Liquidity Risk Management | Fund Management Companies

MAS Finalises Revisions to Liquidity Risk Management Practices for Fund Management Companies

On 2 July 2026, the Monetary Authority of Singapore (**MAS**) published its response to feedback received (**Response**) on proposed updates to the Guidelines on Liquidity Risk Management Practices for Fund Management Companies (**LRM Guidelines**), together with the revised LRM Guidelines and consequential amendments to the Code on Collective Investment Schemes (**CIS Code**).[1]

The LRM Guidelines, issued pursuant to section 321 of the Securities and Futures Act 2001, give guidance to fund management companies (**FMCs**) on sound liquidity risk management practices with respect to the management of collective investment schemes (**CIS**). An FMC is expected to apply and adopt the LRM Guidelines in a manner proportionate to the size, scale and complexity of its business and the profile of the funds that it manages.

The LRM Guidelines apply to open-ended CIS constituted in Singapore and authorised by MAS. They do not apply to:

(a) Segregated mandates and funds which are set up for a single institutional investor;

(b) An FMC which does not have discretionary authority for the CIS; and

(c) An FMC which acts as a representative for recognised CIS (although such an FMC should provide adequate disclosure to investors on the liquidity approach adopted by the CIS).

The updates to the LRM Guidelines and CIS Code will come into effect **six months after publication**. FMCs may update their offering documents and prospectuses (e.g., to incorporate anti-dilution liquidity management tool (**ADT**) provisions) at the time of the next annual prospectus submission, even if this falls after the six-month transition period.

We set out below the key decisions and clarifications as highlighted in the Response, together with a summary of the key revisions to the LRM Guidelines and CIS Code.

Summary of Key Revisions

Topic	Update
Alignment between redemption terms and liquidity of fund assets	Incorporate additional scenario-based examples in Annex A of the LRM Guidelines. Principles-based approach maintained; no prescribed thresholds. Cross-reference to Chapter 1.2(i) of the CIS Code added for guidance on liquidity determination.

[1] MAS had, on 17 December 2025, issued a consultation paper (P019-2025) to seek feedback on the proposed updates. The consultation closed on 28 February 2026.

Topic	Update
Adoption of ADTs	Adoption of at least one ADT is most relevant to FMCs managing open-ended CIS constituted in Singapore and authorised by MAS. FMCs managing other CIS should have provisions for at least one suitable tool, preferably an ADT, and not rely solely on suspension or gating. Where ADTs are not suitable under normal conditions, FMCs should make provisions for at least one ADT as a contingency measure during stressed market conditions.
Imposition of liquidity costs	Requirement to impose implicit and explicit costs is most relevant to open-ended CIS constituted in Singapore and authorised by MAS. Estimation of implicit costs, including market impact costs, to be adopted on a best-efforts basis. FMCs to demonstrate that estimation is reasonable and reflective of portfolio characteristics.
Governance	FMCs to apply and adopt the LRM Guidelines in a manner proportionate to size, scale and complexity of business and profile of funds managed.
Disclosures	FMCs expected to provide qualitative disclosures on methodology and approach for design and activation of liquidity management tools. Illustrative examples of good disclosure practices included in Annex A of the LRM Guidelines.
Eligible deposits for MMFs	Guidance note on eligible deposits for money market funds (**MMFs**) introduced in the CIS Code. Deposits subject to a penalty fee for early termination are not precluded as eligible deposits, subject to conditions. Guidance note applies only to deposits placed by an MMF.

Alignment Between Redemption Terms and Liquidity of Fund Assets

The revised LRM Guidelines provide that an FMC managing CIS that allocate a significant proportion of their assets to illiquid assets should have a lower redemption frequency than daily dealing and/or implement longer notice or settlement periods (paragraph 4.5). The revised LRM Guidelines adopt the following indicative thresholds:

(a) Investing approximately more than 30% of assets under management in illiquid assets is likely to constitute “a significant proportion”;

(b) Investing approximately more than 50% of assets under management in less liquid assets is likely to constitute “mainly investing”;

(c) Illiquid assets refer to investments that cannot be readily converted to cash without significant impact on their value or within a reasonable timeframe; and

(d) Less liquid assets refer to investments that can generally be converted to cash within a reasonable timeframe under normal market conditions, but whose liquidity may be materially affected during market stress.

