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## Focus on Funds

### US Liquidity Management Rules Draw Global Interest

The US Securities and Exchange Commission program governing fund liquidity is in effect and being closely followed by regulators in other jurisdictions. In the November 15, 2019, edition of *Focus on Funds*, ICI Assistant General Counsel Matt Thornton discusses what lessons it offers.

#### Transcript

**Stephanie Ortvals-Tibbs, ICI director of media relations:** The US Securities and Exchange Commission's liquidity management program has drawn intense interest and work in both the United States and from regulators overseas. Matt, you're the expert on this. Tell me how things look these days in terms of the rollout and the implementation.

**Matt Thornton, ICI assistant general counsel:** The industry is in a good place, but I would hasten to add that it's been a long, hard road to get there. The industry has needed every bit of the two-and-a-half-plus years that the SEC allotted for implementation, and it was needed because of the complexity.

**Ortvals-Tibbs:** When we try to translate that over for audiences outside of the US, what do you think they should know about how it's going?

**Thornton:** I would start with what was required for the regulator: the SEC. Remember, they proposed the framework in 2015, adopted it in 2016, made some further changes to the disclosure pieces in 2018.

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And even that's not going to necessarily take us to the end, because in 2021, the SEC has committed to doing a retrospective review of sorts just to see how the rule—and bucketing, in particular—are working out. The retrospective review is kind of a telltale sign of how hard this is.

**Ortbals-Tibbs:** Let's pick up, if we could, with some of the specifics that people have wrestled through here in the US and that people will be looking at elsewhere.

**Thornton:** There's much to like about what the SEC has done.

The downside of this continues to be bucketing. By far, that's what's driving the cost and complexity of the framework. We've got a really good sense of what the costs behind bucketing are, but the benefits are still very much an open question.

And we think the same is true of the SEC. They're now receiving the data, but it's still an open question how useful it will be.

**Ortbals-Tibbs:** When you stand back and look at it all, what do you think is kind of the big message here?

**Thornton:** I would not assume that it's been easy. It has not been. There are many positive attributes, but bucketing in particular is an area that has brought with it significant costs. For foreign regulators they should be very wary about just wholesale copying and pasting those aspects of the US approach.

## Additional Resources

- [ICI Viewpoints: Liquidity Risk Management Must Be Done Right](#)
- [Focus on Funds: Funds Prepare for Imminent Changes to Liquidity Rules](#)
- [ICI Resources on Risk Management Issues](#)
- [Financial Stability Resource Center](#)