

Various scenarios were analysed to assess possible risk-induced events. Among others, a key area of concern was the vulnerability of the intermediaries and their clients to volatile swings in market conditions.

To that end, the SC remained in close contact with all the stockbroking intermediaries to ensure that margin financing exposures are in line with the intermediaries' risk appetite and collateral buffers.

## LIQUIDITY RISK MANAGEMENT FOR FUNDS



- On 9 April 2020, the SC issued a circular to Fund Management Companies to highlight the **importance of managing funds' liquidity**, especially in mitigating potential mismatches between liquidity of the funds' underlying assets and redemption terms.
- Management companies were required to **alert the SC on any material issues or anticipated adverse circumstances** relating to the funds under their management.



The SC's key concerns focused on the **availability of liquid assets** in tandem with redemption patterns especially funds invested in thinly traded and riskier asset classes. Thus, the SC had intensified monitoring of funds liquidity risk since the beginning of MCO by:

- **Increasing reporting frequency to daily submissions** in order to receive up-to-date data on funds movements in investment holdings.
- Tighter scrutiny of funds by **setting stricter triggers** based on reported data.
- Requiring management companies to communicate with the SC in timely manner should there be **large redemption of funds and furnish the SC with relevant information** to demonstrate their capability in meeting redemption requests.



Based on the SC's continual monitoring:

- All funds have **proven to be resilient** through stressed market conditions.
- Systemically important financial institutions (SIFI) have shown that they **can readily conduct Fund Liquidity Test** with sets of mitigating actions to address the outcome of the test.
- Management companies were well aware of the best practices, Liquidity Risk Management (LRM) tools and contingency plans to ensure they were able to **meet redemption request in an orderly manner** while prioritising fair treatment to all investors.