

ESMA Launches a Common Supervisory Action with NCAs on UCITS liquidity risk management

The UCITS regulatory framework includes a broad range of liquidity risk management provisions which aim at ensuring that UCITS investors are able to redeem their investments on request. Compliance with the UCITS liquidity risk management rules contributes to ensuring financial stability, investor protection and the orderly functioning of financial markets.

In support of this aim, NCAs agreed to assess simultaneously whether market participants in their jurisdictions adhere to the rules in their day-to-day business. This will be done on the basis of a common methodology developed together with ESMA. The CSA assessment framework, including scope, methodology, supervisory expectations and timeline, results from a joint effort to carry out comprehensive supervisory action in a convergent manner.

The first stage of the CSA will involve NCAs requesting quantitative data from a large majority of the UCITS managers based in their respective Member States, to get an overview of the supervisory risks faced. In the second stage, NCAs will focus on a sample of UCITS managers and UCITS to carry out more in-depth supervisory analyses.

Throughout 2020, NCAs will share knowledge and experiences through ESMA to ensure supervisory convergence in the way they supervise liquidity risk management and ultimately enhance the protection of investors across the EU.

The CSA exercise contributes to fulfilling ESMA's mandate to take an active role in building a common supervisory culture among NCAs and promote sound, efficient, and consistent supervision throughout the EU.