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## **The AMF and the Banque de France publish an update of the inventory of liquidity management tools in French funds**

In July 2020, the Banque de France and the AMF published a joint study on the liquidity management tools (LMTs) of French funds. This follow-up analysis offers a dynamic perspective of their adoption since 2017, and sheds lights on specific patterns observed on some categories of funds, such as ETFs, employee savings scheme funds, and funds predominantly used as units for unit-linked life insurance products. Substantial efforts in LMTs implementation are still needed.

### **Liquidity management tools in equity, bond, alternative and real estate funds**

Anti-dilution levies (ADLs) are used especially in equity funds and « other » funds, swing-pricing is found mainly in bond funds, and to a lesser extent in equity and diversified funds. Gates (redemption caps) are provided for chiefly in alternative funds (31% of fund share classes and 60% of net assets at end-June 2021). This LMT is also deployed in real estate funds (31% of fund classes and 25% of net assets at end-June 2021).

### **Findings concerning funds serving for unit-linked insurance products, employee savings scheme funds and ETFs**

The equity, bond and diversified funds which are predominantly used for unit-linked insurance products (i.e. serving as units for unit-linked products) are generally characterized by a lower rate of adoption of ADLs, swing-pricing and gates than funds in which unit-linked policies are less predominant.

Employee savings scheme funds have less liquid liabilities, to the extent that these products are marketed via employee savings plans (PEEs) or employee retirement savings plans (PERCOs), respectively locked up in theory for five years and until retirement (except in the case of early release of funds). The rate of adoption of various LMTs is very much lower where these are concerned.

Conversely, ADLs and gates are far more common to equity ETFs than to other equity funds. Equity ETFs offer redemption in kind less often and they do not resort to swing-pricing.

Lastly, the rate of adoption of the various LMTs differs depending on the nature of the funds. UCITS (and especially VaR UCITS) generally make more use of swing-pricing and gates than AIFs.


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