

## IOSCO Principles on Suspension of CIS Redemptions

### Introduction

This newsletter outlines the 9 key principles on suspensions of redemptions in Collective Investment Schemes issued by the International Organization of Securities Commissions (IOSCO).

### Background

The Technical Committee of IOSCO published its final report, *Principles on Suspensions of Redemptions in Collective Investment Schemes*, which contains principles regarding the suspension of redemptions for open-ended collective investment schemes (CIS). These reflect a common approach for regulators and the industry and create a standard for industry and regulatory practice. They generally cover all types of open-ended CIS which offer a continuous redemption right and apply whether they are offered to institutional or retail investors.

Following the financial crisis many funds were left unable to meet redemption requests and as result of this IOSCO developed these principles. Liquidity problems, whether arising from extraordinary withdrawals caused by significant suspensions of other CIS or from other issues, may not only prevent funds from meeting redemptions, but also other payment obligations (e.g., margin calls). These problems, therefore, not only impact investors, but may also impact counterparties. Furthermore, suspension generally has an adverse impact on investor confidence which can have market-wide implications.

This is an area where the international community has asked for agreed guidance due to its importance. It is therefore important for the FSC to provide details of our expectations relating to this and ensure that Gibraltar meets international standards. The FSC did not previously have any guidance in this area. The principles therefore provide details of best practice. The 9 principles are outlined below.

This note will be applicable to all EIFs; authorised funds and UCITS. The note is only applicable to regulated or registered funds in Gibraltar, however, entities or individuals providing services to funds in other jurisdictions may wish to consider applying these principles as good practices. In the case of In-scope AIFs and UCITS, should a provision of the relevant directive conflict with any aspect of this note, the provisions of the directive should apply.

The principles are structured according to the timeframe of a suspension and, therefore, start with principles on procedures for liquidity management that should be implemented to mitigate the risk of suspension owing to a lack of liquidity. Thereafter, the principles cover suspension events and the process for the decision to suspend. Subsequently, the principles address the time during the suspension (once decided) and its ending. Finally, the principles include some examples of alternative measures used in certain jurisdictions to deal with illiquidity. On this basis, the principles chapter is divided into six subsections:



- (a) Management of liquidity risk;
- (b) Ex-ante disclosure to investors;
- (c) Criteria/Reasons for the suspension;
- (d) Decision to suspend;
- (e) During the suspension; and
- (f) Examples of alternative measures to deal with illiquidity in certain jurisdictions.

This Newsletter focuses on the 'responsible entity' which should be taken as the Board of the fund. When the fund is not set up as a company, the 'responsible entity' will be those responsible for managing and controlling a fund, for example, as per Regulation 7 of the Financial Services (Experienced Investor Funds) Regulations for EIFs.

## **Management of liquidity risk**

### **Principle: 1**

**The responsible entity should ensure that the degree of liquidity of the open-ended CIS it manages allows it in general to meet redemption obligations and other liabilities.**

The maintenance of adequate liquidity in open-ended CIS is fundamental in order to ensure that suspensions of redemptions are avoided. The redemption frequency (dealing frequency) of the CIS should reflect the overall liquidity of the CIS's portfolio and vice versa.

The degree of the portfolio liquidity should be appropriate and in accordance with the redemption obligations (as provided in the CIS prospectus and as the case may be, in its constitutive documents). Although the borrowing of the necessary cash can be used to facilitate redemption requests, the routine use of borrowing is not an appropriate way to manage the CIS's liquidity risk. When managing the liquidity of a CIS, the responsible entity should also consider extreme liquidity circumstances, i.e. shortages of liquidity of assets, global and/or market events and atypical redemption requests. Nevertheless, this principle does not prohibit the responsible entity from suspending redemptions in exceptional circumstances as described below.

Moreover, the consideration of redemption obligations, the liquidity of the CIS must also be appropriate to deal with other liabilities or payment commitments which result for example from margin calls or collateral requirements for derivative positions.

### **Principle 2.**

**Before and during any investment, the responsible entity should consider the liquidity of the types of instruments and assets and its consistency with the overall liquidity profile of the open-ended CIS. For this purpose, the responsible entity should establish, implement and maintain an appropriate liquidity management policy and process.**

To ensure adequate portfolio liquidity the responsible entity should consider the liquidity of the instruments and assets and their effect on the overall liquidity of the whole CIS portfolio before and during the investment into such instruments/assets. The responsible entity should only invest in instruments/assets if this investment does not compromise the ability of the CIS to comply with its redemption obligations or liabilities.

