

Press Release

ESMA consults on Liquidity Management Tools for funds

The European Securities and Markets Authority (ESMA), the EU's financial markets regulator and supervisor, is seeking input on draft guidelines and technical standards under the revised Alternative Investment Fund Managers Directive (AIFMD) and the Undertakings for Collective Investment in Transferable Securities (UCITS) Directive. Both Directives aim to mitigate potential financial stability risks and promote harmonisation of liquidity risk management in the investment funds sector.

Verena Ross, ESMA Chair, said:

“The revised AIFMD and UCITS Directive have introduced long-awaited provisions on the availability and use of Liquidity Management Tools. ESMA is now consulting on how to apply these provisions in practice. These new rules being proposed are in line with the latest global standards provided by the FSB and IOSCO, and will contribute to the strengthening of the EU regulatory and supervisory regime for investment funds.”

By having the right implementing rules in place, we can make the EU framework for investment funds both more resilient and more efficient, supporting the development of attractive, effective and stable EU capital markets.”

In the draft Regulatory Technical Standards (RTS) on the characteristics of Liquidity Management Tools (LMTs) ESMA defines the constituting elements of each LMT, such as calculation methodologies and activation mechanisms. ESMA also publishes draft Guidelines on LMTs of UCITS and open-ended AIFs, providing guidance on how managers should select and calibrate LMTs, in light of their investment strategy, their liquidity profile and the redemption policy of the fund.

These draft RTS and guidelines are designed to promote convergent application of the Directives for both UCITS and open-ended AIFs and make EU fund managers better equipped to manage the liquidity of their funds, in preparation for market stress situations. Additionally, they intend to clarify the functioning of specific LMTs, such as the use of side pockets, a practice that currently varies significantly across the EU.

Next Steps:

The publication of the two consultations is a key step in the implementation of the new AIFMD and UCITS Directive.

ESMA welcomes responses to the consultations by **8 October**. Following this, ESMA will deliver the final RTS and guidelines by 16 April 2025.

Notes for editors

1. Consultation Papers:

- a. [ESMA34-1985693317-1095 Consultation Paper on Draft RTS on Liquidity Management Tools under the AIFMD and UCITS Directive](#)
- b. [ESMA34-1985693317-1097 Consultation Paper on the Guidelines on Liquidity Management Tools for UCITS and open-ended AIFs.](#)

2. Additional Resources:

FSB: [Revised Policy Recommendations to Address Structural Vulnerabilities from Liquidity Mismatch in Open-Ended Funds](#)

IOSCO: [Anti-dilution Liquidity Management Tools – Guidance for Effective Implementation of the Recommendations for Liquidity Risk Management for Collective Investment Schemes](#)

3. ESMA is the European Union's EU's financial markets regulator and supervisor. Its mission is to enhance investor protection and promote stable and orderly financial markets.

4. It achieves this objective through three strategic priorities:

- a. fostering effective markets and financial stability,
- b. strengthening supervision of EU financial markets,
- c. enhancing protection of retail investors,

and two thematic drivers:

- d. enabling sustainable finance; and
- e. facilitating technological innovation and effective use of data.

5. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).

Further information:



Cristina Bonillo Olivares
Senior Communications Officer
cristina.bonillo@esma.europa.eu
+33 624626851