In line with MAS' principles-based approach, MAS does not intend to prescribe specific thresholds or definitions for terms such as "lower frequency than daily" and "long" notice or settlement periods. Each FMC ultimately bears responsibility for determining the appropriate liquidity classifications and notice or settlement periods for its funds, having regard to its investors' best interests.

The revised LRM Guidelines include four scenario-based examples in Annex A illustrating how different fund types can align the liquidity of a CIS with its redemption terms, as follows:

(a) **Scenario A (CIS investing only in liquid assets)**: Where an open-ended CIS invests only in liquid transferable securities, daily redemption may be appropriate. The FMC should nevertheless consider the concentration of these assets and the likelihood that normally liquid assets may become illiquid during periods of market stress, and assess whether additional measures such as ADTs are required.

(b) **Scenario B (CIS investing mainly in less liquid instruments)**: Where frequent redemption (e.g., daily or weekly) is offered, the FMC should have provisions for ADTs and consider whether further measures such as longer notice or settlement periods are required, in addition to quantitative-based tools such as suspension and redemption gating reserved for exceptional circumstances.

(c) **Scenario C (fund-of-funds)**: The redemption terms of the fund-of-funds should be aligned with those of its underlying funds, and the notice and settlement periods should take into account those of the underlying funds. The FMC should consider providing for ADTs at the fund-of-funds level, and should disclose to investors that the activation of an ADT by an underlying fund may be absorbed into the NAV of the fund-of-funds.

(d) **Scenario D (CIS investing mainly in illiquid assets)**: The FMC should consider whether a closed-ended structure is more appropriate. Where an open-ended structure is adopted, the CIS should generally offer infrequent redemption (e.g., quarterly or yearly) and adopt liquidity management tools calibrated to their portfolio and investor base, such as formal redemption caps, "hard" or "soft" lock-up arrangements, and extended notice and settlement periods.

Use of ADTs and Incorporation of Liquidity Costs

Adoption of ADTs

The adoption of at least one ADT is most relevant to an FMC managing open-ended CIS constituted in Singapore and authorised by MAS. Despite this, an FMC managing other CIS should have provisions for at least one suitable tool, preferably an ADT, and not rely solely on suspension or gating.

Where the use of ADTs under normal market conditions may not be suitable, an FMC should nonetheless make provisions for at least one ADT as a contingency measure during stressed market conditions and be prepared to deploy such tools in the event of a contingency.

To mitigate material investor dilution, the revised LRM Guidelines provide that an FMC managing open-ended CIS, particularly those investing mainly in less liquid assets, should make provisions for at least one ADT (paragraph 4.11).

Imposition of liquidity costs

The revised LRM Guidelines set out detailed guidance on both explicit and implicit transaction costs (paragraphs 4.12 to 4.15). Explicit transaction costs include brokerage fees and commissions, trading levies and settlement fees. Implicit transaction costs include:

(a) **Bid-ask spread**: An FMC should, on a best-efforts basis, obtain bid-ask spreads from more than one pricing source. Where bid-ask spreads may not be readily observable for certain assets, the FMC could estimate liquidity costs using alternative approaches such as sourcing indicative spreads from commercial databases, deriving estimates from comparable liquid assets, or applying internal or third-party valuation models.

(b) **Market impact cost**: An FMC could estimate the market impact cost by taking reference from previous transactions under similar market conditions. The FMC could also utilise in-house or third-party models to make estimates based on analyses of previous and similar transactions or relevant data models.

The revised LRM Guidelines further provide that the FMC should be able to demonstrate that its estimation is reasonable and reflects the open-ended CIS' portfolio characteristics, and should review and refine its methodology for estimating liquidity costs, including market impact costs, as more data and experience become available (paragraph 4.15).

The requirement to impose implicit and explicit costs is most relevant to open-ended CIS constituted in Singapore and authorised by MAS. The requirement to estimate implicit costs, including market impact costs, should be adopted on a best-efforts basis.

Governance and Disclosures

Governance

An FMC is expected to apply and adopt the LRM Guidelines in a manner proportionate to the size, scale and complexity of its business and the profile of the funds it manages.

