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The AMF proposes measures to promote a wider adoption of liquidity management tools by fund managers

Liquidity management tools protect the interests of investors and ensure they are treated fairly. The Autorité des Marchés Financiers is launching a public consultation on measures to encourage the adoption of such tools. These measures may lead to changes in the AMF's General Regulation and policy.

In a recent study conducted with the Banque de France assessing the extent to which fund managers have provided their investment funds with liquidity management tools that can be used in the event of a decline in the liquidity of certain assets or of the overall market, the AMF found that the proportion of funds that include such tools is still increasing too slowly. These tools make it possible to limit the risk that large redemption requests can have on the fund, to the detriment of all its investors, if the liquidity of the fund's assets does not allow for an equivalent disinvestment under favourable conditions. The purpose is to facilitate the management of these situations in the best interest of investors and ensure that each of them is treated fairly.

Some of these tools are intended to be activated only in extreme cases and are automatically available, without the need to include them in the fund prospectus. This is the case, for example, of the possibility of ring-fencing illiquid securities (side pockets) or suspending subscriptions and redemptions. Others are intended to be applicable in a wider range of situations if relevant, such as the possibility of adjusting fund entry and exit fees or modifying the valuation of fund units (swing pricing), so that the cost of restructuring the portfolio is borne by incoming or outgoing investors. These last tools are optional and can



only be implemented if they are specified in the fund's prospectus. This is also the case for the ability to cap and spread out redemption requests (gates).

The AMF is today launching a public consultation on several measures that specifically target these existing optional tools (gates, swing pricing, anti-dilution levies). In parallel with the European work on revising the AIFM and UCITS Directives and the Money Market Fund Regulation, the AMF is seeking to create the conditions that will encourage greater adoption of these tools in 2023 while ensuring that investors are properly informed.

Its proposals have several objectives:

- to rebalance the information asymmetry between the funds that do not have liquidity management tools and do not provide information on the lack of these tools and those that do have them and inform investors about them;
- to facilitate adoption by existing funds by opening a transitional period during which those that decide to adopt the ability to activate gates will be required to provide notification by any means, which could be provided as part of a statement covering several funds and no longer as individual notifications for each fund;
- make fund managers accountable for compliance with their professional obligations in terms of liquidity risk management, particularly those who have chosen not to use such tools, by requiring at least formal recognition of the risks incurred by the funds concerned in the event of exceptional market circumstances.

Contributions should be sent **by 15 March 2022** to directiondelacommunication@amf-france.org URL = [mailto:directiondelacommunication@amf-france.org].

About the AMF

The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected and that investors are provided with adequate information. The AMF also supervises the orderly operations of markets. Visit our website <https://www.amf-france.org> URL = [https://www.amf-france.org/]

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Head of publications: The Executive Director of AMF Communication Directorate. Contact: Communication Directorate – Autorité des marchés financiers 17 place de la Bourse – 75082 Paris cedex 02

