

ESMA GUIDELINES ON LIQUIDITY STRESS TESTING IN UCITS AND AIFS

16 September 2020

On 16 July 2020, the "Guidelines on liquidity stress testing in UCITS and AIFs" (ESMA34-39-897) were published on the website of the European Securities and Markets Authority, hereafter ESMA. These guidelines were first published on 2 September 2019 (ESMA34-39-882) and shall enter into force on 30 September 2020.

The purpose of the guidelines issued in 2019 is to increase the rigour, consistency and frequency of the Liquidity Stress Tests (LSTs) already carried out and to encourage convergent supervision of LSTs by national competent authorities. The guidelines apply to undertakings for collective investment in transferable securities (UCITS or harmonised CISs) and alternative investment funds (AIFs).

The text is composed of 16 guidelines for fund management companies, which will be responsible for defining LSTs based on in-depth knowledge of the type of client and the assets of the vehicle. The guidelines develop how LSTs are to be integrated into the risk management process. Recommendations are also given for the design of stress scenarios from the point of view of assets and from the perspective of liabilities (mainly redemptions), setting a minimum annual frequency, and recommending a quarterly frequency. In addition, a guideline is included on supervision by LST depositaries.

The Guidelines have been issued under Article 16 of Regulation 1095/2010 of the European Parliament and of the Council, of 24 November 2010, regulating the creation of ESMA, which establishes that the competent authorities and financial market participants will do everything possible to adhere to these guidelines. Additionally, the ESMA Regulation also establishes the obligation incumbent upon competent authorities to confirm whether they comply with the guidelines published by ESMA.

To this end, the Spanish National Securities Market Commission has notified ESMA that it complies with the Guidelines. Therefore, the CNMV will take these guidelines into account in its Supervision procedures, bearing in mind that these will develop the obligations set forth in Spanish CIS Law 35/2003, Spanish CIS Regulation 1082/2012, and CNMV Circular 6/2009, of 9 July.