MEDIA RELEASE

International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores

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IOSCO consults on good practices for the termination of investment funds in an effort to increase investor protection

The Board of the International Organization of Securities Commissions today published a consultation report on *Good Practices for the Termination of Investment Funds*, which proposes a set of good practices on the voluntary termination process for investment funds.

IOSCO recognises the importance for investment funds to have termination procedures in place from an investor protection perspective. The decision to terminate an investment fund can have a significant impact on investors in terms of cost or their ability to redeem their holdings in a timely manner during the termination process. Both retail and professional investors can be affected by the ultimate value of their investment in a fund at the time of termination. The report targets a broad range of investment funds including collective investment schemes (CIS) and other fund structures such as commodity, real estate and hedge funds.

Most regulatory regimes have certain criteria for the termination of investment funds in their jurisdiction, ranging from the overarching obligation to act in the best interests of investors, to prescriptive requirements for liquidating the portfolio and the payment of final distribution proceeds. But legislation at a national level in most jurisdictions addresses involuntary terminations (for example, in the case of insolvency of an investment fund).

IOSCO's work focuses on voluntary terminations with the objective to develop a set of good practices for the termination of investment funds which take into account investor interests during this process. Voluntary terminations typically occur because an investment fund, although still solvent, is no longer economically viable or can no longer serve its intended objectives. The decision to terminate in these cases is taken by the responsible entity, although this decision may be based on factors outside its direct control.

In a number of jurisdictions, an investment fund may elect not to terminate by liquidating its assets and repaying investors, and instead will seek to merge its assets with another investment fund, often managed by the same responsible entity. In this regard, IOSCO is considering whether the issues arising from investment fund mergers generally would have a particular impact on the termination process.

IOSCO is consulting on 15 good practices for the termination of investment funds that are categorised under the following headings:

- Disclosure at Time of Investment
- Decision to Terminate
- Decision to Merge
- During the Termination Process
- Specific Types of Investment Funds

Public comments on this consultation paper should be submitted on or before 17 October 2016.

NOTES TO THE EDITORS

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions and it continues to expand.

2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO), and is made up of 34 securities regulators. Mr. Ashley Alder, the Chief Executive Officer of the Securities and Futures Commission (SFC) of Hong Kong, is the Chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Belgium, Brazil, China, Egypt, France, Germany, Hong Kong, India, Indonesia, Ireland, Italy, Jamaica, Japan, Kenya, Malaysia, Mexico, Nigeria, Ontario,

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Pakistan, Peru, Quebec, Saudi Arabia, Singapore, South Korea, Spain, Sweden, Switzerland, the Netherlands, Turkey, the United, Kingdom, and the United States.

3. The Growth and Emerging Markets Committee is the largest Committee within IOSCO, representing close to 80 per cent of the IOSCO membership, including 10 of the G20 members. Mr. Ranjit Ajit Singh, Chairman of the Securities Commission Malaysia and Vice Chair of the IOSCO Board, is the Chair of the GEM Committee. The Committee brings members from growth and emerging markets together and communicates members' views and facilitates their contribution across IOSCO and at other global regulatory discussions. The GEM Committee's strategic priorities are focused, among others, on risks and vulnerabilities assessments, policy and development work affecting emerging markets, and regulatory capacity building.

4. IOSCO aims through its permanent structures:

   - to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;

   - to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and

   - to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

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Carlta Vitzthum	+ 34 91 787 0419
Outside office hours	+ 34 697 449 639
Email:	carlta@iosco.org
Website:	www.iosco.org

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