

## THE CNMV APPROVES THE TECHNICAL GUIDE ON THE MANAGEMENT AND CONTROL OF THE LIQUIDITY OF CISs

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- It defines the elements that management companies must include in their procedures to enhance the management of liquidity and avoid prejudice and conflicts of interest among investors.
- It gathers in a document all the preceding relevant supervisory criteria and the results of recent actions conducted at national and European level.

The Spanish National Securities Market Commission (CNMV) [has approved the Technical Guide on the management and control of the liquidity of Collective Investment Schemes \(CISs\)](#). The aim of the initiative is to include and group all the relevant supervisory criteria that the CNMV has been conveying to firms in the past few years relating to the management and control of the liquidity of CISs, as well as the recent actions carried out at national and European levels (including most notably the Common Supervisory Action conducted by ESMA in 2020).

The Technical Guide indicates what elements should be included in the procedures of CIS management companies to ensure appropriate management and control of the liquidity risk of its collective investment schemes, in order to avoid any harm and conflicts of interest among investors.

Specifically, the Guide details:

- The analyses and limits in the design phase of each CIS, as well as the verifications that must be carried out before any investment is made.
- The recurrent controls and analyses necessary to ensure appropriate alignment between the liquidity profile of the assets and liabilities of each CIS. To this end, the management company must include in the procedure, how the proportion of liquid and less liquid assets will be maintained, within a reasonable margin, in the event of redemption scenarios. Furthermore, detailed guidelines are included on methodologies to determine liquidity ratios or levels of financial instruments, the estimation of time

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- horizons for sale, as well as redemption scenarios and other payment obligations, and stress testing.
- The various tools that may be used for appropriate management of the liquidity of CISs. CIS management companies must include in their procedures the circumstances under which the various tools set out in the regulations would be applicable (notice periods, temporary borrowing, subscriptions/partial redemptions, side pockets, etc.), and also ensuring their appropriate implementation. Additionally, the use of anti-dilution mechanisms (such as portfolio valuation at bid/ask prices, and swing pricing) in order to avoid conflicts of interest among investors.
  - The roles assumed by the different areas of the management company, the involvement of the Board of Directors and further analyses relating to some delegation arrangements..

The final text has been defined after analysing the comments and observations received during the public consultation period (from 9 September to 15 October 2021) as well as the report issued by the CNMV Advisory Committee. Also published is [a document containing the assessment of the comments received](#).

Regulatory attention on the management of liquidity is also gaining momentum in the European Union with the recent draft amendment of the Alternative Investment Fund Managers Directive (AIFMD) and the UCITS Directive, which incorporate as a new feature at EU level similar elements to those contained in this guide for Spain.

The Technical Guide was among the initiatives included in the CNMV Activity Plan for 2021.