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## ***Liquidity management***

Dear Chair,

As part of its ongoing work and engagement with industry on Brexit preparedness, the Central Bank of Ireland (the 'Central Bank') would like to remind Fund Management Companies<sup>1</sup> of the importance of ongoing, effective liquidity management and ensuring compliance with relevant legislative and regulatory obligations for UCITS and AIFs<sup>2</sup>.

In managing fund liquidity it is important that the execution of the liquidity risk management framework for each fund under management is appropriately calibrated to take into account dealing frequency, investment strategy, portfolio composition and investor profile, on an ongoing basis. This may involve, in many cases, daily and intra-day monitoring. Liquidity stress testing is a key part of this process and should take into account that individual asset liquidity and investor demands can change quickly and without warning. The deployment of liquidity management tools such as duties & charges, gates and suspensions should be done in a transparent and proportionate manner, taking into account the best interests of investors.

The responsibility for liquidity risk management, including compliance with all legislative and regulatory obligations in relation to the liquidity of each fund under management, rests with the Board of the Fund Management Company, the individual directors and the relevant designated persons. The Central Bank expects that the Board, relevant directors and designated persons should, on an ongoing basis, assess the liquidity position of each fund under management to ensure that the liquidity of the investment portfolio remains in line with the respective fund's redemption policy, taking into account investors redemption demands. Fund documentation should be clear, accurate and in line with legislative and regulatory requirements.

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<sup>1</sup> "Fund Management Company" means a UCITS management company, an authorised Alternative Investment Fund Manager (AIFM), a self-managed UCITS investment company and an internally managed Alternative Investment Fund which is an authorised AIFM.

<sup>2</sup> Legislative and regulatory obligations include, in the case of UCITS, the Irish UCITS Regulations which implement the UCITS Directive and Level 2 Commission Directives (including 2007/16/EC and 2010/43/EU), and the Central Bank UCITS Regulations which incorporate CESR Guidelines on eligible assets for UCITS. In the case of AIFs, relevant obligations are set out in the Irish AIFM Regulations which implement the AIFM Directive and in the AIFMD Level 2 Regulation.



Furthermore, as part of its overall Brexit preparedness work, in early January 2019 the Central Bank increased its monitoring of investment fund liquidity and redemption activity. This involved increasing the frequency of data collection, performing analysis of the factors driving some redemptions and seeking insight into the management of these redemptions. The Central Bank will continue to collect relevant data and monitor investment fund liquidity in this regard.

This letter must be brought to the attention of all members of the Board of the Fund Management Company, relevant Designated Persons and to the relevant responsible persons within delegate Fund Service Providers. The Central Bank will have regard to the contents of this letter as part of future supervisory engagements.

There is no requirement to respond to this letter.

Yours sincerely,



Patricia Dunne

**Head of Division - Securities and Markets Supervision**