

## VIDEO

January 27, 2017

# Focus on Funds: Industry Prepares for New Liquidity Management Regime

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The US Securities and Exchange Commission has unveiled new rules covering how funds should manage liquidity. In the January 27, 2016, edition of *Focus on Funds*, ICI Assistant General Counsel Matt Thornton describes the challenges and how ICI is helping members respond.

### Transcript

**Stephanie Ortbals-Tibbs, media relations director, ICI:** The fund industry is preparing to respond to a major new regulatory challenge, as the US Securities and Exchange Commission's liquidity management program rolls out. I spoke with ICI Assistant General Counsel Matt Thornton about what the industry can expect and how ICI is helping its members respond.

**Matt Thornton, ICI assistant general counsel:** First, it's very consequential for the industry. It affects virtually all registered funds—all but money market funds and closed-end funds—and it will really require extensive coordination among several areas within the fund complex. It's portfolio managers, it's compliance, it's risk, it's legal, it's operations—all will need to come together first to create a liquidity risk management program, then to administer it going forward.

I think the initial views are that the SEC did a pretty good job—especially as they moved from proposed rule to final—really thinking about what the industry comments were and trying to make it more workable. But this still will be very challenging and the industry will need all of its two years.

**Ortbals-Tibbs:** So with a lot to do, what will ICI be doing to help funds get ready to comply?

**Thornton:** In some cases, implementation is very easy. This is not one of them. So it in the coming, certainly 2017 and beyond, we will be reaching out to our members who have expertise in all of the aforementioned areas, such as legal, compliance, and risk. We'll be taking information in from them and pushing it out through things like webinars and

conferences like this.

One very tangible thing we'll be doing is, the SEC staff has indicated that they are open to doing FAQs around liquidity, so we will work with members on that, just to get clarification to make this more workable still.

**Ortbals-Tibbs:** So a lot of work ahead.

**Thornton:** Absolutely, I think we're in the very early innings of this. We do have a final rule. It's full speed ahead on implementation, but invariably there are certain issues that come up, and certain best practices that will be shared, and ICI will be an important part of that conversation.

## **Additional Resources**

- [ICI Viewpoints: Liquidity Risk Management Must Be Done Right](#)
- [ICI's Policy Work on Risk Management Issues](#)
- [Financial Stability Resource Center](#)

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