

SchulteRoth&Zabel

# Private Funds Regulatory

UPDATE

## European Funds — ESMA Liquidity Stress-Testing Guidelines Take Effect

October 2020

ESMA Liquidity Stress-Testing Guidelines took effect on 30 Sept. 2020. The Guidelines set out detailed requirements applicable to EU managers of alternative investment funds and UCITS. The requirements set out the regulatory expectations with regards to the arrangements and procedures adopted by such managers to monitor and manage liquidity risk within their fund portfolios. The aim of liquidity risk management policies is to ensure alignment of the investment strategy, liquidity profile and redemption policy of each fund. Among other things, the Guidelines specify the regulatory expectations with regards to the content of written liquidity stress-testing policies, governance and oversight of liquidity management, and recommended frequency of liquidity stress tests.

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