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**Monetary Authority of Singapore**

The below responses have been submitted through the Monetary Authority of Singapore online system on 27 February 2026.

**ASIFMA AMG Response to MAS Consultation Paper on Guidelines on Liquidity Risk Management (Fund Management Companies)**

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Please indicate any part of your submission that you wish to keep confidential.	None – I agree to publish my full feedback with attribution.

**Q1. On the proposal to ensure consistency between CIS’ liquidity and the redemption terms: (a) Do the scenario-based examples effectively facilitate implementation? (b) What other common scenarios should be included as guidance?**

On behalf of the Asset Management Group (“**AAMG**”) of Asia Securities Industry & Financial Markets Association (“**ASIFMA**”), we would like to submit our response to the Monetary Authority of Singapore (“**MAS**”) Consultation Paper on Updates to the Guidelines on Liquidity Risk Management Practices (Fund Management Companies) (“**LRM Guidelines**”).

Before responding to the specific questions in the Consultation Paper, we would like to suggest that the updated LRM Guidelines set out upfront what is in scope and what is not as currently these are spread out in different sections of the LRM Guidelines which led to a number of questions from our members. For example, we discern from the Consultation Paper (section 2) and the Proposed Updates to the LRM Guidelines and CIS Code (section 5 – Annex), the following:

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### In scope of the LRM Guidelines

1. Open-ended collective investment scheme (“CIS”) that is constituted in Singapore and has been authorised by Singapore;
2. Open-ended CIS where the Singapore FMC is involved in its product design or responsible for its portfolio management and has discretionary authority for making investment decisions therefor; and
3. Singapore FMC which delegates investment management to sub-managers outside Singapore (but is still responsible for monitoring and managing the overall liquidity profile of the CIS) with respect to open-ended CIS mentioned in 1 and 2 above.

### Out of scope of the LRM Guidelines

1. CIS over which the Singapore FMC does not have discretionary authority;
2. CIS over which the Singapore FMC is a sub-manager which manages only a portion of the CIS portfolio or is not involved in the CIS design (but the sub-manager is expected to operate the portfolio in line with the LRM parameters set out by the main manager);
3. Recognised CIS over which the Singapore FMC acts as a representative (but Singapore FMC should provide adequate disclosure and updates to investors on the liquidity approach adopted by the CIS as per paragraphs 4.16 and 4.17 of the LRM Guidelines);
4. Segregated mandates managed by Singapore FMC which are set up for a single institutional investor (which we suggest should also include a single individual investor); and
5. Exchange-traded funds (“ETFs”) (but Singapore FMC should consider incorporating recommendations set forth for responsible entities in IOSCO’s Final Report on Good Practices Relating to the Implementation of the IOSCO Principles for ETFs published in May 2023).

### **Set out below is our response to Question 1(a) Do the scenario-based examples effectively facilitate implementation?**

Yes, the scenario-based examples included in the proposed LRM Guidelines are helpful in illustrating MAS’ expectations on ensuring alignment between a CIS’ liquidity profile and its redemption terms. These examples provide useful practical context to facilitate implementation and reinforce the importance of considering liquidity characteristics at both the product design stage and on an ongoing basis.

However, given the diversity of fund structures, asset classes and investor profiles across the industry, these scenario-examples should be **illustrative only and non-exhaustive** and it would be helpful if the LRM Guidelines make this clear. Liquidity is not a single measurable attribute as it will vary depending on market depth, trading size, stress conditions and portfolio composition, among others. Because liquidity is dynamic, we strongly suggest that it be left to the fund manager’s reasonable judgement to align each CIS’ liquidity with its redemption frequency. We do not agree that where frequent redemption (e.g., daily or weekly) is to be offered by the open-ended CIS, the FMC should always provide for ADTs.

