Reply form

**On the Guidelines on Liquidity Management Tools of UCITS and open-ended AIFs**

Responding to this paper

ESMA invites comments on all matters in this paper and in particular on the specific questions summarised in Annex 1. Comments are most helpful if they:

* respond to the question stated;
* indicate the specific question to which the comment relates;
* contain a clear rationale; and
* describe any alternatives ESMA should consider.

ESMA will consider all comments received by **8 October 2024.**

All contributions should be submitted online at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading ‘Your input - Consultations’.

Instructions

In order to facilitate analysis of responses to the Call for Evidence, respondents are requested to follow the below steps when preparing and submitting their response:

• Insert your responses to the questions in the Call for Evidence in this reply form.

• Please do not remove tags of the type < ESMA\_QUESTION\_GLMT\_0>. Your response to each question has to be framed by the two tags corresponding to the question.

• If you do not wish to respond to a given question, please do not delete it but simply leave the text “TYPE YOUR TEXT HERE” between the tags.

• When you have drafted your responses, save the reply form according to the following convention: ESMA\_CP1\_GLMT\_nameofrespondent.

 For example, for a respondent named ABCD, the reply form would be saved with the following name: ESMA\_CP1\_GLMT \_ABCD.

• Upload the Word reply form containing your responses to ESMA’s website (**pdf**  **documents will not be considered except for annexes**). All contributions should be submitted online at <https://www.esma.europa.eu/press-news/consultations/consultation-liquidity-management-tools-funds> under the heading *‘Your input -*  *Consultations’.*

**Publication of responses**

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESMA’s rules on access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA’s Board of Appeal and the European Ombudsman.

**Data protection**

Information on data protection can be found at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading ‘[Data protection](https://www.esma.europa.eu/about-esma/data-protection)’.

**Who should read this paper?**

This document will be of interest to alternative investment fund managers, AIFs, management companies, UCITS, and their trade associations, depositories and their trade associations, as well as professional and retail investors investing into UCITS and AIFs and their associations.

# General information about respondent

|  |  |
| --- | --- |
| Name of the company / organisation | State Street Corporation |
| Activity | Investment servicing, investment management and investment research and trading |
| Country / Region | Europe |

# Questions

1. Do you agree with the list of elements included under paragraph 17 of Section 6.5.1 of the draft guidelines that the manager should consider in the selection of LMTs? Are there any other elements that should be considered?

<ESMA\_QUESTION\_GLMT\_1>

We broadly agree with the list of elements that need to be considered when deciding upon the selection of a LMT, but we would suggest that the list should be considered non-exhaustive as there may be other circumstances or elements external to the fund that would influence the usage of LMTs, such as for example a significant market event. To this effect, we suggest that an additional point should also be added to the list to capture “*any other criteria the manager deems relevant*”.

<ESMA\_QUESTION\_GLMT\_1>

1. Should the distribution policy of the fund be considered in the selection of the LMTs? What are the current practices in relation to the application of anti-dilution levies by third party distributors (e.g.: whether the third party corrects the price by adding the anti-dilution levy to the fund NAV)?

<ESMA\_QUESTION\_GLMT\_2>

At State Street Global Advisors, we do consider the practices of our third party intermediary distributors. Our experience is that they do apply swing pricing mechanism under normal course and accordingly they publish figures of adjusted NAV.

<ESMA\_QUESTION\_GLMT\_2>

1. Do you agree that among the two minimum LMTs managers should consider the merit of selecting of at least one quantitative LMT and at least one ADT, in light of the investment strategy, redemption policy and liquidity profile of the fund?

<ESMA\_QUESTION\_GLMT\_3>

While we agree with ESMA that there are merits for fund Managers/fund Boards to adequately consider, at discretion and depending on the specific nature of their fund, a broad set of tools that ensure the fund’s resilience and ability to manage liquidity both in normal and stressed market conditions, we do not see a need for fund Managers/fund Boards to consider at all times and for all funds at least one anti-dilution tool and one quantitative LMT. This provision appears to go beyond the spirit of the Level 1 rules amending Directive 2024/927, where art. 16(2b) of AIFMD and 18(2) of UCITS leave flexibility to Managers in selecting the two minimum LMTs out of the full list of available tools in Annex V to AIFMD and Annex IIa to UCITSD.

