

## Regulatory News Alert

### ESMA published final version of the Guidelines on liquidity stress testing in UCITS and AIFs

**4 September 2019**

In April 2018, the European Systemic Risk Board (ESRB) published a set of recommendations to address **liquidity and leverage risk in investment funds**. The ESRB's recommendations requests that European Securities and Markets Authority (ESMA), in order to promote supervisory convergence, **“develop guidance on the practice to be followed by managers for the stress testing of liquidity risk for individual AIFs and UCITS”**.

On 5 February 2019, ESMA published a Consultation Paper (CP) based on the draft Guidelines on Liquidity Stress Testing in UCITS and AIFs in order to fulfil the ESRB recommendations and gather input from stakeholders. The consultation closed on 1 April 2019.

Following the consultation period, on 2 September, ESMA published [the Final Report on the Guidelines on liquidity stress testing in UCITS and AIFs \(Guidelines\)](#). The Guidelines provide an overview of the feedback received through the responses to CP and explain how ESMA took this feedback into account.

The purpose of the Guidelines is to establish consistent, efficient and effective supervisory practices within the European System of Financial Supervision and to ensure the common uniform and consistent application of Union law. In particular, their primary purpose is to **increase the standard, consistency and, in some cases, frequency of liquidity stress tests (LST) of assets and liabilities** and **promote convergent supervision of LST by national competent authorities (NCAs)**.

The Guidelines apply to managers, depositaries and NCAs:

- **Guidelines applicable to managers** provide further clarification on the design of the LST models, governance principles for LST, the LST policy, frequency of LST, the use of LST outcomes, adaptation of the LST to each fund, LST scenarios etc.
- **Depositaries** should set up appropriate verification procedures to check that the fund manager has in place documented procedures for its LST program, whereas such verification does not require assessment of the adequacy of the LST.



- **NCA**s may at their discretion request submission of a manager's LST to help demonstrate that a fund will be likely to comply with applicable rules or other information relating to the LST, including liquidity stress test models and their results.

ESMA expects the Guidelines to be applied **by 30 September 2020**.

### **How can Deloitte help?**

Deloitte's advisory specialists and dedicated services will help you design and implement your business strategy in light of the future evolution of the regulatory framework and market trends.

Additionally, within its Reporting Factory service, Deloitte can help with a range of solutions for the forthcoming investment funds reporting tailored to your business needs.

With our Regulatory Watch Kaleidoscope service, Deloitte can also help you stay ahead of the regulatory curve to better manage and plan upcoming regulations.

# Your contacts

**Sylvain Crepin**

Partner – Finance Industry Solutions

Tel : +352 45145 4054

[screpin@deloitte.lu](mailto:screpin@deloitte.lu)

**Lou Kiesch**

Partner – Financial Industry Solutions

(Regulatory Services)

Tel : +352 45145 2456

[lkiesch@deloitte.lu](mailto:lkiesch@deloitte.lu)

**Fabian De Keyn**

Director – Capital Markets Expert

Tel : +352 45145 3413

[fdekeyn@deloitte.lu](mailto:fdekeyn@deloitte.lu)

**Marijana Vuksic**

Manager – Regulatory & Consulting

Tel : +352 45145 2311

[mvuksic@deloitte.lu](mailto:mvuksic@deloitte.lu)

**Xavier Zaegel**

Partner – Financial Industry Solutions

Tel : +352 45145 2748

[xzaegel@deloitte.lu](mailto:xzaegel@deloitte.lu)

**Simon Ramos**

Partner – IM Advisory & Consulting Leader

Tel : +352 45145 2702

[siramos@deloitte.lu](mailto:siramos@deloitte.lu)

**Benoit Sauvage**

Director – RegWatch, Strategy & Consulting

Tel : +352 45145 4220

[bsauvage@deloitte.lu](mailto:bsauvage@deloitte.lu)

Deloitte Luxembourg  
20 Boulevard de Kockelscheuer  
L-1821 Luxembourg  
Grand Duchy of Luxembourg

Tel: +352 451 451

Fax: +352 451 452 401

[www.deloitte.lu](http://www.deloitte.lu)

Deloitte is a multidisciplinary service organisation which is subject to certain regulatory and professional restrictions on the types of services we can provide to our clients, particularly where an audit relationship exists, as independence issues and other conflicts of interest may arise. Any services we commit to deliver to you will comply fully with applicable restrictions.

Due to the constant changes and amendments to Luxembourg legislation, Deloitte cannot assume any liability for the content of this leaflet. It shall only serve as general information and shall not replace the need to consult your Deloitte advisor.

**About Deloitte Touche Tohmatsu Limited:**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/lu/about](http://www.deloitte.com/lu/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence.

© 2019 Deloitte General Services

Designed and produced by MarCom at Deloitte Luxembourg