**Set out below is our response to Question 1(b) What other common scenarios should be included as guidance?**

In general, supplementing the existing guidance with a broader range of practical examples, spanning different asset classes, fund structures and market conditions, would assist FMCs in demonstrating compliance with the principles-based expectations set out in the LRM Guidelines, while preserving the necessary flexibility to respond appropriately to evolving liquidity risks.

Specifically, we would suggest that MAS consider incorporating further examples where certain liquidity management tools, particularly ADTs, may be **inappropriate or ineffective**, notwithstanding the general expectation for a diversified liquidity management toolkit. In this regard, please refer to our response to Question 3, which outlines specific scenarios where ADTs may not be suitable or effective, including, for example, highly liquid funds, money market funds, funds invested predominantly in highly illiquid assets, closed-ended funds with no redemption rights, and fund-of-funds structures. Including these scenarios or similar illustrative examples in the final guidance would provide additional clarity for effective implementation and help reinforce a proportionate, risk-based approach to aligning liquidity with redemption terms.

**Other comments in relation to CIS' redemption terms:**

Paragraph 4.5 of the proposed LRM Guidelines states that CIS that allocates a significant portion of holdings to illiquid assets should have “lower redemption frequency than daily dealing, and/or implement longer notice or settlement periods”. It would be helpful if MAS can clarify what they would consider as “lower frequency than daily” and “long” notice or settlement periods. For example, would “lower frequency than daily” include weekly, bi-weekly or monthly and would “long notice or settlement periods” include one month or longer? We suggest MAS adopt a more flexible approach so that redemption frequencies of funds investing a significant portion in illiquid assets can align with that of the respective underlying assets, rather than a prescribed frequency.

Separately, we would also like to seek clarification on the definition of liquid, less liquid and illiquid assets referred to in the LRM Guidelines. We note that Footnote 11 refers to the definition of “less liquid” as set out in the IOSCO’s Final Report on Revised Recommendations for Liquidity Risk Management for Collective Investment Schemes issued in May 2023, which also sets out definitions for liquid and illiquid assets. Chapter 1.2 (i) of MAS’ CIS Code sets out the definition of liquid financial instruments, which includes additional factors that managers should consider to determine if a financial instrument is liquid. For the purpose of the LRM Guidelines, we would like to understand if the definition used will be aligned with Chapter 1.2 (i) of the MAS CIS Code, or will MAS expand the definition under Chapter 1.2 (i) to also reference what is a “less liquid” financial instrument. We suggest that the relevant definitions should be consistent across the different MAS guidances.

**Q2. MAS seeks views on the key areas that an FMC would need to disclose to investors on the liquidity of the CIS.**

We support the principle of providing investors with meaningful information on the liquidity profile of a CIS, including the types of liquidity management tools (“**LMTs**”) that a fund manager may utilise and a high-level description of their key characteristics. We also agree that disclosure requirements relating to liquidity should remain **principle-based**, focused on clarity and usability for investors, and expressed in **simple and understandable language**. In this regard, we believe disclosures should be **descriptive and qualitative** rather than overly detailed or quantitative, so that they are informative without being overwhelming or creating false precision.

In fact, we would caution against requiring disclosures of details such as calculation methodologies, triggers or specific circumstances (e.g., see proposed new paragraph 4.17) under which a LMT would be invoked or when it would be activated or deactivated so as to avoid counter-productive behaviors by sophisticated investors or other unintended consequences.

With respect to disclosures on “*the objective and circumstances under which the tools may be activated*” as provided in the new paragraph 4.17((c), we would highlight that certain information should **not** be disclosed for the reasons mentioned above:

- (1) **Activation thresholds** should not be disclosed, for example, in the case of redemption gates or similar quantitative tools. Disclosure of specific thresholds could be exploited by sophisticated investors who monitor fund flows and may incentivise pre-emptive redemptions, thereby exacerbating liquidity stress and undermining the intended purpose of the tools.
- (2) In the case of **ADTs**, offering documents should not disclose detailed *calculation or estimation methodologies* for liquidity costs. As set out in our response to Question 4, the estimation of implicit liquidity costs is subject to significant practical challenges and uncertainty. Providing granular methodological detail may also risk disclosing sensitive or proprietary information without materially enhancing investor understanding.
- (3) Similarly, **quantitative parameters** such as caps on swing factors, percentages of anti-dilution levies, or thresholds and calculation methodologies for redemption fees should not be disclosed. In particular, for swing pricing, disclosure of swing thresholds or the progression of swing factors under a tiered approach could enable investors to anticipate and potentially game fund pricing, reinforcing first-mover advantages rather than mitigating dilution.