In order to ensure on-going compliance with redemption obligations and liabilities, the responsible entity should establish, implement and maintain an appropriate and



proportionate liquidity risk management policy and process, which could be part of the overall risk management arrangements.

### **Ex-Ante Disclosure to Investors**

#### **Principle 3.**

**The responsible entity should clearly disclose the ability to suspend redemptions in exceptional circumstances to investors prior to their investment into the CIS.**

CIS investors should be aware of the risk of the suspension of redemptions prior to their investment in open-ended CIS. Information should be available regarding the possibility that their right to redeem may be suspended in exceptional circumstances. Therefore, the CIS prospectus should clearly disclose that redemptions may be suspended in exceptional circumstances. It is recommended that “exceptional circumstances” not be defined in the CIS documentation, specifically on the grounds that such a definition would in practice inevitably become out of date, or exclude circumstances which might be considered exceptional in the future. Instead, it is recommended to use non-exhaustive examples of what might constitute “exceptional circumstances” (e.g. exchange closures).

#### **Criteria/Reasons for the suspension**

Generally, suspensions may be justified only in exceptional circumstances where fair valuation of CIS interests are difficult or impossible to carry out. Emergency situations may also mean that CIS assets cannot be readily disposed of by a CIS so that the CIS cannot meet redemption requests and hence a redemption suspension may be justified. In most cases, if circumstances are severe enough to justify a suspension of redemptions, then purchases should also be suspended.

#### **Principle 4**

**Suspension of redemptions by the responsible entity may be justified only a) if permitted by law and in exceptional circumstances provided such suspension is exclusively in the best interest of unit-holders within the CIS, or b) if the suspension is required by law, regulation or regulators.**

The decision to suspend is a two-step approach.

#### **1. Exceptional circumstances and best interest of unit-holders**

##### **i) Exceptional circumstances**

Suspensions are only justified in exceptional circumstances. Generally, these suspensions should be temporary situations. Moreover, exceptional circumstances are rare, such as where fair and robust valuation of the assets (e.g. because of lacking liquidity in the market place which could include certain fire sale scenarios), in which the open-ended CIS is invested, is not possible.

Possible reasons for suspension of redemptions are indicated below, however, this is not meant to define an exhaustive list. In any case, the responsible entity should be able to demonstrate that circumstances are exceptional.

*Market failures, exchange closures*



Exceptional circumstances may occur when markets are affected by unexpected events which impact the functioning of exchanges or the regular course of transactions. In such cases, it might be impossible to price assets accurately or to regularly honour redemption requests and pay the related redemption proceeds. If a significant proportion of assets in the CIS is affected such circumstances will likely justify a suspension. If only a small proportion of assets is affected and fair valuation is possible, a suspension may not generally be justified (provided the equal treatment of investors can still be ensured). Such unexpected events could also be related to political, economic, military, monetary or other emergencies.

#### *Operational issues*

Exceptional circumstances can also be caused by unpredictable operational problems and technical failures (e.g. a black out). Those operational problems could temporarily hamper transactions or affect the valuation of the assets. Also the failure of a key third party that acts for the CIS can impose operational problems.

However, such cases can only be considered as exceptional circumstances if they are reasonably unpredictable and occur in spite of appropriate diligence of third parties; adequate and effective disaster recovery procedures and systems and contingency plans being in place for such cases. Otherwise, poor management, as described below, would be the reason for the suspension rather than unpredictable circumstances.

#### *Liquidity issues*

The responsible entity is responsible for managing the open-ended CIS so that units can be redeemed and should, therefore, have in place and maintain sound liquidity management arrangements to meet that obligation (see Principles 1 and 2). A suspension which arises as a result of poor liquidity management within a CIS is generally not acceptable. Suspension as a result of a lack of liquidity should only be a last resort in cases where despite appropriate liquidity management the CIS has to face unforeseeable liquidity issues. In such a case the responsible entity must carefully decide whether, in the interest of protecting investors, dealings in the CIS should be suspended to stop a spiral (vicious circle scenario) as mentioned under Principle 4.

#### *Poor Management*

Nevertheless, it should be mentioned, that it may be reasonable to suspend redemptions when facing operational or liquidity issues, although the reason for the suspension is poor management rather than unpredictable circumstances, if this is in the best interest of the investors. In such a case the FSC would consider its options in respect of such as imposing e.g. conditions against the persons responsible for the infringement of rules.

