

# New ESMA Liquidity Management Rules

The European Securities and Markets Authority (“ESMA”), the lead European financial regulatory and supervisory authority, announced the publication of draft Regulatory Technical Standards (“RTS”) and a final report on the Guidelines on Liquidity Management Tools (“LMTs”) (the “Guidelines”) on 15<sup>th</sup> April 2025. The draft RTS clarify the functioning of LMTs and represent a key step in the implementation of the revised AIFMD and UCITS Directives by facilitating the harmonisation and availability of LMTs defined in these Directives across the EU.

### Background

There has been significant focus on the use of LMTs by regulators due to their role in mitigating financial stability risks. The revised AIFMD and UCITS Directives require ESMA to develop guidelines on LMTs. On 8 July 2024, ESMA published a Consultation Paper (“CP”) on proposed draft guidelines and the Guidelines were developed to reflect the feedback received.

Rules relating to certain LMTs, such as the use of side pockets, currently vary significantly across the EU so the Guidelines will harmonise matters and represent an important advance to the ongoing debate on Non-Bank Financial Intermediation.

### Key Provisions

The draft RTS address the full range of LMTs and comprise separate articles addressing the key tools including suspensions of subscriptions; repurchases and redemptions; redemption gates; extensions of notice periods; redemption fees; swing pricing; dual pricing; anti-dilution levies;

redemptions in kind and the use of side pockets. The Guidelines contain guidance on the selection, activation and calibrations of LMTs.

### Next Steps and Implementation

The draft RTS have been submitted to the European Commission (“EC”) for adoption, and it shall take a decision on whether to adopt the RTS within three months (subject to a possible extension of one month). Once finalised and published, national competent authorities will have two months to notify ESMA whether they comply or intend to comply with the Guidelines, and these will apply on the date of entry into force of the RTS. Funds existing before the entry into force the RTS will have twelve months to comply.

### How Clerkin Lynch Can Help

Clerkin Lynch’s regulatory team can assist with the updating of documentation to reflect the RTS, as well as the preparation of policies to ensure use of LMTs is in compliance with the regulatory requirements. Contact us for more information.



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