



BANK OF ENGLAND



# News release

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16 December 2019

## **Financial Conduct Authority and Bank of England statement on joint review of open-ended funds**

In its [Financial Stability Report](#), published today, the Financial Policy Committee (FPC) has set out initial findings of a joint review by the Financial Conduct Authority (FCA) and the Bank of England on open-ended investment funds and the risks posed by their liquidity mismatch.

The FPC has reviewed the progress of the work and identified that, if greater consistency between the liquidity of a fund's assets and its redemption terms is to be achieved:

- Liquidity of funds' assets should be assessed by reference to the price discount needed for a quick sale of a representative sample (or vertical slice) of those assets or the time period needed for a sale which avoids a material price discount. In the US, the Securities and Exchange Commission has recently adopted measures of liquidity based on this concept.
- Redeeming investors should receive a price for their units in the fund that reflects the discount needed to sell the required portion of a fund's assets in the specified redemption notice period, ensuring fair outcomes for redeeming and remaining investors.
- Redemption notice periods should reflect the time needed to sell the required portion of a fund's assets without discounts beyond those captured in the price received by redeeming investors.

The review will now consider how these principles could be implemented in a proportionate and effective manner.

The FCA will use the conclusions of the review which will be released in 2020 to inform the development of the FCA's rules for open-ended funds.

Recognising the global nature of asset management, the conclusions could also be used by UK regulators in international work at the Financial Stability Board (FSB), the International Organization of Securities Commissions (IOSCO) and with other competent authorities.

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