We also see no need to disclose the process behind the activation / deactivation besides noting, from a governance perspective, who makes such decision (e.g., the Board or Investment Manager).

We are of the view that, for example, the following disclosure is sufficient for purposes of the new paragraph 4.17 and would appreciate if MAS could confirm that it agrees with our view.

*“Although the Fund invests predominantly in publicly listed equities that are generally considered liquid under normal market conditions, investors should note that the liquidity of such securities may vary over time. Liquidity conditions may deteriorate due to factors such as market stress, reduced trading volumes, sharp price movements, or exchange-specific disruptions. In such circumstances, it may take longer for the Fund to liquidate positions at reasonable prices, which may adversely affect the Fund’s ability to meet redemption requests in a timely and orderly manner.*

*The liquidity of the Fund may also be affected during periods of exceptional market volatility, geopolitical events, economic shocks, or when trading is suspended or restricted in specific markets or securities. Where the Fund invests in securities that form a significant weight in a particular index or sector, temporary liquidity pressures may arise if market participants withdraw simultaneously.”*

Finally, it is important that liquidity disclosures do not unduly constrain a manager’s ability to exercise judgement or use particular LMTs in response to prevailing market conditions. Preserving such flexibility is essential to ensuring that LMTs can be applied effectively and in the best interests of investors, particularly during stressed or rapidly evolving market environments. Therefore, we suggest that MAS do not prescribe specific disclosure requirements on the liquidity of a CIS but rather provide illustrative examples of the kind of disclosures that it expects of an FMC.

**Q3. Apart from those situations highlighted in the LRM Guidelines, are there any specific scenarios in which ADTs would be inappropriate or ineffective? Please provide examples and set out the reasons why ADTs are not appropriate or effective.**

We note that paragraph 4.10 of the proposed LRM Guidelines suggests that an FMC managing CIS should have provisions in place for at least one appropriate LMT, preferably ADTs, and should not rely solely on suspension or redemption gating. While we support the objective of promoting a diversified liquidity management toolkit, we would emphasise that there are specific scenarios where the use of ADTs would be inappropriate or ineffective and where other LMTs may be more suitable.

**Scenarios where ADTs may be inappropriate or ineffective**

**a. Highly liquid funds**

For funds investing predominantly in highly liquid assets, such as large-capitalisation developed market equities, the risk of investor dilution is typically *de minimis*. In such cases, the benefits of implementing ADTs, particularly swing pricing, are limited, as any market impact costs arising from transactions are minimal. Given that swing pricing would be rarely activated and, if activated, would likely involve very small swing factors, the operational complexity and costs of maintaining such mechanisms may outweigh the marginal investor protection benefits.

## **b. Money Market Funds (MMFs)**

MMFs generally meet redemption requests through natural liquidity, such as cash flows from maturing short-term instruments, rather than active secondary market sales. While secondary markets for short-term funding instruments do exist, liquidity in these markets for certain instrument types can be significantly impaired during periods of stress. In such circumstances, swing pricing becomes impractical as it may be impossible to transact at any meaningful price and, consequently, impossible to calibrate swing factors effectively when liquidity evaporates abruptly. However, there are other forms of ADTs such as liquidity fee that can be used as provided in the EU MMF Regulations. In addition, quantitative-based LMTs, such as suspension of redemptions or gating, may also be appropriate.

