



Liquidity risk management tools at Schoellerbank Invest AG

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1. Liquidity management instruments: What are they and what are their benefits?

Investment funds must be able to pay out to unit holders at any time if they wish to redeem their fund units. Under exceptional market conditions – such as disruptions caused by sharp price fluctuations or market restrictions – this can become a challenge. This is precisely where **liquidity management tools (LMTs)** come into play.

In this article, we explain in simple and clear terms what LMTs are, what instruments are available and how they can be used.

2. What are liquidity management tools (LMTs)?

LMTs are tools that an investment fund is permitted to use, particularly during periods of stress – such as in exceptional market situations – to safeguard the interests and equal treatment of unit holders and to enable orderly fund management. Central to these LMTs are four protective functions; they are designed to:

- protect existing unit holders,
- ensure the maintenance of liquidity in the fund,
- ensure the equal treatment of unit holders during periods of stress, and
- ensure fair pricing.

3. What does one mean by periods of stress?

These are events that make it very difficult to sell securities from the investment fund in an orderly manner. A stress situation arises when a large number of unit holders redeem their units from the investment fund at the same time, or when the securities from the investment fund cannot be sold at a fair price due to market disruptions.

4. Why are LMTs being introduced across Europe?

The EU AIFMD II Directive has established new requirements for LMTs, which investment companies must implement by mid-April 2026. In future, they must select appropriate liquidity management tools and incorporate them into the relevant fund terms and conditions.

The aim of the regulation is to better prepare fund managers for stress situations and to ensure uniform standards across Europe. The LMTs are intended to ensure that:

- **redemptions can be met** even in a difficult market environment, taking into account the interests of unit-holders
- **assets do not have to be sold below value**
- the first-mover advantage is avoided
- **all unit holders are treated fairly**

5. What liquidity management tools are available?

As part of the LMTs, there are a number of possible instruments that can be used under certain exceptional circumstances:

- Suspension of redemptions
- Redemption restrictions (gating, e.g. only a portion of the units can be redeemed immediately)
- Extension of notice periods
- Redemption fee
- Swing pricing
- Dual pricing
- Anti-dilution fee
- Distribution in kind (repayment in the form of assets)
- Separation of illiquid investments (side pockets)

We will describe the LMTs that we will be introducing at Schoellerbank Invest AG in more detail below. It is important to note that these measures are intended for use **only in the event of severe market disruptions** and not in normal day-to-day operations.

6. Why Schoellerbank Invest AG is introducing LMTs now

Regulatory requirements oblige all investment companies to introduce appropriate systems by 16 April 2026.

In accordance with regulatory requirements, Schoellerbank Invest AG will introduce the LMTs “Redemption Restriction (Gating)” and “Extension of Notice Periods” on this date.

Redemption restriction (gating)

When this instrument is used, all sell orders received are only partially executed. The unexecuted portion of the sell order lapses. These rules are intended to ensure equal and fair treatment of all unit holders, even in the event of a sharp increase in redemptions. The fund and the remaining unit holders are to be protected. In the event of massive redemptions, no assets should have to be sold at unfavourable prices.

Example: When this instrument is used, only 70% of all sell orders, for example, are taken into account. The remaining 30% of the sell orders are not executed and lapse. The unit holder is informed of this redemption restriction.

Extension of notice periods

With this instrument, the time between the unit-holder’s sell order and its actual execution is extended. This instrument reduces the pressure on the fund to sell assets immediately. It thus contributes to stability, protection and the fair and equal treatment of unit-holders – particularly in times of stress.

Example: A sell order placed today will not be executed at tomorrow’s fund price. Instead, it will be executed at the fund price valid when the extended period applies, e.g. 5 days later.

7. Conclusion: What does this mean for investors?

The introduction of LMTs brings several advantages for unit holders. During exceptional periods of stress in the financial markets, they help to ensure the equal treatment of all unit holders and to protect existing unit holders.

It is important to note that LMTs should only be used in absolutely exceptional situations, such as massive market disruptions that would otherwise lead to fire sales or disadvantage specific groups of investors. There are clearly defined rules for the application of each instrument, which are established in advance by the investment company. Application never takes place automatically, but always on the basis of a conscious, active decision by the fund management or the responsible bodies within the framework of regulatory requirements. All unit holders are informed transparently about the introduction of LMTs. In the event of activation, unit holders are informed via the investment company’s website. This ensures that it is always clear which measure has been taken and why.

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