

Liquidity Management for Open-Ended AIFs: Level 2 Measure Published in the Official Journal

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On 27 February 2026, the Commission Delegated Regulation (EU) 2026/465 supplementing Directive 2011/61/EU (as amended by Directive (EU) 2024/927—“AIFMD II”) with regard to regulatory technical standards specifying the characteristics of liquidity management tools (the “Delegated Regulation”) was published in the Official Journal of the European Union. The AIFMD II and the Delegated Regulation aim at introducing a harmonised set of rules for liquidity management tools (“LMTs”) out of which at least two must be chosen by AIFMs managing open-ended AIFs to increase the resilience of those AIFs against market stress situations and redemption pressures and to minimise differences between member states. The liquidity management tools are listed in Annex V and can be split in two categories:

- Quantitative liquidity management tools (“QLMTs”) address situations when the AIF is exposed to market stresses or redemption pressure due to larger redemption requests compared to the AIF’s liability. Those are: suspension of subscriptions, repurchases and redemptions; redemption gates and extension of notice period. Further, side pockets and redemptions in kind are available LMTs.
- Anti-dilution tools (“ADTs”), namely redemption fees, swing pricing, dual pricing and anti-dilution levies, ensure that existing or remaining investors in an AIF are not adversely affected by the liquidity costs caused by subscriptions and redemptions. The estimated costs should be borne by subscribing or redeeming investors. Liquidity costs can be directly associated with redemptions and subscriptions or, where appropriate to the investment strategy. They can also be incidental costs, notably, bid-ask spreads and market impact of asset sales and purchases to facilitate subscriptions or redemptions.

AIFMs managing open-ended funds must have the ability to suspend subscriptions, repurchases and redemptions as well as to use side pockets in exceptional circumstances. Additionally, the AIFM must choose at least two¹ of the remaining LMTs. Those LMTs are not restricted to exceptional circumstances but also apply in the ordinary course of

¹ The minimum is one for money market funds in accordance with Regulation (EU) 2017/1131.

business. This cannot be done by selecting only dual and swing pricing. Redemptions in kind are only permitted for redemption requests by professional investors. AIFMs are not prohibited from using further LMTs and liquidity measures, even if not included in Annex V.

The Delegated Regulation further specifies the characteristics of the tools available in Annex V, the calculation methods and, where applicable, the establishment of thresholds.

On 18 December 2025, the European Securities and Markets Authority (“ESMA”) published its report on amended guidelines on liquidity management tools of UCITS and open-ended AIFs (the “Guidelines”). When choosing the minimum two LMTs, the Guidelines recommend that the AIFM consider choosing at least one QLMT and at least one ADT; however, this is not mandatory. We have summarised specific aspects of certain LMTs below.

Suspensions. Suspensions are temporary, strictly limited to the period necessary, and must be duly justified having regard to the best interest of the investors. While the AIFM may suspend subscriptions without suspending repurchases and redemptions (soft closure), which is not an LMT, the reverse is, despite remonstrations by some market participants, not possible. If redemptions are suspended, repurchases and subscriptions must be suspended simultaneously. Suspensions apply across all share classes.

The Guidelines provide non-exhaustive examples for exceptional circumstances under which a fund manager may consider activating suspension:² asset valuation difficulties, severe liquidity issues where executing the asset sale could cause liquidity issues for the fund (e.g. large discounts in asset sales or a large dilution of remaining investors); critical cyber incidents; unforeseen market closures; trading restrictions; closures of trading venues; a severe financial and/or political crisis; significant fraud natural disasters. Notably, those examples only include unforeseen events, not strategic considerations of the AIFM like restructuring measures in respect of the fund.

Redemption Gates. Redemption gates shall be applied uniformly to all investors of the AIF and executed pro rata for the redemption orders of all investors for a given redemption date in at least the amount of the relevant activation threshold.

² Exceptional circumstances are defined by the Guidelines as unforeseen events, operational environments or regulatory environments that materially impact the AIF’s ability to carry out normal business functions and temporarily prevent the fund manager from meeting the funding obligations arising from the liabilities side of the balance sheet.