In addition, we wish to note that the redemption costs associated with MMFs are generally from (i) bid-ask spread and (ii) forfeit of interest / penalty due to early termination of deposits (if any). For (i), the bid-ask spreads of MMFs are considered low in general and thus applying a discount in NAV to the redeeming investor, on low transaction cost trades, may not be appropriate as it may over-penalize redeeming investors. For (ii), ADTs such as swing pricing are not designed to account for these deposit related costs. Estimation will be difficult for penalty charge / loss of accrued interest, and applying swing pricing to compensate for such costs may over-penalize redeeming investors. However, in special circumstances (e.g., during a period of market stress) when bid-ask spreads may be wider and penalties incurred on termination of term deposits may be material, MMF managers should have the discretion on the use of tool(s) and the type of tool to be used (e.g., a liquidity fee, which could be an effective way of ensuring that the cost of liquidity is appropriately borne by the redeeming investors in times of market stress) based on the need.

## **c. Open-ended funds predominantly invested in highly illiquid assets**

For funds investing mainly in highly illiquid assets such as private equity or real estate, these asset classes typically lack observable market prices, bid-ask spreads or sufficient transactional data, all of which are essential inputs for calibrating ADTs, particularly swing pricing. As a result, liquidity and liquidation costs are not readily quantifiable, making the determination of meaningful ADT parameters impractical. Moreover, given the long-term, low-turnover nature of such investments, investor-driven dilution is unlikely to arise in the way observed in more liquid asset funds, further reducing the relevance of ADTs. These limitations have been recognised by IOSCO in its Guidance on ADTs published in December 2023.

## **d. Closed-ended funds with no redemption rights**

For closed-ended funds where investors do not have the right to redeem their interests in the fund, ADTs are not relevant. Such funds are not exposed to redemption-driven

liquidity risk or dilution, and investor liquidity, if any, is achieved through secondary market trading rather than fund-level transactions.

**e. Feeder fund or Fund-of-funds structures**

Similarly, ADTs may be inappropriate or ineffective in feeder fund structures, where the feeder fund invests into an underlying fund that independently determines whether and how ADTs are applied. The manager of the feeder fund has no visibility, authority or control over the redemption terms, timelines and ADTs exercised by the underlying fund's manager at the point of pricing its own subscriptions or redemptions. Therefore, it is challenging for the feeder fund manager to pass on dilution costs to its investors as it is not able to look through to identify or assess the liquidity tools used by underlying fund. In particular, if swing pricing is applied by the underlying fund of a feeder fund, it would not be feasible to aggregate individual swing factors to derive a meaningful global swing factor for the feeder fund. While feeder funds may maintain certain top-level tools such as suspension or gating, the complexity, opacity and timing constraints inherent in underlying fund liquidity management limit the appropriateness and effectiveness of ADTs at the feeder fund level.

For example:

- **Scenario A:** A feeder fund receives a large redemption on T day (priced at T day NAV) and redeems its holdings in the underlying fund on T+1, where the underlying fund applies an ADT. In this scenario, the feeder fund's own ADT could, in principle, pass on the underlying fund's dilution impact to the redeeming investor.
- **Scenario B:** The same redemption occurs but the underlying fund does not apply an ADT (e.g. due to offsetting subscriptions from other investors). If the feeder fund nonetheless applies an ADT, the redeeming investor may bear a reduction in proceeds that does not reflect actual costs incurred, resulting in an unfair outcome.

The application of ADTs at the underlying fund level depends on factors beyond the feeder fund's control, such as flows from other investors, and may often not be known at the time a feeder fund wants to apply its own ADT, due to operational constraints (including time zone differences). As a result, ADTs at the feeder fund level may not effectively achieve the objective of fair allocation of dilution costs.

