



JULY 2020

CENTRAL BANK PUBLISHES NOTICE OF INTENTION RELATING TO ESMA GUIDELINES ON LIQUIDITY STRESS TESTING IN UCITS AND AIFS

As readers will be aware from our previous [client briefing](#), ESMA published [Guidelines on Liquidity Stress Testing in UCITS and AIFS](#) (the “**Guidelines**”) in September 2019. The purpose of the Guidelines is to increase the standard, consistency and frequency of liquidity stress testing undertaken by management companies¹ as well as to promote convergent supervision by competent authorities across the EU of such liquidity stress testing conducted by management companies.

Central Bank’s Notice of Intention

As expected, the Central Bank has issued a [Notice of Intention](#) confirming that it expects management companies to comply in full with the Guidelines from 30 September 2020.

Central Bank’s UCITS and AIFMD Q&A

The Central Bank has also provided some further guidance to management companies by publishing additional Q&A² relating to liquidity stress testing (“**LST**”) in which it confirms:

- (i) The LST should be conducted at least quarterly. Any determination to conduct LST at a higher or lower frequency should be documented in the LST policy; and
- (ii) The LST should be employed at all stages in a UCITS/AIF lifecycle, including at the design phase.

¹ Defined in the Guidelines as including UCITS management companies, self-managed UCITS investment companies, AIFMs, internally managed AIFS and managers of money market funds.

² The revised Q&A on AIFMD is accessible from <https://www.centralbank.ie/docs/default-source/regulation/industry-market-sectors/funds/aifs/guidance/qa/aifmd-qa-34-edition.pdf?sfvrsn=2>.

The revised Central Bank Q&A on UCITS is accessible from <https://www.centralbank.ie/docs/default-source/regulation/industry-market-sectors/funds/ucits/guidance/ucits-qa-29-edition.pdf?sfvrsn=2>

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The Central Bank also confirms in its UCITS Q&A that the LST policy may be documented within the UCITS risk management policy.

Action to be taken

In order to ensure that they can comply with the Guidelines in full by 30 September 2020, we are advising management companies to:

- (i) conduct a gap analysis to determine any changes which will need to be made to existing liquidity stress testing arrangements to allow them to comply with the Guidelines in full;
- (ii) ensure that they have the appropriate infrastructure and data sources to allow them to conduct LST in the manner envisaged by the Guidelines; and
- (iii) prepare an LST policy which should be reviewed and adopted by the board of directors of the management company.

If you have any queries in relation to the content of this briefing, please contact your usual contact in Dillon Eustace.

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