Press release

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For immediate release

New fund liquidity report from EFAMA and ICMA outlines tools available to manage liquidity risk

The International Capital Market Association's (ICMA) Asset Management and Investors Council (AMIC) and the European Fund and Asset Management Association (EFAMA) have published today a report on the legislative requirements and market-based tools available to manage liquidity risk in investment funds in Europe. The report also offers some recommendations to further improve the general liquidity management environment.

The report was written in response to public concerns that liquidity has become more fragmented, whether as a result of the reduced role of banks as market makers and liquidity providers or the prolonged accommodative monetary policy of the world's most prominent central banks.

The report documents in detail (i) the current regulatory requirements of EU legislation (namely UCITS and AIFMD), emphasising *inter alia* risk management and reporting, and (ii) market based liquidity risk management tools, for example swing pricing or redemption gates. The combination of regulatory requirements and market based tools prove comprehensive and appropriate for liquidity management in both normal and exceptional circumstances, in line with the findings of the International Organization of Securities Commissions' (IOSCO) December 2015 Report on *Liquidity Management Tools in Collective Investment Schemes*.

Peter de Proft, EFAMA Director General, commented: "*Our industry acknowledges the virtues of the EU regulatory regimes for funds. Indeed, existing regulatory requirements in EU legislation such as the UCITS and the AIFMD regimes form a very far-reaching, strict and sound regime. The legal requirements have proven their merits and ensure appropriate liquidity management for investment funds"*.

Martin Scheck, ICMA Chief Executive, explains, *"This report adds an important element to the discussion regarding liquidity fragmentation, and complements the IOSCO Report. It shows that there is a comprehensive framework already in place available to managers to manage liquidity in difficult market conditions, through a combination of regulatory requirements and market-based tools."*

The report also proposes three recommendations that could lead to improvements in the general liquidity management environment in Europe. Firstly, it encourages that all European jurisdictions make available the full range of market based tools. Secondly, it strongly encourages the European Securities Markets Authority (ESMA) and the European Systemic Risk Board (ESRB) to make use of the existing liquidity data already currently reported to national authorities in Europe. Finally, it supports the continuing efforts by European and national trade associations to develop further guidelines for best practices in liquidity risk management.

Notes for editors

EFAMA
EFAMA is the representative association for the European investment management industry. EFAMA represents through its 26 member associations and 61 corporate members EUR 21 trillion in assets under management of which EUR 12.6 trillion managed by 56,000 investment funds at end 2015. Just over 30,000 of these funds were UCITS (Undertakings for Collective Investments in Transferable Securities) funds, with the remaining 25,900 funds composed of AIFs (Alternative Investment Funds). Our industry provides significant and stable flows of finance to the European economy.

International Capital Market Association (ICMA)
ICMA represents institutions active in the international capital market worldwide and has around 500 members located in 60 countries. ICMA's market conventions and standards have been the pillars of the international debt market for almost 50 years, providing the framework of rules governing market practice which facilitate the orderly functioning of the market.
The International Capital Market Association's (ICMA) Asset Management and Investors Council (AMIC) was established in March 2008 to represent the buy-side members of the ICMA membership.

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