The Delegated Regulation sets out that redemption gates can apply not only at fund level (in reference to a proportion of NAV, a monetary value, a percentage of liquid, UCITS-eligible assets, or a combination thereof) but also at investor level (in reference to the investor's percentage share of the AIF or as a proportion of the AIF's NAV). Fund- and investor-level gates can be combined. This is an improvement to an earlier proposal and compared to the rules that will apply to UCITS that only look at the fund level. The activation of gates is not automatically triggered by the redemption thresholds but a decision by the AIFM. Non-executed parts of redemption orders shall be dealt with according to predetermined conditions disclosed to investors. This may include cancellation or automatic transfers until the next redemption date, with or without priority over new redemption orders.

According to the Guidelines, AIFs without retail investors and with a limited number of professional investors should consider investor-level redemption gates, alone or in combination with fund-level gates, to mitigate first-mover advantage.

Extension of Notice Period. The notice period covers the time between receipt of a redemption order and its execution and does not include the time required for the settlement process. The extension shall have no impact on the redemption frequency.

ADTs. Contrary to an earlier proposal to include implicit costs for all ADTs, the Delegated Regulation clarifies that implicit costs shall only be included where appropriate for the relevant AIF's investment strategy.

The choice of the most suitable ADT will depend mostly on circumstances like trading frequency, liquidity of assets, availability and predictability of transaction costs and number of investors. Redemption fees, for instance, could be particularly suitable for AIFs with fixed, transparent and/or predictable transaction costs and AIFs with illiquid assets, where infrequent and limited pricing sources make the implementation of other ADTs difficult. On the other hand, swing pricing makes sense for funds whose underlying assets are actively traded and where information on trading costs (bid/ask) is available and frequently updated, particularly where the funds invest mainly in assets with market-contingent liquidity costs. Fund managers should consider the selection of dual pricing as potentially appropriate for funds that invest mainly in assets whose liquidity costs are reflected primarily by a bid-ask spread. An anti-dilution levy is, for example, appropriate for funds with a high investor concentration (i.e. a small number of investors) to address the risk that one or more investors could fully redeem their shares at a short notice.

Redemptions in Kind. The transfer of assets to redeeming investors can be made directly or through an intermediary. Delivery of portfolio assets to authorised

participants or market makers by or on behalf of ETFs in the course of regular dealings to satisfy redemption orders are not considered activation of this LMT.

Side Pockets. Side pockets can be implemented as “accounting segregation” by creating a dedicated share class to trace the relevant portfolio asset(s) or by “physical segregation” by using another AIF managed according to the same investment strategy and transferring the relevant assets or the remaining portfolio to the other AIF. Existing investors participate pro rata in side pockets which are closed to subscriptions, repurchases and redemptions.

Here, the Guidelines also provide for non-exhaustive examples of exceptional circumstances justifying the use of side pockets. Side pockets can be used for assets whose economic or legal features have changed significantly or have become uncertain due to exceptional circumstances, for example significant valuation uncertainty; illiquidity of a specific portion for assets without an active market, for which trading is prohibited (e.g. due to sanctions) and/or for which fair valuation is temporarily unavailable; fraud; or financial crisis or war affecting a particular sector or region.

Transitional Period. Funds constituted before 16 April 2026 benefit from a one-year transitional period and are deemed to comply with the RTS until 16 April 2027. They can decide, however, to begin compliance on 16 April 2026, in which case they would have to notify the competent regulator.

Next Steps. The Delegated Regulation will become effective on the 20th day after publication in the Official Journal of the European Union and apply from 16 April 2026.

The Guidelines will be translated into the official EU languages and published on the ESMA website. The publication of the translations will trigger a two-month period during which the national competent authorities must notify ESMA whether they comply or intend to comply with the Guidelines. The Guidelines will begin to apply together with the Delegated Regulation, and the same transitional period is provided for.

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Please do not hesitate to contact us with any questions.



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