



Japan Securities Dealers Association

2-11-2, Nihombashi,
Chuo-ku, TOKYO 103-0027, JAPAN
Phone: +81-3-6665-6838 Fax: +81-3-6665-6808

February 7, 2025

International Organization of Securities Commissions (IOSCO)
Calle Oquendo 1228006
Madrid, Spain

Comments on “Revised Recommendations for Liquidity Risk Management for Collective Investment Schemes”

Dear Sir/Madam,

The Japan Securities Dealers Association (JSDA¹) appreciates the opportunity to provide the following comments on “Revised Recommendations for Liquidity Risk Management for Collective Investment Schemes” published on November 11, 2024, by the International Organization of Securities Commission (IOSCO), and express our appreciation for IOSCO’s ongoing efforts in this area.

The JSDA would like to submit the following comments received from our member firms, and hope that the comments will be considered as the contents of the report are finalized going forward.

Are there any other key considerations related to the availability and use of antidilution LMTs, quantity-based LMTs and other liquidity management measures under normal and stressed market conditions?

(Response)

When responsible entities consider adopting anti-dilution LMTs within the context of their respective jurisdictions, the JSDA received comments from member firms indicating that it is necessary to also consider the costs and practical challenges associated with the response to the use of such LMTs on the distributors’ end. Specifically, such comments included concerns that “if the anti-dilution LMT

¹ The Japan Securities Dealers Association (JSDA) is an association that functions as both a self-regulatory organization and as an interlocutor between market participants and various stakeholders, including government authorities. Its legal status is a Financial Instruments Firms Association authorized by the Prime Minister. Both functions operate independently. The JSDA is made up of approximately 465 members that include securities firms and other financial institutions running securities businesses in Japan.



Japan Securities Dealers Association

2-11-2, Nihombashi,
Chuo-ku, TOKYO 103-0027, JAPAN
Phone: +81-3-6665-6838 Fax: +81-3-6665-6808

adopted by responsible entities (i.e. fund managers) differ by fund and/or entity, distributors would have to respond on a fund-by-fund basis”, as well as that “certain anti-dilution LMTs require the development of systems and practical responses on the distributors’ side that may be difficult to achieve”.

Moreover, with respect to lowering the redemption frequency of an OEF, the JSDA received comments from member firms underlining the importance of considering such measures while taking into account the perspective of the investor. Particularly, the IOSCO Consultation Report mentions “If OEFs in Category 2 do not meet the expectation on the implementation of anti-dilution LMTs as described in Recommendation 6, responsible entities should consider and use measures to reduce the liquidity offered to fund investors (e.g. by reducing redemption frequency and/or by implementing long notice or settlement periods), as considered appropriate by authorities.” However, JSDA member firms expressed the concern that a reduction in the redemption frequency of OEFs—which originally offered liquidity to investors on a daily basis—may be perceived by investors as a fundamental change in the initial product characteristics that is unfavorable to the said investor, and that it is therefore important to take into account the investor perspective of such tools.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Hishikawa Isao', with a long horizontal stroke extending to the right.

HISHIKAWA Isao

Director, Chief Officer for International Affairs & Sustainable Finance
Japan Securities Dealers Association