

ESMA Consultations on Liquidity Management Tools for UCITS and AIFs

August 2024

Following on from the introduction of the mandatory use of at least two liquidity management tools (“**LMTs**”) by all UCITS and open-ended alternative investment funds (“**AIFs**”) in recent reforms to the Alternative Investment Fund Managers Directive (“**AIFMD**”) and UCITS Directive (known as AIFMD 2.0), the European Securities and Markets Authority (“**ESMA**”) has published two consultation papers relating to the use of LMTs. The new requirements relating to LMTs aim to harmonise liquidity risk management in the investment funds sector.

The list of LMTs from which the two LMTs may be selected is set out in the Annexes to the amended directives and includes redemption gates, extension of notice periods, redemption fees, swing pricing, dual pricing, anti-dilution levies and redemptions in kind. The consultations set out proposed **regulatory technical standards** (“**RTS**”) on the characteristics of LMTs, such as calculation methodologies and activation mechanisms, and draft **guidelines** on the selection and calibration of LMTs. Responses to the consultations were requested by 8 October 2024.

Impacted fund managers will be required to assess whether their current use of LMTs is aligned with the new rules.

ESMA will publish the final RTS and guidelines by 16 April 2025. The obligation to use at least two LMTs will apply to all in-scope fund management companies from 16 April 2026.

Please get in touch with your usual Asset Management and Investment Funds Department contact or any of the contacts listed in this publication should you require further information in relation to the material referred to in this briefing note.

Full details of the Asset Management and Investment Funds Department, together with further updates, articles and briefing notes written by members of the Asset Management and Investment Funds team, can be accessed at www.matheson.com.



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