**Conclusion**

In light of the above, we strongly believe that FMCs should be given the flexibility to determine whether ADTs, other LMTs (such as suspension or gating), a combination of both, or none at all, are appropriate for a particular CIS, rather than being required to implement tools uniformly across all funds. Liquidity risk profiles vary significantly depending on investment strategy, asset class, investor composition and market conditions. Managers are best placed to assess these factors and to justify the selection of tools that are most effective in managing liquidity risk under both normal and stressed conditions. In certain circumstances, such as periods of severe market dislocation, market closures, or redemptions by large or concentrated investors, quantitative-based tools may be more effective than ADTs in mitigating liquidity risk, preventing

fire-sale dynamics and protecting the collective interests of investors. Where costs and potential adverse impacts of applying ADTs outweigh their benefits, FMCs should be given the discretion not to implement ADTs for the CIS.

Separately, we would like to point out that if for FMCs that do not use LMT or ADT for their CIS at the moment, the proposed implementation timeline of 6 months may be operationally challenging. We suggest MAS consider a longer timeline, e.g., at least one year from the effective date of the updated LRM Guidelines, to ensure a smooth implementation and avoid any unnecessary risk that may be created for investors.

**Q4. MAS seeks views on the current approach(es) on imposing liquidity costs to transacting investors, including implicit costs. Please comment on the methodology and practical implementation considerations, if any.**

We appreciate MAS' recognition that implicit liquidity costs, including market impact costs, are inherently difficult to estimate, and note that the proposed Guidelines appropriately allow such costs to be assessed on a **best-efforts basis** (paragraph 4.14). At the same time, we note MAS' expectation that FMCs should be able to demonstrate that the calibration of liquidity costs is reasonable and reflective of the portfolio characteristics of the CIS (paragraph 4.15). While we fully support the policy objective of ensuring a fair allocation of liquidity costs between transacting and remaining investors, we wish to highlight the significant practical and methodological challenges associated with estimating and implementing market impact costs. In this context, we are of the view that the inclusion of market impact costs should be **optional and proportionate**, rather than a systematic requirement across all funds and asset classes.

In practice, market impact costs can only be **estimated**, and such estimates are often subject to a high degree of uncertainty. Reliable and sufficiently granular data is frequently unavailable, particularly for less liquid asset classes such as fixed income, emerging market debt or alternative investments, and especially during periods of market stress. Indicative prices obtained from brokers or commercial databases may not reflect actual execution prices, while historical transaction data may be sparse, outdated or not representative of prevailing market conditions. As recognized by IOSCO in its Guidance on ADTs published in December 2023, information sources used to determine bid-ask spreads or market impact may become less reliable or unavailable during stressed market conditions, and even with best efforts, market impact estimates remain subject to material uncertainty.

Estimating market impact typically requires sophisticated quantitative models that rely on assumptions regarding trading volumes, market participation rates and prevailing liquidity conditions. Developing, maintaining and recalibrating such models is operationally complex and resource-intensive, and their outputs may be highly inaccurate at the individual trade level. For example, methodologies such as arrival-price analysis are only applicable to equity orders traded on an agency basis and do not capture transactions executed with broker-dealers acting on a proprietary basis, as is common in fixed income markets. Applying such models uniformly across asset classes, therefore, risks either under-estimating or over-estimating liquidity costs, potentially leading to unfair outcomes for either transacting or remaining investors.

Moreover, for highly liquid funds, market impact costs are often *de minimis*, as trade sizes typically remain well below market participation thresholds even under stressed conditions. In such cases, the costs and operational complexity of attempting to estimate market impact may outweigh any marginal benefit to investors. For certain asset classes, particularly fixed income securities, liquidity costs are already embedded in dealer-quoted bid-ask spreads, and there is neither a clear need nor a practical method to separately identify and add market impact costs on top of these spreads.

We, therefore, agree that FMCs should assess whether the funds under their management are exposed to **material market impact** under both normal and stressed market conditions. However, we do not believe that FMCs should be systematically required to incorporate market impact costs into anti-dilution frameworks in all cases. Where there is insufficient reliable data, or where trade sizes are unlikely to result in meaningful price impact, FMCs should not be expected to rely on imprecise modelling or assumptions. This consideration is particularly relevant for asset classes where historical transaction data is limited, or where liquidity costs are already reflected through observable pricing mechanisms.