However, based on the current draft of the guidelines there appears to be an expectation on fund Managers to apply multiple specific LMTs for all funds/ all funds of a certain type, e.g. redemption gates and extension of notice periods. When combined with other restrictions in the draft guidelines and RTS this additional requirement to adopt at least one quantitative LMT and one ADT would bring undue restriction on the level of flexibility and discretion being provided in practice to fund Managers, and may not suit the situation of specific funds at all points in time.

Moreover, ESMA has not included some of the available LMTs either in the “quantitative” or “qualitative” buckets, with the result that it is not clear whether these tools (e.g. redemption in kind) would qualify as one of the two LMTs to be selected.

<ESMA\_QUESTION\_GLMT\_3>

1. Do you see merit in developing further specific guidance on the depositaries’ duties, including on verification procedures, with regards to LMTs?

<ESMA\_QUESTION\_GLMT\_4>

State Street does not see merit in developing specific guidance on depositaries’ duties. Depositaries’ obligations are already clearly defined in existing delegated regulations under UCITSD and AIFMD, requiring a regular and comprehensive oversight of a fund’s compliance with the requirements of AIFMD and UCITS. This comprises all liquidity risk management processes, including procedures around LMTs. Moreover, we would like to point out that the verification by the depositary of these processes and procedures should not require assessment of the adequacy of the selected LMTs, which always remains responsibility of the fund Manager/fund Board.

<ESMA\_QUESTION\_GLMT\_4>

1. Do you agree with the list of elements included under paragraph 28 of Section 6.5.2 of the draft guidelines to be included in the LMT policy? Are there any other elements that, in your view, should be included in the LMT policy?

<ESMA\_QUESTION\_GLMT\_5>

We agree that effective governance arrangements are crucial for the deployment of liquidity and anti-dilution tools, and that this process should be integrated into wider fund governance.

 We believe that the list captures all the key elements that should be included in the LMT policy. The one note of caution that we would stress is that the suggested thresholds should not in any circumstance require a mechanical or automatic activation of a particular LMT, but should rather act as a trigger for the fund Manager/fund Board to consider whether to activate a particular LMT based on the specific set of circumstances and on the best interest of investors. Therefore, the LMT policy should capture this required flexibility and discretion to respond to all possible future events.

We believe that the LMT policy should not be made public but rather guide internal application of LMTs. An annual review of the LMT policy, as opposed to the proposed 6 months review, seems sufficient to ensure that the policy remains at all times appropriate and relevant to investors’ best interests.

<ESMA\_QUESTION\_GLMT\_5>

1. In your view, what are the elements of the LMT policy that should be disclosed to investors and what are the ones that should not be disclosed? Please provide reasons for your answer.

<ESMA\_QUESTION\_GLMT\_6>

We do not see any value in making the LMT policy public. It would not be in the best interest of investors, rather it would allow more sophisticated investors to potentially gain a first mover advantage by accelerating redemptions (in case of gating or suspensions) or by systematically trading to circumvent thresholds (as it would be the case with anti-dilution tools and swing pricing).

We of course agree that investors should receive appropriate disclosure concerning which LMTs and anti-dilution tools have been selected, including a description of their nature and the fact that the fund Manager/fund Board can utilize them. In the prospectus, funds are able to clearly disclose the presence and possible use of LMTs. This should allow investors to take the associated cost of liquidity into account in their investment decisions, without the need to disclose details about calculation methodologies, triggers or details about the circumstances of invocation of each LMT.

<ESMA\_QUESTION\_GLMT\_6>

1. Do you agree with the above definition of “exceptional circumstances”? Can you provide examples of additional exceptional circumstances, not included under paragraph 30 of Section 6.5.3.1 of the draft guidelines, that would require the manager to consider the activation of suspension of subscriptions, repurchases and redemptions, having regard to the interests of the fund’s investors?