#### *Other events*

There may be other events, such as natural disasters or catastrophes, which make it impossible to value or dispose of and obtain payment for all or some of the CIS's property.

### ii) Best interest of investors

It must also be clear, that the suspension is exclusively in the best interest of the unit-holders collectively. The responsible entity should only suspend redemptions when it is in the interest of unit-holders and when the fair and equal treatment of incoming, on-going and outgoing investors is maintained.

### b) Suspension required by law, regulation, or the FSC



Notwithstanding, national law, regulation or the FSC may require the suspension of redemptions in specific circumstances.

## Decision to suspend

### Principle 5.

**The responsible entity should have the operational capability to suspend redemptions in an orderly and efficient manner.**

#### a) Implementation of processes in advance

In advance of any suspension event, the responsible entity should implement a decision making process and draw up plans/processes for potential suspension events. Thus, to prepare for the possibility of a suspension, the responsible entity should already have in place processes and procedures to react immediately in the case of events as described above (emergency plan). Such emergency plans could in advance of a potential suspension event set out the personnel within the responsible entity to be involved in making the decision to suspend and their roles.

Emergency plans should also describe interactions and communication channels with relevant third parties, e.g. the depositary, investment advisor and the FSC, as well as intermediaries or distributors.

Moreover, procedures should describe potential avenues that probably can avoid a suspension as well as objective criteria for reaching the decision to suspend.

The notification procedure to the FSC could also be specified. Moreover, as one of the key considerations is putting in place an effective communication strategy targeting investors, it will be useful to have a detailed communication plan in place. In addition to contacting investors, plans for the information of intermediaries should be specified to ensure their immediate action.

The responsible entity should also be prepared to deal with queries from investors or other parties that might have to intervene after a suspension.

#### b) When a suspension event arises

Where a responsible entity arrives at the point to consider a suspension, the responsible entity should thoroughly analyse the situation. Such an assessment may require expert analysis (e.g. external legal counsel) and should therefore involve all relevant persons and relevant internal controls. Independent oversight should be implemented to avoid conflicts of interests.

Early communication with the depositary, investment advisor and the FSC is essential in any sensible course of action.

Before the responsible entity determines that it is in the best interest of unit-holders to suspend redemptions, the responsible entity should ensure that any alternative course of action has been considered and discounted. The responsible entity should ensure that any suspension is temporary and consistent with the disclosure and other provisions set out in the CIS constitutive documents and/or prospectus.

In case of an unforeseen increase in illiquid assets, the responsible entity should take into account where possible, the investor profile. For example, if the CIS was exclusively sold to institutional investors, the responsible entity may be able to seek information from those investors and manage the situation with a view to avoiding the need to suspend (even for example by accepting in specie redemptions if permitted and where the NAV of the assets is not in question).

Other considerations that should be taken into account are, for example, expected redemption requests and the responsible entity's view of the market, in particular



whether illiquidity is likely to be short term and whether the pressure to sell assets would be likely to result in fire sale prices and a vicious circle scenario as mentioned in Principle 4.

## Principle 6

**The decision by the responsible entity to suspend redemptions, in particular the reasons for the suspension and the planned actions should be appropriately:**

- a. documented;
- b. communicated to competent authorities and other relevant parties;
- c. communicated to unit-holders.

### a) Documentation

The responsible entity should document the decision to suspend redemptions in a timely manner. Such documents should, where appropriate, describe in detail the reasons for the decision and explain the actions planned (with a view to the resumption of normal operations or to liquidation of the CIS).

Where appropriate, the responsible entity should also define objective criteria, the meeting of which will trigger the resumption of normal operations or the liquidation of the CIS. Such objective criteria can assist in what might otherwise be viewed as a purely subjective decision. The responsible entity should also consider how long a suspension should continue before it takes other actions in the best interest of the investors.

### b) Communication to the FSC and other relevant parties

The decision to suspend should be communicated to the FSC.

The FSC should be provided with all relevant information. The information to the FSC should, in particular, include the documents referred to in Principle 6 a), i.e. the reasons for the suspension as well as any information the competent authority requires. The information should be filed as soon as practical. Depending on national rules, some jurisdictions may require a prior authorisation of the suspension or information before the suspension becomes effective. As described in the principle above, early communication with the FSC is essential.