In light of the above, while we support MAS' emphasis on the fair allocation of liquidity costs and the incorporation of both explicit and implicit costs in principle, we respectfully suggest that the proposed LRM Guidelines more clearly recognize **proportionality and flexibility** in practical implementation. Specifically, FMCs should only be expected to incorporate implicit costs, including material market impact costs, into their anti-dilution frameworks where this is appropriate, feasible and meaningful, and strictly on a **best-efforts basis**, consistent with IOSCO guidance. Greater clarity on this point would help promote consistent implementation across the industry while avoiding unnecessary complexity or unintended adverse outcomes for investors.

Similar to our response to Q3, we are concerned that the proposed implementation timeline of 6 months may be operationally challenging for FMCs. We suggest MAS consider a longer timeline, e.g., at least one year from the effective date of the updated LRM Guidelines, to ensure FMCs have sufficient time to put in place necessary processes.

**Q5. MAS seeks views on the governance requirements on the use of liquidity management tools.**

We support MAS' continued emphasis on strong governance and effective Board and senior management oversight of liquidity risk management and the use of LMTs. It is well-established practice for FMCs to ensure that both financial and non-financial risks, such as liquidity, credit, market, operational, legal, reputational and strategic risks, are identified, monitored and reported to senior management and the Board through established risk governance frameworks.

However, with respect to the expectation set out in paragraph 3.5, which requires the Board and senior management to have an adequate understanding of the interactions between

liquidity risk and other risk types and to consider these interactions in decision-making, we would like to highlight the significant complexity and practical challenges associated with implementing this requirement at the level of specificity implied.

In practice, while individual risk types are monitored and escalated through appropriate governance channels, the dynamic and non-linear interactions between liquidity risk and other risks, particularly during stressed market conditions, are inherently complex and difficult to model or assess in a systematic and consistent manner. These inter-dependencies often depend on a wide range of evolving external factors, including market structure, investor behaviour, asset-specific liquidity conditions and operational constraints, which may not be fully observable or quantifiable at the time decisions are required. Expecting Boards or senior management to meaningfully integrate and evaluate all such interactions on an ongoing basis may, therefore, be challenging and may exceed what is reasonably achievable in practice.

We also note that Boards and senior management typically rely on risk summaries, dashboards and escalation frameworks, rather than detailed cross-risk attribution analyses, in the course of their oversight and decision-making. From an implementation perspective, further clarity would be helpful on the practical pathway for FMCs to meet this expectation, including whether MAS envisages that qualitative oversight and judgement-based considerations would be sufficient, as opposed to formalised or model-driven analytical linkages across all risk categories. Absent such clarification, there is a risk that the requirement could be interpreted inconsistently across the industry or result in unduly complex governance processes that may not meaningfully enhance investor outcomes.

Accordingly, while we agree with the principle that liquidity risk should not be assessed in isolation, we respectfully suggest that MAS consider clarifying that compliance with paragraph 3.5 may be achieved through **proportionate, qualitative and judgement-based governance**, supported by appropriate risk reporting, escalation and challenge, rather than prescriptive or highly analytical assessments of all cross-risk interactions. This would help ensure that governance expectations remain practical and scalable, and appropriately calibrated to the size, complexity and business models of FMCs, while continuing to support sound decision-making under both normal and stressed market conditions.

**Q6. MAS seeks views on the additional guidance in relation to eligible deposits that MMFs may invest in under the CIS Code.**

The penalty charge and forfeiture of accrued interest (partial / full) differ from case to case when it comes to early withdrawal of deposits. Different banks and different deposits are subject to different penalty charges, and thus generalization on penalty charges is challenging. It would be practical for MAS to allow FMCs the discretion to determine what are the relevant pertinent factors when contemplating penalties for early withdrawals instead of prescribing definitive ones.