

**MEMO# 30875**

September 18, 2017

## **ICI Global Submits Letter to IOSCO on Liquidity Consultations**

[30875]

September 18, 2017 TO: ICI Members

ICI Global Members SUBJECTS: International/Global RE: ICI Global Submits Letter to IOSCO on Liquidity Consultations

In July, the International Organization of Securities Commissions (IOSCO) published two consultation papers in July on fund liquidity risk management, the first titled *Consultation on CIS Liquidity Risk Management Recommendations* (Recommendations Consultation) and the second titled *Open-ended Fund Liquidity and Risk Management—Good Practices and Issues for Consideration* (Good Practices Consultation).[\[1\]](#) ICI Global has filed the attached comment letter addressing both consultations.

The letter generally supports both consultations, noting that IOSCO's work (which responds in part to the Financial Stability Board's 2017 recommendations on so-called liquidity mismatch) "represent[s] a sensible and measured step that should help promote a high bar across jurisdictions for funds' liquidity risk management practices." The letter expresses our agreement with specific elements of IOSCO's approach, such as (i) the decision to supplement earlier IOSCO work in this area rather than start anew and (ii) the decision to prepare two consultations with different but complementary purposes. It then offers some suggestions for improvements. Among other things, we recommend that IOSCO:

- Slightly revise Recommendation 7 regarding the appropriate level of disclosure to investors, and move the list of possible additional disclosure items to the final Good Practices report.
- Slightly revise Recommendation 12, which concerns the identification of liquidity challenges.
- Revise the guidance accompanying Recommendation 14 so that it focuses more broadly on liquidity assessments, and move any discussion of possible stress testing features to the final Good Practices report.
- Make minor changes to the guidance accompanying new Recommendations 16-17, which address contingency planning.

The letter endorses the Good Practices Consultation as a "thorough and well-presented resource." It highlights some of the document's most helpful aspects and suggests some

minor improvements.

In closing, the letter notes that the consultations represent an important contribution to the public record surrounding a multi-year policy debate about liquidity and redemption risks associated with open-ended investment funds—a debate that unfortunately has been fueled, at times, by unsubstantiated theories about these risks. We call for re-examination by the policy community of these hypotheses based on empirical evidence, and we urge IOSCO to endorse such a reexamination.

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Associate General Counsel & Corporate Secretary

Matthew Thornton  
Assistant General Counsel

## [Attachment](#)

### **endnotes**

[1] The consultations are *available* at [www.iosco.org/library/pubdocs/pdf/IOSCOPD573.pdf](http://www.iosco.org/library/pubdocs/pdf/IOSCOPD573.pdf) and [www.iosco.org/library/pubdocs/pdf/IOSCOPD574.pdf](http://www.iosco.org/library/pubdocs/pdf/IOSCOPD574.pdf), respectively.

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