<ESMA\_QUESTION\_GLMT\_7>

We agree with the definition of exceptional circumstances, it allows to capture unknown events that may require activation of the suspension of subscriptions, repurchases and redemptions. We would not propose any further examples to the list under paragraph 30 of Section 6.5.3.1 of the draft guidelines, noting that this is intended to be a non-exhaustive list.

<ESMA\_QUESTION\_GLMT\_7>

1. Do you agree with the elements of the LMT plan included under paragraph 32 of Section 6.5.3.1 of the draft guidelines to be included in the LMT plan? Is there any other element that should be considered?

<ESMA\_QUESTION\_GLMT\_8>

Similar to the comments on the LMT Policy, the LMT Plan should allow sufficient flexibility and discretion for the fund Manager/fund Board to manage the event in the best interest of investors.

In respect of the timing of “prior to” or “immediately after the activation of the suspension” for formalising the LMT Plan, consideration should be given to the fact that an event requiring the suspension to be activated may be evolving, and all information may not yet be available to allow all elements of the LMT Plan to be completed and formalised “immediately after” the activation of a suspension.

<ESMA\_QUESTION\_GLMT\_8>

1. Do you agree with the above list of elements to calibrate the suspensions of subscriptions, repurchases and redemptions? Is there any other element that should be considered?

<ESMA\_QUESTION\_GLMT\_9>

We agree with the proposed list of elements, especially the recognition that a mechanic approach in the activation of suspensions should be avoided.

<ESMA\_QUESTION\_GLMT\_9>

1. Do you agree with the proposed criteria for the selection of redemption gates? Is there any other criteria that should be considered?

<ESMA\_QUESTION\_GLMT\_10>

We generally agree with the description of redemption gates. It is important however that flexibility is given to fund Manager/fund Board to determine the appropriate activation threshold for each fund. As we explain in more details in our responses below, we believe that any fixed minimum activation thresholds would go against the principle of fund Manager/fund Board’s discretion.

<ESMA\_QUESTION\_GLMT\_10>

1. What methodology should be used and which elements should be taken into account when setting the activation threshold of redemption gates?

<ESMA\_QUESTION\_GLMT\_11>

We want to emphasise that any threshold should not result in automatic activation of redemption gates, rather be a trigger for the fund Manager/fund Board to consider activation of the redemption gate in cases where it is in the best interest of investors. We would also point out that there could be alternative methods to be considered when calibrating redemption gate thresholds, depending for example on the dealing frequency of the fund, so ultimately flexibility needs to be preserved also as regards the discretion of the fund Manager/fund Board to apply the best suited methodology for defining activation thresholds.

<ESMA\_QUESTION\_GLMT\_11>

1. Do you agree that the use of redemption gates should not be restricted in terms of the maximum period over which they can be used? Do you think that any differentiation should be made for funds marketed to retail investors? Please provide concrete cases and examples in your response.

<ESMA\_QUESTION\_GLMT\_12>

We agree that there should not be any restriction to the maximum period over which redemption gates can be used, and that the fund Manager/fund Board should be able to assess when the liquidity situation of its fund warrants the termination of redemption gates. We do not consider that a differentiation between retail or professional investors should be considered for redemption gates.

<ESMA\_QUESTION\_GLMT\_12>

1. What is the methodology that managers should use to calibrate the activation threshold of redemption gates to ensure that the calibration is effective so that the gate can be activated when it is needed? Do you think that activation thresholds should be calibrated based on historical redemption requests and the results of LSTs?

<ESMA\_QUESTION\_GLMT\_13>

We believe that the fund Manager/fund Board should have flexibility when deciding on how to calibrate activation thresholds. Historical redemption requests and the results of LSTs are just two examples the fund Manager/fund Board could consider in determining the factors relevant for the calibration.

