosure practices. For day-to-day liquidity management, the Review found that some jurisdictions may need to improve the process of identification of a liquidity shortage before it occurs and provide more guidance on aligning the investment strategy, liquidity profile and redemption policy. Other related areas that may warrant further attention include data availability and third-party providers of liquidity metrics. With regards to contingency planning, the Review found that jurisdictions should further address the availability of liquidity management tools and supplement the current rules and regulations to include requirements that are more specific regarding the use of such tools.

Additionally, the Review found that responsible entities (i.e., asset managers) have a high degree of implementation of the Recommendations at the level of policies and practices. While all large global responsible entities described practices that were consistent with the Recommendations, improvement might be needed by smaller and less-resourced entities with regard to their liquidity disclosure provisions in their CIS design process. Some weaknesses were also identified in operationalizing contingency plans and activation of liquidity risk management tools.

Sharon Kelly, Chair of the IOSCO Assessment Committee and Senior Analyst, Quebec AMF, said *"The work of the Assessment Committee is critical to IOSCO and its members. Unless implemented, issuing international standards remains ineffective. The findings from the review indicate that IOSCO Recommendations in this area are broadly well implemented. We nevertheless call on both jurisdictions and responsible entities to address the remaining shortcomings identified in our report."*

The findings from this Review have informed the FSB's assessment of the effectiveness of the FSB's 2017 policy recommendations to address structural vulnerabilities from liquidity mismatch in open ended funds.

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 organisation's membership regulates more than 95% of the world's securities markets in some 130 jurisdictions, and it continues to expand.

2. The IOSCO Board is the governing and standard-setting body of IOSCO and is made up of 35 securities regulators. Mr. Jean-Paul Servais, the Chair of Belgium's Financial Services and Markets Authority (FSMA) is the Chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Australia, Bahamas, Bangladesh, Belgium, Brazil, China, Egypt, France, Germany, Greece, Hong Kong, India, Ireland, Italy, Japan, Korea, Kuwait, Malaysia, Mauritius, Mexico, Morocco, the Netherlands, Oman, Ontario, Peru, Quebec, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States of America (both the U.S. Commodity Futures Trading Commission and U.S. Securities and Exchange Commission). The Chair of the European Securities and Markets Authority and the Chair of IOSCO´s Affiliate Members Consultative Committee are also observers.

3. The Growth and Emerging Markets (GEM) Committee is the largest committee within IOSCO, representing more than 75% per cent of the IOSCO membership, including 10 of the G20 members. Dr Mohamed Farid Saleh, Executive Chairman of the Financial Regulatory Authority, Egypt is Chair of the GEM Committee. The committee brings members from growth and emerging markets together and communicates members' views and facilitates their contribution across IOSCO and at other global regulatory discussions. The GEM Committee's strategic priorities are focused, amongst others, on risks and vulnerabilities assessments, policy and development work affecting emerging markets, and regulatory capacity building.

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4. IOSCO aims through its permanent structures:

   - to cooperate in developing, implementing and promoting internationally recognized and consistent standards of regulation, oversight and enforcement 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 to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

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