



**BY EMAIL**

26 March 2026

To the Senior Executive Officers (SEO) of DFSA Authorised Firms.

Dear SEO,

**RE: Collective Investment Funds: Liquidity Risk Management, Redemption Pressures and Reporting**

The Dubai Financial Services Authority (**DFSA**) is writing to remind all Authorised Firms (**Firms**) who are managing Collective Investment Funds (**Funds**) of their ongoing regulatory obligations to maintain robust liquidity risk management arrangements, particularly considering evolving market conditions.

The regulatory framework imposes requirements on firms to ensure they consider and manage fund liquidity. The specific requirements vary depending on the nature of your fund, but all firms have an important role to play in ensuring good liquidity management, appropriate for the product offered.

Firms are expected to ensure that the liquidity profile of a fund's assets remain aligned to the funds objective and strategy as set out in the constitution and prospectus, and appropriate to its redemption terms at all times. Firms should maintain robust and forward-looking liquidity risk management frameworks. Using realistic assumptions, Firms need to ensure a regular assessment and classification is undertaken regarding the liquidity of the underlying assets. Such assessments need to be dynamic and reflect prevailing market conditions whilst also factoring in potential liquidity mismatches arising from investments in less liquid asset classes.

Firms should have a clear understanding of their unitholder / investor base and the potential for redemption pressures under both normal and stressed market conditions. Firms should monitor investor concentration and the potential impact of large redemptions. Scenarios should be identified that may give rise to heightened redemption activity including market stress events or idiosyncratic fund specific issues.

Firms are expected to conduct regular and robust liquidity stress testing of such scenarios. Their stress testing frameworks should be forward looking and incorporate severe but plausible scenarios and assess the fund's ability to meet redemption requests without materially diluting the remaining investors in the fund. Such testing should be integrated into the firm's risk



management and decision-making processes. Robust governance and oversight should be in place, including escalation mechanisms to inform required liquidity management actions.

Firms are reminded of the importance of maintaining appropriate and comprehensive liquidity management tools, such as redemption gates. These should not only be fully disclosed in the fund prospectus but be operationally ready and capable of being deployed in a timely manner. When considering the activation of liquidity tools the DFSA expects firms to consider investor fairness, and the potential harm caused to remaining investors, as well as any legal or structural considerations.

Firms must notify the DFSA promptly of any material liquidity concerns in relation to Funds they are managing. This includes but is not limited to:

- Significant or unexpected redemptions requests;
- Deterioration in the liquidity profile of fund assets;
- Activation of liquidity management tools;
- Any circumstances where a fund may face difficulty meeting redemption requests as they fall due.

Where the management of a fund's assets has been delegated to an asset manager, the fund manager should ensure that the asset manager enables the fund manager to fulfil its obligations referred to above, and where appropriate takes the necessary steps set out in this letter.

The DFSA encourages Firms to maintain active and regular engagement with their supervisory contacts and to approach the DFSA promptly should any issues or concerns arise.

If you have any questions regarding this letter, please contact the DFSA using the **Supervised Firm Contact Form** found on the DFSA Website.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Justin Baldacchino', is written over a light blue horizontal line.

**Justin Baldacchino**  
**Managing Director, Supervision**