<ESMA\_QUESTION\_GLMT\_13>

1. In order to ensure more harmonisation on the use of redemption gates, a fixed minimum activation threshold, above which managers could have the option to activate the redemption gate, could be recommended. Do you think that a fixed minimum threshold would be appropriate, or do you think that this choice should be left to the manager?

<ESMA\_QUESTION\_GLMT\_14>

We oppose fixing minimum activation thresholds. The decision to activate redemption gates should ultimately rest with the fund Manager/ fund Board rather than be activated automatically upon exceedance of a set threshold. The automatic activation of redemption gates does not allow for proper consideration of the specific circumstances that exist at that point in time, or whether activation of the redemption gate is necessary or in the best interest of investors. Depending on the strategy and the nature of the underlying assets, it might be appropriate to set different minimum thresholds or set combining thresholds.

In certain circumstances, the fund Manager/fund Board might want to activate redemption gates even when the minimum threshold is not met if the market situation warrants an intervention. Moreover, in case of full disclosure of the activation thresholds there is a risk of creating a first mover advantage incentive for sophisticated investors.

<ESMA\_QUESTION\_GLMT\_14>

1. If you think that a fixed minimum threshold should be recommended, do you agree that for daily dealing funds (except ETFs and MMFs) it should be set as follows:

<ESMA\_QUESTION\_GLMT\_15>

Please refer to our previous response – we oppose fixing minimum thresholds.

<ESMA\_QUESTION\_GLMT\_15>

a) at 5% for daily net redemptions; and

<ESMA\_QUESTION\_GLMT\_0>

Please refer to our previous response – we oppose fixing minimum thresholds.

<ESMA\_QUESTION\_GLMT\_0>

b) at 10% for cumulative net redemptions received during a week?

<ESMA\_QUESTION\_GLMT\_0>

Please refer to our previous response – we oppose fixing minimum thresholds.

<ESMA\_QUESTION\_GLMT\_0>

1. Do you agree with the proposed criteria for the selection of the extension of notice period? Are there any other criteria that should be considered?

<ESMA\_QUESTION\_GLMT\_16>

<ESMA\_QUESTION\_GLMT\_16>

1. According to the revised AIFMD and UCITS Directive, the extension of notice periods means extending the period of notice that unit-holders or shareholders must give to fund managers, beyond a minimum period which is appropriate to the fund. In your view, for RE and PE funds: i) what would be an appropriate minimum notice period; and ii) would the extension of notice period be an appropriate LMT to select?

<ESMA\_QUESTION\_GLMT\_17>

<ESMA\_QUESTION\_GLMT\_17>

1. Do you think the length of the extension of notice periods should be proportionate to the length of the notice period of the fund? Do you think a standard/ maximum extended notice period should be set for UCITS?

<ESMA\_QUESTION\_GLMT\_18>

<ESMA\_QUESTION\_GLMT\_18>

1. Do you agree with the above criteria for the activation of the extension of notice period? Are there any other criteria that should be considered?

<ESMA\_QUESTION\_GLMT\_19>

<ESMA\_QUESTION\_GLMT\_19>

1. Do you have any comments on the guidance on the calibration of the extension of notice periods?

<ESMA\_QUESTION\_GLMT\_20>

<ESMA\_QUESTION\_GLMT\_20>

1. Do you agree with the above criteria for the selection of redemptions in kind? Are there any other criteria that should be considered?

<ESMA\_QUESTION\_GLMT\_21>

We broadly agree with the principles and characteristics of redemptions in kind, but we want to highlight some relevant considerations related specifically to ETF and that should be acknowledged in the RTS.

Firstly, as recognized by the IOSCO’s Guidelines on Anti-Dilution Liquidity Management Tools from December 2023, ETFs have an operational structure which sets them apart from other open-ended funds, as a result of which ETFs were excluded from the application of the Recommendations. This has not been adequately reflected in the ESMA’s RTS and Guidelines.

Secondly, given ETF’s specificity, we believe that the notion of redemption in kind should not include the process of creation/redemption of shares which takes place between the ETF issuer and the Authorised Participant. These activities lie at the core of the ETF structure and are not related to market conditions or liquidity management considerations which underpin the rationale of LMT.

