

# MEDIA STATEMENT



International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
Organização Internacional das Comissões de Valores  
Organización Internacional de Comisiones de Valores

IOSCO/MS/01/2012

Madrid, 19 January 2012

## **IOSCO publishes principles on suspension of CIS redemptions**

The Technical Committee of the International Organization of Securities Commissions (IOSCO) has published its final report, [Principles on Suspensions of Redemptions in Collective Investment Schemes](#), which contains principles regarding the suspension of redemptions for open-ended collective investment schemes (CIS).

The principles reflect a common level of approach and provide standards against which both regulators and the industry can assess the quality of regulation and industry practices concerning suspensions of redemptions.

### **Principles for Suspension of Redemptions of Collective Investment Schemes**

The principles, which are based on the CIS responsible entities' basic duty to manage CIS liquidity on an on-going basis so as to avoid suspensions to the extent possible, generally cover all types of open-ended CIS which offer a continuous redemption right, and apply irrespective of whether they are offered to institutional or retail investors. They are addressed to those entities responsible for the overall operation of the CIS and in particular its compliance with the legal/regulatory framework in the respective jurisdiction and thus for the implementation of the principles. The delegation of activities may not be used to circumvent the principles and there should be compliance with the principles, whether activities are performed directly or through a third party.

### **Management of liquidity risk**

- 1. The responsible entity should ensure that the degree of liquidity of the open-ended CIS it manages allows it in general to meet redemption obligations and other liabilities.*

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- 2. Before and during any investment, the responsible entity should consider the liquidity of the types of instruments and assets and its consistency with the overall liquidity profile of the open-ended CIS. For this purpose, the responsible entity should establish, implement and maintain an appropriate liquidity management policy and process.*

## **Ex-Ante Disclosure to Investors**

- 3. The responsible entity should clearly disclose the ability to suspend redemptions in exceptional circumstances to investors prior to their investment into the CIS.*

## **Criteria/Reasons for the suspension**

- 4. Suspension of redemptions by the responsible entity may be justified only a) if permitted by law and in exceptional circumstances provided such suspension is exclusively in the best interest of unit-holders within the CIS, or b) if the suspension is required by law, regulation or regulators.*

## **Decision to suspend**

- 5. The responsible entity should have the operational capability to suspend redemptions in an orderly and efficient manner.*
- 6. The decision by the responsible entity to suspend redemptions, in particular the reasons for the suspension and the planned actions should be appropriately:*
  - a. documented;*
  - b. communicated to competent authorities and other relevant parties;*
  - c. communicated to unit-holders.*

## **During the suspension**

- 7. During the suspension of the redemptions, the responsible entity should not accept new subscriptions.*

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8. *The suspension should be regularly reviewed by the responsible entity. The responsible entity should take all necessary steps in order to resume normal operations as soon as possible having regard to the best interest of unit-holders.*
9. *The responsible entity should keep the competent authority and unit-holders informed throughout the period of suspension. The decision to resume normal operations should also be communicated as soon as practical.*

However, it should be noted that not all principles would necessarily be appropriate for, or apply to, specific non-retail CIS which are not offered to the public and are not subject to approval/registration but instead are subject to specific rules under their national applicable law and regulation.

Implementation of the principles may vary from jurisdiction to jurisdiction, depending on local conditions and circumstances.

## NOTES FOR EDITORS

1. [FR02/12 Principles on Suspensions of Redemptions in Collective Investment Schemes](#).
2. IOSCO is the leading international policy forum for securities regulators is recognised as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in 115 jurisdictions and its membership continues to expand.
3. The [Technical Committee](#), a specialised working group established by IOSCO's Executive Committee, is made up of 18 agencies that regulate some of the world's larger, more developed and internationalized markets. Its objective is to review major regulatory issues related to international securities and futures transactions and to coordinate practical responses to these concerns. Mr. Masamichi Kono, Vice Commissioner for International Affairs at the Financial Services Agency of Japan (JFSA), is the Chairman of the Technical Committee. The members of the Technical Committee are the securities regulatory authorities of Australia, Brazil, China, France, Germany, Hong Kong, India, Italy, Japan, Mexico, the Netherlands, Ontario, Quebec, Spain, Switzerland, United Kingdom and the United States.
4. IOSCO aims through its permanent structures:

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- to cooperate in developing, implementing and promoting adherence to internationally recognised and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;
- to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
- to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

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