2 August 2012

By email: cisliquidity@iosco.org

Dear Sirs,

Re: BVCA Regulatory Committee response to IOSCO Consultation Report on Principles of Liquidity Risk Management for Collective Investment Schemes

This response to the IOSCO Consultation Report on Principles of Liquidity Risk management for Collective Investment Schemes is made by the British Private Equity and Venture Capital Association ("BVCA").

The BVCA is the industry body and public policy advocate for the private equity and venture capital industry in the UK. The BVCA Membership comprises over 250 private equity, midmarket and venture capital firms with an accumulated total of approximately £32 billion funds under management; as well as over 250 professional advisory firms, including legal, accounting, regulatory and tax advisers, corporate financiers, due diligence professionals, environmental advisers, transaction services providers, and placement agents.

The BVCA supports the continuing work of IOSCO in relation to liquidity management. We agree with the Consultation Report that liquidity risk management is an issue primarily affecting open-ended funds. Private equity and venture capital funds are almost exclusively closed-ended (there are a limited number of listed funds and a small market in secondary interests) and accordingly the Principles set out in the Consultation Report are not capable of application to such funds in any real sense.

Private equity and venture capital funds offer a long-term investment – typically investors commit their capital for a period of five-seven years (often even longer). This is one of the key features that attracts investors to the asset class. Unlike open ended funds, private equity and venture capital funds are raised over a number of months and once a certain level of commitments has been reached new investors are not permitted (other than through the secondary market).

The contractual agreement governing an investor's commitment clearly sets out the restrictions on redemption or transfer – accordingly an investor coming into this type of fund would be fully cognizant of the position before any investment was made. It is not possible, therefore, that such funds would unexpectedly be faced with a significant number of investors seeking to redeem their

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interests. In any event, the fund would not be required or contractually obliged to comply with such requests.

Accordingly we do not consider that it is appropriate or sensible to consider liquidity or liquidity risk management in the context of closed-ended funds such as private equity or venture capital funds. We suggest that IOSCO adds, for the avoidance of doubt, in its Executive Summary, that closed ended funds, listed or unlisted, are expressly excluded from the proposed scope and that where redemption rights only arise after a long holding period (such as five years after the investment is acquired) that the principles need to be applied proportionately.

We would be delighted to discuss any of the issues raised in this response with you.

Yours faithfully

Margaret Chamberlain
Chair - BVCA Regulatory Committee

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