Third, the RTS introduces a derogation for an in-kind redemption to be processed pro rata if the Fund is marketed to professional investors and if the investment policy of the fund is to replicate an index. This would suggest that active ETFs which do not replicate an index would not be included in the derogation. The rationale for this approach is not adequately explained in the Guidelines and RTS, as in the case of active ETFs as for index tracking ETFs, the process of redemption in-kind is always the result of a negotiation with the professional investor as to what securities will be included as in kind assets.

More generally, it is important to not mandate a transfer of a vertical slice of the portfolio (pro rata) in all circumstances. We see benefit in clarifying that where a type of transfer of assets (e.g. pro rata share) is applied to one redeeming professional investor, this should not automatically extend to the rest of redeeming investors in the same way, but it should remain the responsibility of the fund Manager to make sure that the interest of all remaining investors is adequately preserved.

<ESMA\_QUESTION\_GLMT\_21>

1. Do you agree with the above criteria for the activation of redemptions in kind? Are there any other criteria that should be considered?

<ESMA\_QUESTION\_GLMT\_22>

State Street does not believe that there is benefit in requiring an additional valuation of assets to be redeemed in kind by an independent third party, as required under paragraph 48 of Section 6.5.3.4. This is particularly the case for the role of depositaries, who have a duty to verify the existence and application of appropriate valuation procedures of fund’s assets, but have no role in conducting the valuation itself. Therefore, we would advocate for the removal of the third party valuation criteria.

<ESMA\_QUESTION\_GLMT\_22>

1. Do you think that redemptions in kind should only be activated on the NAV calculation dates?

<ESMA\_QUESTION\_GLMT\_23>

We believe that flexibility should be provided to the fund Manager/fund Board to activate redemptions in kind when market conditions warrant it. Moreover, we would like to point out that in certain jurisdictions, as for example Ireland, it is current practice that the fund Manager/fund Board can, at discretion, force the redemption in kind on all types of investors when redemptions breach a certain activation threshold expressed as % of the fund’s NAV.

<ESMA\_QUESTION\_GLMT\_23>

1. What are the criteria to be followed by the managers for the selection of the assets to be redeemed in kind in order to ensure fair treatment of investors?

<ESMA\_QUESTION\_GLMT\_24>

Adding to our response to Question 21 where we pointed out specific issues of the ETFs structure, we don’t consider that the Guidelines should specify an exhaustive list of criteria that the fund Manager/fund Board should follow when determining the selection of the assets to be redeemed in kind.

<ESMA\_QUESTION\_GLMT\_24>

1. How should redemptions in kind be calibrated?

<ESMA\_QUESTION\_GLMT\_25>

In line with the previous responses, we consider that there should be flexibility for the fund Manager/fund Board in the calibration of redemptions in kind.

<ESMA\_QUESTION\_GLMT\_25>

1. Do you agree that managers should consider the merit of avoiding the simultaneous activation of certain ADTs (e.g.: swing pricing and anti-dilution levies)? Please provide examples when illustrating your answer.

<ESMA\_QUESTION\_GLMT\_26>

We agree that the simultaneous activation of certain ADTs should be avoided. The inputs into our swing factors and anti-dilution levies are broadly the same so simultaneous use could create duplication.

<ESMA\_QUESTION\_GLMT\_26>

1. Do you agree with the list of elements provided under paragraph 56 of Section 6.5.4 of the draft guidelines? Is there any other element that should be included in the estimated cost of liquidity?

<ESMA\_QUESTION\_GLMT\_27>

We broadly agree but we take the view that in normal market conditions, and for relatively small flows, it should not be systematically required to include implicit costs in swing price estimates given the lack of material dilution risks or market impact. More generally, ex ante market impact cannot be predicted with a high degree of confidence and should therefore remain on a best effort basis.

