Home [1]

ESMA - Consultation Paper on the Guidelines on liquidity stress testing in UCITS and AIFs

Pubblicato il 1/4/2019



Introduction

Assogestioni welcomes the opportunity to respond to the ESMA consultation paper on the Guidelines on liquidity stress testing in UCITS and AIFs.

First of all, we wish to evidence the general appreciation of the proposed Guidelines that embody an accu-rate and mature reflection on the liquidity management challenges on LST practices that respectively char-acterise and have been taken up within our industry. We consider that the proposals could enhance and/or finetune the existing practice, placing greater emphasis where needed (e.g. around gradual steps towards improved profiling for investor types), all while recognising the value of existing regulation and the need to avoid unnecessary or disproportionate additional burdens.

We strongly support principles-based Guidelines allowing the requirements to be tailored to some of the funds' key features, as, for instance, dealing frequency, underlying portfolio holdings that may be hard to value or model in a stress scenario, investor profiles as well as the terms of the investment management agreements.

However, LST, as in general all stress test, are very attractive but they are neither always feasible nor relevant. Notwithstanding their sophistication and assuming access to the most complete and precise data sets can be guaranteed, it yields only partial results. Risk drivers that determine price and liquidity dynamics and relative stress testing is indeed a complexissue. The literature of recent years has begun to make significant contributions, however the lack of data, including volumes for specific instruments remain a sig-nificant obstacle to a robust modelling. In any case, modelling broader

economic weakness is always a challenge and there could be a low degree of precision of liquidity models under stress conditions. It is always necessary, therefore, to supplement these inputs with qualitative information based on the experi-ence and sound judgment.

Asset managers should apply their best effort to ensure they can meet investor redemption requests ac-cording to the fund rules, as part of their fiduciary rule. However, there are factors that are outside the control of asset manager and liquidity shock cannot easily be predicted by any model. Therefore, asset manager should dispose of all relevant tools to carry out its roles in an evolving context.

A pragmatic approach should always be possible, bearing in mind that stress tests should be used as infor-mation points to highlight potential problems and possible risk reduction. We deem indeed fundamental having an appropriate governance and oversight, including being subject to appropriate reporting and es-calation procedures but allowing the necessary flexibility toasset managers, also in line with a proportional approach. We very welcome the clarification that these guidelines should be adapted to the nature, scale and complexity of the fund. However, it should be clarified that the proportionality principle shouldnot be subject to the condition “where relevant”. It must be a clear understanding that LSTs are appropriate and based on the proportionality principle.

We therefore encourage ESMA to review some part of the proposed Guidelines and explanatory considerations:

- to allow the selection of LST as relevant as possible that could add value to the risk management process and oversight. As an example, we disagree with the prescriptive use of reverse stress testing for all funds. Also, the prevision of aggregate LST raises some concerns, even if, in this case, some flexibility in their possible use is already acknowledged.
- to provide a list of possible practices or examples in the explanatory considerations, rather than sug-gesting more prescriptive guidance.

Moreover, since LST are part of the broadly (liquidity) risk management process, it is essential that regula-tors provide managers a wide array of appropriate tools to deal with potential liquid crisis. We invite ESMA to work to assist convergence on Liquidity Management Tools available in different national markets.

Finally, in risk modelling, the availability of data is quite critical. MiFID II has begun to make improvements on availability of data, but there is still work to do and ESMA could support the different stakeholders, and definitely the market, in improving the availability of comprehensive and good quality trading and other mar-ket liquidity data for OTC instruments, such as bonds and derivatives.

Leggi tutto il documento [2]

Risposta al documento di consultazione recante "Guidelines on liquidity stress testing in UCITS and AIFs"