Moreover, competent authorities of those jurisdictions where the CIS is authorized to be marketed publicly should also be informed.

In any case, if the information filed with the FSC indicates that the suspension is a result of poor management rather than external unpredictable factors (see Principle 4), the FSC may take regulatory measures.

Other relevant parties, e.g. intermediaries and distributors should also be informed as soon as practical. In particular, the immediate cessation of active distribution of the CIS should be ensured (please refer to principle 7 hereunder).

### c) Communication to unit-holders

Unit-holders should be appropriately informed about the decision to suspend redemptions. The equal treatment of unit-holders requires the information to be communicated in an appropriate and timely manner to all unit-holders and not only to the redeeming ones. The communication strategy of the responsible entity is crucial to avoid a heavy loss of confidence and reputation; it allows the mitigation of any overflow affecting the market, as discussed above. The information communicated to unit-holders and other interested persons should therefore be clear and comprehensive.



## During the suspension

### Principle 7.

**During the suspension of the redemptions, the responsible entity should not accept new subscriptions.**

A suspension of redemptions should also imply a suspension of subscriptions. One exceptional situation, if permitted by national law, may be where the calculation to the unit price based on NAV could be achieved through objective and reliable means during a suspension.

### Principle 8.

**The suspension should be regularly reviewed by the responsible entity. The responsible entity should take all necessary steps in order to resume normal operations as soon as possible having regard to the best interest of unit-holders.**

The responsible entity should review the decision to suspend redemptions on an on-going basis during the period of suspension.

The responsible entity should monitor the market and the liquidity of respective instruments/assets held by the CIS on an on-going basis. Within the regular review of the suspension, the responsible entity should also take into account the expected redemptions. The responsible entity should obtain information from investors without prejudice to the principle of equal treatment of unit-holders. Information on potential redemption requests will be necessary to ascertain the level of liquidity that the CIS will need to generate in order to meet the redemption requests after the lifting of the suspension, in order to avoid rapidly suspending again.

The responsible entity should consider the length of time that the suspension will be in place. The acceptable length of the suspension depends on the circumstances and the particular reasons for it. The acceptable length may also depend on the way the CIS was marketed to investors. For example, if the CIS was marketed as highly liquid, the maximum suspension period generally should be short; the responsible entity would need to consider alternatives sooner than in other scenarios.

Due to the CIS in question being open-ended funds that offer redemption on a continuous basis, it is not expected that suspensions of redemptions remain in force for an extended period of time. In cases where the temporary problems affecting the CIS have become more structural and persistent it could be argued that the longer a suspension lasts, when considering the interests of all unit-holders, increasing consideration should be given towards those who wish to access their money. The responsible entity should then consider alternatives, such as liquidation or, if allowed, the changing of the CIS structure (e.g. to a closed end fund; changes to the redemption policy or the setting-up of side pockets (see below)), unless the responsible entity and unit-holders of the CIS agree to maintain the suspension in order to circumvent liquidation.

### Principle 9.

**The responsible entity should keep the FSC and unit-holders informed throughout the period of suspension. The decision to resume normal operations should also be communicated as soon as practical.**

#### a) Unit-holders

The communication strategy of the responsible entity should not end with the disclosure of the decision to suspend.

The responsible entity should ensure that unit-holders are kept updated throughout the suspension. The responsible entity should also deal with



queries/questions from unit-holders and other interested parties. Moreover, any person who requests redemption or subscription of units should be informed that all dealings in units have been suspended. The resumption of dealings should immediately be communicated to unit-holders.

#### b) FSC and other relevant parties

Where changes to the information originally submitted to the FSC occur, the responsible entity should immediately inform the FSC. Throughout the suspension, the responsible entity should remain in close contact with the FSC. The FSC should also be informed of the proposed date for the resumption of normal operations.

Other relevant parties (e.g. intermediaries, distributors and depositories) should also be kept updated during the suspension.

#### **Examples of alternative measures to deal with illiquidity in certain jurisdictions**

Listed are some alternative tools used for the suspension of redemptions to deal with extraordinary circumstances. For example, the activation of gating mechanisms or the creation of side pockets for specific open-ended CIS may be seen as an alternative to a suspension or a full suspension. Moreover, the creation of a side pocket may be an alternative to the liquidation of the complete CIS.