This principle was also recognized by IOSCO’s “Guidance on Anti-Dilution Liquidity Management Tools” from December 2023, where it was stated that “*As bid-ask spreads and market impact cannot be calculated definitively ex-ante, the overall cost of liquidity to be incorporated in anti-dilution LMTs is expected to be estimated on a best-effort basis”.* We would recommend that this principle should be incorporated more explicitly also in ESMA’s Guidelines.

<ESMA\_QUESTION\_GLMT\_27>

1. Do you have any other comments on the proposed general guidance on ADTs?

<ESMA\_QUESTION\_GLMT\_28>

No further comments.

<ESMA\_QUESTION\_GLMT\_28>

1. Do you agree with the above criteria for the selection of redemption fees? Is there any other criteria that should be considered?

<ESMA\_QUESTION\_GLMT\_29>

<ESMA\_QUESTION\_GLMT\_29>

1. Do you have any views on how to set the activation thresholds for redemption fees?

<ESMA\_QUESTION\_GLMT\_30>

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<ESMA\_QUESTION\_GLMT\_30>

1. Do you have any comments the calibration of redemption fees?

<ESMA\_QUESTION\_GLMT\_31>

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<ESMA\_QUESTION\_GLMT\_31>

1. Do you agree with the above criteria for the selection of swing pricing? Is there any other criteria that should be considered?

<ESMA\_QUESTION\_GLMT\_32>

We agree with the criteria for the selection of swing pricing. Another factor that a fund Manager/fund Board may want to consider is the operational needs of the end investor, namely their ability to consume Swing pricing or anti-dilution tools and vice versa.

<ESMA\_QUESTION\_GLMT\_32>

1. Under which circumstances should the manager consider the activation of swing pricing?

<ESMA\_QUESTION\_GLMT\_33>

Ultimately when there is an identified risk of material dilution to the funds as a result of transaction costs incurred from investor subscriptions and redemptions.

<ESMA\_QUESTION\_GLMT\_33>

1. Do you agree with the above principles that a manager should follow in order to recalibrate the swing factor? Is there any other criteria that should be considered?

<ESMA\_QUESTION\_GLMT\_34>

We agree with the principles and criteria identified. We would stress that it is important to retain flexibility around swing factors particularly in stressed market conditions, when a recalibration beyond the maximum factor might be needed.

<ESMA\_QUESTION\_GLMT\_34>

1. Do you have any comments on the proposed guidance on the calibration of swing pricing?

<ESMA\_QUESTION\_GLMT\_35>

No further comment.

<ESMA\_QUESTION\_GLMT\_35>

1. As dual pricing is a LMT which is not particularly used in most Member States, stakeholders’ feedback on the selection, activation and calibration of this LMT is especially sought from those jurisdictions where this is used.

<ESMA\_QUESTION\_GLMT\_36>

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<ESMA\_QUESTION\_GLMT\_36>

1. Do you agree with the above criteria for the selection of ADL? Is there any other criteria that should be considered?

<ESMA\_QUESTION\_GLMT\_37>

We agree with the principles and criteria identified.

<ESMA\_QUESTION\_GLMT\_37>

1. Do you agree with the above criteria for the activation of ADL? Is there any other criteria that should be considered?

<ESMA\_QUESTION\_GLMT\_38>

We agree with the principles and criteria identified.

<ESMA\_QUESTION\_GLMT\_38>

1. Do you agree that ADL should be calibrated based on the same factor used to calibrate swing factors?

<ESMA\_QUESTION\_GLMT\_39>

We agree with the principles and criteria identified with the caveats around calculation of implicit costs and market impact that we mentioned in our response to Question 27.

<ESMA\_QUESTION\_GLMT\_39>

1. Do you have any comments on the selection, activation and calibration of ADL?

<ESMA\_QUESTION\_GLMT\_40>

<ESMA\_QUESTION\_GLMT\_40>

1. Do you agree with the above definition of “exceptional circumstances”? Can you provide examples of additional exceptional circumstances, not included under the above paragraph?

