

De Nederlandsche Bank N.V.  
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Trade register 3300 3396

### Questionnaire liquidity risk management and leverage

Dear sir/madam,

De Nederlandsche Bank (DNB) and the Autoriteit Financiële Markten (AFM) are currently involved in several projects with the aim to assess and address vulnerabilities stemming from liquidity mismatches and the use of leverage in the investment fund sector. This work is in line with recent policy recommendations by the Financial Stability Board (FSB)<sup>1</sup>, the European Systemic Risk Board (ESRB)<sup>2</sup>, IOSCO and ESMA<sup>3</sup>.

Part of this work is an assessment of liquidity risk management practices of Dutch managers of open-ended AIFs. The extent to which investors are able to generally access their investments in accordance with the terms and conditions of the funds may influence trust in the financial system. Safeguarding this access and the fair treatment of investors requires sound liquidity risk management. Furthermore, fund managers operate in a strongly interconnected market which means that risks can spread across markets and borders. Fund outflows which are not covered by sufficiently liquid assets may lead to assets being sold at fire-sale prices, potentially affecting broader market prices and thereby the financial system. Our aim is to better understand potential vulnerabilities stemming from liquidity mismatches.

In addition, DNB is taking steps towards the development of a framework for the macroprudential use of leverage limits for Alternative Investment Funds in the context of the AIFMD (AIFMD, 2011/61/EU Art. 25)<sup>4</sup>. The AIFMD allows competent authorities to impose limits on the level of leverage asset managers employ in AIFs in order to "limit the extent to which the use of leverage contributes to the build-up of systemic risk in the financial system or risks of disorderly markets". This mandate gives DNB the responsibility to develop an operational framework that guides decisions on if and how to implement leverage limits. To this end, DNB conducted a small scale survey in 2016 to investigate the quality of the leverage statistics which AIFMs are required to report under the AIFMD. To complement this work, DNB is investigating the link between leveraged AIFs and the Dutch and the European economy. Our aim is to better understand potential vulnerabilities stemming from leveraged funds.

**Date**

18 juli 2017

**Your reference****Our reference**

T030-180066622-44

**Handled by****Enclosure(s)**

<sup>1</sup> FSB (2017). "Policy Recommendations to address structural vulnerabilities from asset management activities". <http://www.fsb.org/2017/01/policy-recommendations-to-address-structural-vulnerabilities-from-asset-management-activities/>

<sup>2</sup> ESRB (2016). "Macroprudential policy beyond banking: an ESRB strategy paper.

[https://www.esrb.europa.eu/pub/pdf/reports/20160718\\_strategy\\_paper\\_beyond\\_banking.en.pdf](https://www.esrb.europa.eu/pub/pdf/reports/20160718_strategy_paper_beyond_banking.en.pdf)

<sup>3</sup> Relevant research (huidige consultatie IOSCO)

<sup>4</sup> See ECB-DNB. (November 2016). "Towards a framework for calibrating macroprudential leverage limits for alternative investment funds" ([ECB-DNB Special Feature artikel](#))

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Based on the reported AIFMD data over 2015 and 2016, we have made a selection of funds. The questionnaire(s) is/are available for download from the e-Line DNB website (<https://www.dnb.nl/statistiek/eline-dnb/aifmd/index.jsp>). If one or more of your funds are selected, we request you to complete the questionnaire(s) via your regular e-Line DNB account. The survey will be listed as "Enquête leverage en liquiditeit" with reference period June 30th 2017. **Please upload the requested information in e-Line DNB no later than September 1st 2017.**

If you have any further questions, please e-mail your question(s) to [aifmd.rap@dnb.nl](mailto:aifmd.rap@dnb.nl) or call Daniël Bosgraaf at 020-5245894.

We thank you for your cooperation.

Yours sincerely,

De Nederlandsche Bank N.V.