#### a) Gating Mechanism

Gates allow the responsible entity to manage redemption requests in open-ended CIS. By using a gate, the responsible entity constrains the redemption amounts to a specific proportion on any one redemption day. For example, if the amount of redemption orders from one or more unit-holders exceeds the specific limit in relation to the CIS net assets, the redemption orders will only be partially executed. All redemption orders on the particular day will be proportionately reduced (due to equal treatment no first come first served principle) and the percentage of orders above the limit will either be denied or postponed and executed on the next redemption date. Gates could therefore deal with excess redemption requests that could arise in crisis periods. However, gates may only address extreme amounts of redemptions but not redemptions in general. They may, therefore, be less effective in the case of persisting large scale redemption requests. In any event, it is up to the responsible entity to assess and to decide whether to activate gates.

Gates could be considered a restriction of unit-holders' rights to have their units redeemed. There should be safeguards in relation to the activation of gates. In particular, for the purpose of protection and equal treatment of unit-holders, the constitutive documents and/or the CIS prospectus should specify that gates are applicable for the CIS and provide for a description of the gate mechanism (e.g. the predetermined thresholds for activating the gates). The PPM should specify if gates may either cover extreme cases, or to the contrary, cover common redemptions. In the latter case, the FSC may allow specific types of CIS a certain amount of flexibility in making use of those mechanisms as part of the regular liquidity management. In any case, gate mechanisms shall be set up with a view to a high degree of transparency and ensuring at all times the fair and equal treatment of investors.

#### b) Side Pockets

Some funds may be able to create side pockets for the illiquid assets held in a CIS portfolio, as a way to deal with more persistent episodes of illiquidity or valuation problems for a specific amount of assets in the CIS.



A side pocket is created when specific assets in the CIS portfolio are segregated and ring-fenced from the rest of the CIS portfolio. The FSC may set a specific limit in relation to the NAV which is allowed to be assigned to the side pocket (maximum size of a side pocket).

1. The creation of a side pocket considers that:
  - either a new CIS be created in addition to the original CIS with:
    - the new CIS will hold the liquid assets whereas the existing CIS will hold the illiquid ones;
    - the new CIS will hold the illiquid assets whereas the existing CIS will hold the liquid ones.
  - or that two new funds (one holding the liquid assets and one being the side pocket) be created in lieu of the original CIS.

Hence, the setting up of a side pocket implies the co-existence of two separate funds (either the original CIS and the new one, or two new funds) so that a clear segregation is ensured between the liquid and the illiquid assets of the original CIS. In fact, the two funds are:

- the side pocket (being either the original or the new CIS depending on the constitutive documents) comprises the illiquid assets whose liquidation or sale would not be in the best interest of the investors at the time of the side-pocket creation (for instance, if they are particularly distressed due to exceptional market turmoil). This side pocket is not due to be actively managed so that its management objective consists in liquidating the assets held by seeking the best timing and market opportunities in the best interest of investors (hence, the assets in the side-pocket cannot be transferred to the other CIS holding the liquid assets); and
  - the other CIS consisting of the assets for which there are no liquidity problems.
2. Some entities treat side pockets as pools of assets that are only virtually segregated from the rest of the portfolio in the accountings of the CIS but formally the original CIS remains and includes the liquid assets as well as the assets in the side pocket.

However, in both cases the valuation of the segregated assets is done separately. In case of virtual segregation, the NAV of the CIS is based only on the liquid assets that have not been segregated i.e. not placed in a side pocket. New subscriptions are only possible for the liquid part (or the new liquid CIS, respectively) and based on the NAV calculated on the basis of the liquid assets, which does not include the assets segregated in the side pocket. Also, in both cases the unit-holder benefits from the possibility of redemptions for the liquid CIS portfolio as only the proportion of assets assigned to the side pocket cannot be redeemed. Nevertheless, the unit-holder still participates in the side pocket performance and receives the proceeds of the liquidation of the side pocket's instruments/assets. In the case of the creation of a new closed end fund, unit-holders of the original CIS are provided with units of the new side pocket fund and of the new liquid fund in the same proportion as their investment in the original CIS.

As indicated earlier, the side pocket is in general not subject to full management activities as the purpose of its management is to liquidate the assets held in the best interest of unit-holders.

The reasons and circumstances for the creation of side pockets may differ from those of the suspension. The creation of a side pocket might be reasonable if factors that prevent the sale of assets are likely to persist over time and are not temporary. In such cases it might be advantageous to investors for the



responsible entity to segregate and effectively suspend only the illiquid part, rather than to suspend the redemptions of the whole CIS.

