

**MEMO# 26304**

July 16, 2012

## **Draft ICI Letter on IOSCO Liquidity Risk Management Consultation**

[26304]

July 16, 2012

TO: INTERNATIONAL COMMITTEE No. 23-12

SEC RULES COMMITTEE No. 45-12 RE: DRAFT ICI LETTER ON IOSCO LIQUIDITY RISK MANAGEMENT CONSULTATION

As we previously informed you, on April 26, 2012, the Technical Committee of the International Organization of Securities Commissions ("IOSCO") published a consultation report, Principles of Liquidity Risk Management for Collective Investment Schemes (the "Report"). [\[1\]](#) The Report sets forth proposed principles relating to liquidity risk management for collective investment schemes ("CIS").

IOSCO states that the right to redeem shares is a defining characteristic of open-ended CIS, and that good liquidity risk management, therefore, is a key feature of the correct operation of a CIS. Referencing its Principles on Suspensions of Redemptions in Collective Investment Schemes, IOSCO states that the fundamental requirement of liquidity risk management is to "...ensure that the degree of liquidity of the open-ended CIS [the responsible entity] manages allows it in general to meet redemption obligations and other liabilities." Fifteen principles are proposed by IOSCO to provide more detail on how compliance with the requirement of liquidity risk management can be achieved.

ICI's draft comment letter is attached. In the letter, we state that, in the case of open-end investment companies registered under the Investment Company Act of 1940, the requirements of the 1940 Act provide the legal framework for the activities and operations of U.S. mutual funds and therefore will inform the application of the liquidity principles to U.S. mutual funds.

We plan to submit the letter on Friday, July 20th. Therefore, please contact me with any questions or comments by COB Thursday, July 19th at [emykolenko@ici.org](mailto:emykolenko@ici.org) or 202-326-5837.

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## [Attachment](#)

### **endnotes**

[1] IOSCO, Principles of Liquidity Risk Management for Collective Investment Schemes, CR06/12 (April 2012), available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD378.pdf>. See also ICI Memorandum No. 26219 (June 6, 2012).

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