The revised LRM Guidelines provide that there should be clear responsibility and accountability in an FMC for implementing its liquidity risk management framework (paragraph 3.3). This includes: (a) establishing clear accountability and decision-making processes for the design and activation of liquidity management tools under both normal and stressed market conditions; (b) setting out the circumstances under which such tools may be activated; and (c) defining the roles and responsibilities of the decision makers.

Disclosures

An FMC is expected to provide qualitative disclosures on the methodology and approach for the design and activation of liquidity management tools. Illustrative examples of good disclosure practices are set out in Annex A of the revised LRM Guidelines.

The revised LRM Guidelines provide that the FMC should include clear and simple-to-understand disclosures in the CIS' offering documents to explain the general approach that the FMC may take, the objectives of the liquidity management tools, the circumstances under which such tools may be activated, and the impact that such tools may have on investors' redemption rights (paragraph 4.16). Specifically for open-ended CIS (paragraph 4.17), an FMC should also provide:

(a) An overview of the CIS' investment strategy and the potential liquidity risks;

(b) The features of the redemption terms, such as the dealing frequency, lock-up period, and/or notice and settlement periods; and

(c) The objective and circumstances under which the tools may be activated.

Eligible Deposits for MMFs

The revised CIS Code introduces a guidance note providing that eligible deposits made by an MMF are expected to be repayable on demand or with the right to be withdrawn by the MMF at any time. In considering early withdrawals, the MMF should consider pertinent factors such as penalties or other costs associated with early withdrawal of deposits.

In the Response, MAS clarified that deposits which are subject to a penalty fee for early termination are not precluded as eligible deposits, provided that the fees are not prohibitive and the deposit proceeds, net of fees and penalties, are adequate to meet the MMF's liquidity needs. Once notice of early withdrawal is given, the proceeds should be available to the MMF as soon as practicable.

The guidance note applies only to deposits placed by an MMF. Funds that invest in MMFs are not expected to ensure that the deposits placed by their underlying MMF investments comply with the guidance note.

Other Notable Revisions

The revised LRM Guidelines also introduce or expand guidance in the following areas.

Liquidity management tools

These two categories of liquidity management tools are distinguished as follows (paragraph 4.8):

(a) **Quantitative-based liquidity management tools** allow an FMC to limit the liquidity available to redeeming investors when faced with increased redemption requests, thereby maintaining orderly fund operations during periods of market stress. Examples include suspension of redemptions and redemption gates.

(b) **ADTs** operate by passing on the estimated costs of liquidity to transacting investors, thereby addressing investor dilution. Examples of ADTs include swing pricing, valuation at bid or ask prices, dual pricing, anti-dilution levy and subscription/redemption fees.

Liquidity risks from margin and collateral calls

Liquidity demands may arise from margin or collateral calls from derivative counterparties where leverage and/or derivatives are used as part of the investment strategy of the CIS (paragraph 1.5). An FMC managing such CIS should consider these potential sources of liquidity risks as part of its liquidity risk management framework. When assessing liquidity risks arising from margined and collateralised transactions, the FMC should consider factors such as the size and type of margined and collateralised activities, and concentration of exposure across different asset classes and counterparties (paragraph 4.2).

Disclosure through third-party distributors

Where the CIS is distributed through third-party distributors, the FMC should partner with its distributors to communicate the implications of liquidity management tools effectively to end-investors (paragraph 4.18).

Stress testing

An FMC should complement its liquidity risk management tools with regular stress testing (paragraph 6.1). An FMC is strongly encouraged to perform more regular stress tests on CIS with daily dealing, or CIS which are more susceptible to varying market conditions. Stress test scenarios and assumptions should be regularly reviewed and should not remain static (paragraph 6.4).

Updated international standards references

References to international standards have been updated to include the International Organisation of Securities Commissions' Final Report on Revised Recommendations for Liquidity Risk Management for Collective Investment Schemes published in May 2025 and the Financial Stability Board's Final Report on Liquidity Preparedness for Margin and Collateral Calls published in December 2024 (paragraph 1.3).

If you would like information and/or assistance on the above or any other area of law, you may wish to contact the Partner at WongPartnership whom you normally work with or any of the following Partners:

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