However, the FSC will treat the creation of side pockets carefully, since this possibility embeds a moral hazard problem. The creation of a side pocket might not give rise to the same reputational risk as in the case of a full suspension. Therefore, a responsible entity may hide poor liquidity management and could also have a greater incentive to invest in illiquid assets to gain additional yield due to higher liquidity premia. Moreover, a responsible entity may hide poor management via side pockets to improve the performance of the remaining CIS (even if the CIS will incur a loss corresponding to the value of the assets included in the side pocket).

Equivalent principles to those set out above for the suspension could apply to the creation of side pockets. In particular, the possibility of setting up a side pocket should have been known ex-ante by the unit-holders through the constitutive documents and/or prospectus. The decision to set up a side pocket should always be communicated to the FSC. The responsible entity should be required to set out in writing the decision to set up a side pocket explaining the reasons for their actions. In this respect, a responsible entity should keep adequate records of all relevant documents. The responsible entity should immediately inform unit-holders about the functioning of the side pocket that has been set up, the reasons for its creation and planned future actions. The responsible entity should liquidate the assets of the side pocket as soon as possible in the best interest of unit-holders. Moreover, the FSC may provide for a maximum amount of assets that could be segregated to the side pocket.

#### c) Discount

Some constitutive documents/PPMs allow the application of a discount on the redemption price determined on the basis of the NAV, for redemption purposes in the case of stressed markets or unusual and significant number of redemptions. The regulatory framework that allows such mechanisms should appropriately address related transparency and discretion issues. In particular, such a discount should only be applied if the reasons for its application were properly disclosed ex-ante in the prospectus. The discount should be applied consistently to all redemptions completed on the same day, and the amount of the discount shall benefit those unit-holders that did not redeem their units. The responsible entity should communicate the reasons and the mechanisms used to calculate the discount to unit-holders and the FSC.

## Summary

The above principles should be reflected and considered in respect of redemptions and suspensions of CISs in Gibraltar. The objective of this is to help reduce the risk of liquidity issues, which can adversely affect investors and the public, as well as reduce overall systemic risk.



Published by:

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Date Published 13 December 2013



### Regulatory objectives and principles of good regulation – checklist

Which regulatory objectives are the proposals aimed to facilitate?		
(a) To promote market confidence;		Yes
(b) The reduction of systemic risk;		Yes
(c) To promote public awareness;		No
(d) The protection of the reputation of Gibraltar;		Yes
(e) The protection of consumers;		Yes
(f) The reduction of financial crime, including the funding of terrorism;		No
Do the proposals accord with the following principles of good regulation?		
1. The need to use our resources in the most efficient, effective and economic way;	The impact of this issue locally is not significant and the resources needed to implement this are not significant. The guidance is not expected to be very detailed as it will consist of higher level principles/guidance.	
2. The principle that the duty to manage a business falls upon the senior management of that business. The Directors of a licence holder, both executive and non-executive have ultimate responsibility for ensuring that the business is properly run and operates in accordance with regulatory requirements;	High level guidance will be issued as opposed to detailed requirements. It will essentially be up to each fund to ensure that they comply.	
3. The principle that a burden or restriction which is imposed upon authorised firms should be commensurate with the benefits expected to result from such action, so ensuring that the Authority is striking	The principles are expected to provide general guidance to firms and not be restrictive or a burden. However, some principles such as ensuring that the fund has sufficient liquidity may impose restrictions on funds with	



<p>the right balance between achieving the statutory objectives and ensuring that the impact on those being regulated is not such as to be counterproductive;</p>	<p>higher risk profiles, but in these instances the benefits in terms of protections are expected to outweigh the restrictions.</p>
<p>4. The desirability of facilitating innovation in connection with regulated activities;</p>	<p>As the guidance is high level it is not expected to hinder innovation.</p>
<p>5. The international character of financial services and markets and the desirability of maintaining the competitive position of Gibraltar;</p>	<p>This will ensure a level playing field at international level.</p>
<p>6. The need to consider the adverse effects of regulation on competition and consumer choice; and</p>	<p>This is not expected to hamper investor choice significantly.</p>
<p>7. Does this match UK supervisory practices.</p>	<p>UK should also be complying with the IOSCO principles.</p>