

MEMO# 36023

February 13, 2025

ICI Responds to IOSCO Consultations on Liquidity Risk Management for OEFs

[36023]February 13, 2025TO:ICI Members

ICI Global Members

Asia Regulatory and Policy Committee

Europe Regulatory and Policy Committee

Operations Committee

SEC Rules CommitteeSUBJECTS:Financial Stability

International/GlobalRE:ICI Responds to IOSCO Consultations on Liquidity Risk Management for OEFs

On 11 February 2025, [ICI responded](#) to the International Organization of Securities Commissions (IOSCO)'s two related consultations on liquidity risk management in open-end funds (OEFs).[\[1\]](#)

The Consultations are intended to be read together and update IOSCO's 2018 recommendations and guidance on liquidity risk management for OEFs by[\[2\]](#):

- 1) operationalising the Financial Stability Board's (FSB) 2023 *Revised Policy Recommendations to Address Structural Vulnerabilities from Liquidity Mismatch in Open-ended Funds*,[\[3\]](#)
- 2) reflecting market and policy developments since 2018, including IOSCO's 2023 *Anti-dilution Liquidity Management Tools - Guidance for Effective Implementation of the Recommendations for Liquidity Risk Management for Collective Investment Schemes*,[\[4\]](#) and
- 3) improving readability.

The revisions incorporate recent policy work on anti-dilution LMTs and include new and updated consideration of quantity-based LMTs and other liquidity management measures.

Our responses are generally supportive of the Consultations, which focus on establishing a framework for the consideration and use of LMTs and other liquidity management measures, as part of an OEF's overall liquidity risk management framework, and which is consistent with the flexibility that responsible entities need to exercise judgement, as appropriate, and act in the best interest of their respective funds.

IOSCO requested that commenters focus on the new aspects of the Consultations, so we only briefly reiterate that we disagree that the Consultations are necessary to reduce

financial stability risk. Referencing back to our comments to the 2023 IOSCO consultation on anti-dilution LMTs,^[5] we note that this premise relies on the unsubstantiated presumption that OEFs generate dilution of a magnitude sufficient to trigger runs on funds and fire sales of assets that create or amplify financial stability risk

Our responses also identify concerns that some revisions add detail and prescription, particularly to the explanatory text that could constrain effective liquidity risk management and discourage broad adoption across jurisdictions and by OEFs. These concerns include the incorporation of the fund classification framework and liquidity risk management expectations for each class established by the FSB and the obligation to include market impact in liquidity costs.

Kirsten Robbins
Associate Chief Counsel, ICI Global

Notes

[1] IOSCO, [Revised Recommendations for Liquidity Risk Management for Collective Investment Schemes](#) (11 November 2024); IOSCO, [Guidance for Open-ended Funds for Effective Implementation of the Recommendations for Liquidity Risk Management](#) (11 November 2024) (collectively, the Consultations). Memo [35927](#) provides a summary of the Consultations.

[2] IOSCO, [Recommendations for Liquidity Risk Management for Collective Investment Schemes](#) (1 February 2018) (2018 Recommendations); IOSCO, [Open-ended Fund Liquidity and Risk Management - Good Practices and Issues for Consideration](#) (1 February 2018) (Good Practices).

[3] FSB, [Revised Policy Recommendations to Address Structural Vulnerabilities from Liquidity Mismatch in Open-ended Funds](#) (20 December 2023) (FSB Revised Recommendations). See Memo [35575](#) for a summary of this report.

[4] This includes IOSCO's recent guidance on anti-dilution liquidity risk management tools. IOSCO, [Anti-dilution Liquidity Management Tools - Guidance for Effective Implementation of the Recommendations for Liquidity Risk Management for Collective Investment Schemes](#) (20 December 2023) (ADT Guidance). See Memo [35575](#) for a summary of this report.

[5] See, e.g., ICI, [Letter from Michael N. Pedroni to Damien Shanahan Re: Public Comment on Liquidity Management Tool Guidance - Consultation Report](#)