

**For Immediate Release
September 18, 2020**

Canadian Securities Regulators Publish Liquidity Risk Management Guidance for Investment Fund Managers

Toronto – The Canadian Securities Administrators (CSA) today published [guidance to help investment fund managers develop and maintain effective liquidity risk management frameworks for investment funds](#).

For the purposes of this guidance, liquidity risk is the risk that a fund is unable to satisfy redemption requests without having a material impact on the remaining securityholders. A fund must be able to sell the underlying portfolio assets within a reasonable amount of time, in an orderly manner to satisfy redemption requests. Liquidity risk can increase when the liquidity of portfolio assets held by an investment fund does not match the redemption terms and conditions offered to its investors. In recent years, the management of this potential liquidity mismatch has been a key focus for regulators internationally and the asset management sector.

“Taking a preventative and proactive approach to liquidity risk management is critical to ensuring such risks are appropriately managed,” said Louis Morisset, CSA Chair and President and CEO of the Autorité des marchés financiers. “We are publishing this guidance to support investment fund managers in their ongoing development and maintenance of robust, effective liquidity risk management frameworks.”

The guidance contemplates normal and stressed market conditions, such as the global financial crisis in 2008 or the COVID-19 pandemic, and is based on existing regulatory requirements. It also recognizes that liquidity risk management is not “one-size-fits-all.” Investment funds vary in size, structure, investor base and other fund characteristics, and what may be considered a material risk for one fund may not be material for another.

While the guidance is intended for investment funds that are subject to National Instrument 81-102 *Investment Funds*, many of the practices and examples outlined may be relevant to other investment funds.

Under securities legislation, investment fund managers must establish and maintain an effective liquidity risk management framework and exercise due care, skill and diligence in managing the liquidity of their funds.

Investment fund managers should contact the securities regulator in their principal jurisdiction to discuss any questions or concerns.

The CSA encourages investment fund managers to consult the [global liquidity risk management recommendations](#) developed by the International Organization of Securities Commissions (IOSCO). These recommendations are designed to help fund managers respond to stressed market conditions.

As part of its ongoing continuous disclosure review program, the CSA will continue to monitor the liquidity risk management of funds.

The CSA, the council of the securities regulators of Canada's provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets.

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For Investor inquiries, please refer to your respective securities regulator. You can contact them [here](#).

For media inquiries, please refer to the list of provincial and territorial representatives below or contact us at media@acvm-csa.ca.

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