

## Feedback form

# Consultation: Proposed liquidity risk management guidance

Please submit this feedback form electronically in both PDF and MS Word formats and email it to us at [consultation@fma.govt.nz](mailto:consultation@fma.govt.nz) with 'Proposed liquidity risk management guidance: [your organisation's name]' in the subject line. Thank you. **Submissions close on Friday 10 November.**

Date: 10 November 2023 Number of pages: 1

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NZX is New Zealand's Exchange operating New Zealand's equity, debt, funds and derivatives markets is and a licensed market operator. The market capitalization of the 207 unique issuers listed on NZX's markets is approximately \$214 billion.

Question number	Response
7(a): Do you have any views in particular about the approach to defining illiquid assets.	<p>NZX notes that the FMA is proposing that fund managers may define the term 'illiquid asset' for themselves to enhance the oversight of asset liquidity. We wish to emphasize that we consider that all financial products quoted on NZX's markets will be liquid, and that illiquid assets will primarily fall within private or unlisted equity or other unlisted vehicle asset classes. We would be concerned if the intention was that quoted financial products were intended to be included within the definition of an illiquid asset, and that consequentially fund managers were incentivised to invest in international markets rather than supporting participation in New Zealand's capital markets.</p> <p>It will also be appropriate for fund managers to consider a number of factors beyond index inclusion and on-screen trading activity over a particular period when determining the extent of an asset's liquidity. Additional relevant considerations may include: over-the-counter institutional trading, and latent liquidity that may only manifest in certain market conditions (for example: at certain prices).</p> <p>We note that the introduction to the proposed guidance acknowledges the FSB's recommendation that funds that invest in a significant portion (30% or more) of illiquid assets would be best structured as close-ended funds, although this does not appear to be directly reflected in the Guidance. We consider that liquidity management tools may be sufficient to manage liquidity risks in these types of portfolios, absent a close-ended fund structure, and would be concerned about the negative effects on investment in less liquid assets if an expectation set that these types of portfolios were only suitable for close-ended funds (which do not offer a right of redemption).</p>

### Feedback summary

**Please note:** Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.

**Thank you for your feedback – we appreciate your time and input.**