<ESMA\_QUESTION\_GLMT\_41>

<ESMA\_QUESTION\_GLMT\_41>

1. In your view, how the different types of side pockets (physical segregation vs. accounting segregation ) should be calibrated and in which circumstances one should be chosen over the other? Please provide examples including on whether the guidance should be different for UCITS and AIFs.

<ESMA\_QUESTION\_GLMT\_42>

<ESMA\_QUESTION\_GLMT\_42>

1. Do you have any comments on the calibration of side pockets?

<ESMA\_QUESTION\_GLMT\_43>

<ESMA\_QUESTION\_GLMT\_43>

1. Do you have any comment on the proposed guidance on disclosure to investors?

<ESMA\_QUESTION\_GLMT\_44>

In line with our response to Question 6, the disclosures to investors in the fund prospectus are important to alert them of the existence of specific LMTs which may be activated in certain circumstances at the discretion of the Manager. We would however caution against including every scenario or condition for activation/ deactivation and instead focus at a high level the conditions that each manager may consider when applying an LMT. We would also urge against needing to disclose the governance behind the activation/ deactivation outside of noting who the decision sits with – i.e. the Board, the Investment Manager or the Manager. For these reasons we do not feel a separate policy or playbook should form part of that additional disclosure.

<ESMA\_QUESTION\_GLMT\_44>

1. Do you agree that investors should be informed of the fact that the manager can activate selected and available LMTs and that this information should be included in the fund’s rules and instruments of incorporation?

<ESMA\_QUESTION\_GLMT\_45>

We agree that investors should be informed of all the LMTs available to the Manager via the fund prospectus, including example considerations of when the manager may invoke each particular tool. Details as to the thresholds for activation/deactivation of each particular LMT should not be disclosed given the risk of investors engaging in opportunistic behaviours, or given the risk that any thresholds may be too prescriptive and therefore not cater for all events contemplated.

<ESMA\_QUESTION\_GLMT\_45>

1. Which parts of the LMT policy, if any, should be disclosed to investors?

<ESMA\_QUESTION\_GLMT\_46>

We agree that investors should be informed of all the LMT’s available to the Manager and an overview of the non-exhaustive considerations via the fund prospectus. We believe that the LMT policy should remain an internal policy, and that instead of making it public, a summary description, containing the general principles, could be housed in the fund prospectus.

<ESMA\_QUESTION\_GLMT\_46>

1. In your view, how much time would managers need for adaptation before they apply the guidelines, in particular for existing funds?

<ESMA\_QUESTION\_GLMT\_47>

Given the time that we anticipate would be needed to complete all governance and regulatory approvals required in order to update existing funds’ documentation, we believe that the Guidelines should apply 2 years after the final text is adopted by ESMA and all language versions are available.

<ESMA\_QUESTION\_GLMT\_47>

1. Do you agree with the above-mentioned reasoning in relation to the possible costs and benefits of the technical proposal develop by ESMA as regards the policy objecting of achieving a set of minimum standards by which all managers across Member States should select, activate and calibrate LMTs? Which other types of costs or benefits would you consider in that context?

<ESMA\_QUESTION\_GLMT\_48>

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<ESMA\_QUESTION\_GLMT\_48>

1. Do you agree with the above-mentioned reasoning in relation to the possible costs and benefits of the technical proposal develop by ESMA as regards the policy objecting of achieving a set of minimum standards by which all managers across Member States should provide disclosure to investors on the selection, activation and calibration of LMTs? Which other types of costs or benefits would you consider in that context?

<ESMA\_QUESTION\_GLMT\_49>

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<ESMA\_QUESTION\_GLMT\_49>

1. Do you agree with the above-mentioned reasoning in relation to the possible costs and benefits of the technical proposal develop by ESMA as regards the policy objecting of achieving a set of minimum standards by which all managers across Member States arrange their governance for the selection, activation and calibration of LMTs? Which other types of costs or benefits would you consider in that context?

<ESMA\_QUESTION\_GLMT\_50>

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<ESMA\_QUESTION\_GLMT\_50>