

AIFMD II update 3

Third edition: New European Rules for Liquidity Management (LMTs)

In short From 16 April 2026, fund managers must comply with the new legal requirements of the revised Alternative Investment Fund Managers Directive (AIFMD II). AIFMD II introduces, among other things, new requirements for liquidity risk management and liquidity management tools (LMTs). Under AIFMD II, alternative investment fund managers (AIFMs) of open-ended AIFs, as well as UCITS management companies that manage UCITS funds, must select at least two liquidity management tools (LMTs). They must also establish detailed policies and procedures governing the activation and deactivation of each selected LMT, as well as the operational and administrative arrangements necessary for their use. The selected LMTs, the corresponding detailed policies and procedures, and any activation or deactivation of an LMT must be notified to the AFM accordingly. An adjusted notification procedure has been established for this purpose. This update is intended to assist fund managers in preparing in a timely and orderly manner for these new obligations.

Fund managers of open ended AIFs and UCITS must select at least two relevant LMTs

AIFMD II requires fund managers of open ended AIFs and UCITS to select, for each fund under their management, at least two relevant LMTs. The selection must be made from the prescribed list set out in the annexes to the revised directives. Specifically Annex V, points (2) to (8), of Directive 2011/61/EU for AIFs, and Annex II of Directive 2009/65/EC for UCITS.

It is not permitted to choose only both swing pricing and dual pricing. In determining the appropriate LMTs, fund managers shall consider, inter alia, the investment strategy, the nature and characteristics of the underlying assets, and the fund's redemption policy. For an MMF authorised under [the Money Market Funds Regulation](#), one LMT may be selected.

The LMTs available to fund managers of open-ended funds are as follows:

1. Suspension of subscriptions, repurchases and redemptions
2. Redemption gate
3. Extension of a notice period
4. Redemption fee
5. Swing pricing (full and/or partial under AIFMD II)
6. Dual pricing
7. Anti-dilution levy
8. In-kind redemptions
9. Side pockets

Important: Under AIFMD II, the (i) suspension of subscriptions, redemptions and repayments and (ii) Side pockets are available by operation of law and can be used by any fund. These LMTs do not count towards the requirement to select at least two LMTs per fund. Fund managers may use a suspension of subscriptions, redemptions or repayments, or side pockets only in exceptional circumstances, where justified by the circumstances and where this is in the interests of the investors in the fund.

Additional LMTs are possible, but do not count towards the minimum requirement

In addition to the LMTs contained in the prescribed list set out in Annex V of the AIFMD (Directive 2011/61/EU) and, for UCITS, in Annex II of Directive 2009/65/EC, fund managers may also select other LMTs. These additional tools may serve to complement the existing suite of liquidity management measures. However, such additional LMTs do not count towards the statutory requirement to select at least two relevant LMTs for each open-ended fund. This minimum requirement may only be satisfied with LMTs included in the directives themselves.

Both the LMTs drawn from the prescribed annexes and any additional instruments selected must be set out in the offering documentation as well as in the fund rules, terms, or instruments of incorporation.

Detailed policies and procedures governing the use of LMTs are mandatory

In addition to the obligation to select at least two LMTs for each fund, fund managers must establish detailed policies and procedures for the selected LMTs. These policies and procedures must address the selection, activation, deactivation and calibration of the chosen LMTs. These policies must also set out the operational and administrative arrangements necessary for the effective application of these LMTs. These policies must form an integral part of the fund's broader liquidity risk management framework. Partial transitional regime available for existing funds

By 16 April 2026, fund managers must have selected at least two LMTs for the open-ended funds they manage and must have established detailed policies and procedures governing the activation and deactivation of the selected LMTs. AIFs and UCITS established before 16 April 2026 may make use of a one year transitional period, solely for specifying the characteristics of the selected LMTs. These are described in [the Commission Delegated Regulation \(EU\) 2026/465 for AIFs](#) and [the Commission Delegated Regulation \(EU\) 2026/466 for UCITS](#) as well as [the ESMA guidelines on LMTs](#). These (Level 2 and 3) requirements will apply on 16 April 2027.

Adjusted notification procedure for LMT-related notifications as of 18 March 2026

Fund managers must notify the AFM of the selected LMTs and must also provide the AFM with the corresponding detailed policies and procedures. Finally, fund managers are required to inform the AFM when LMTs are activated or deactivated.

- Activation or deactivation of the suspension of subscriptions, redemptions and repayments must be notified to the AFM without delay.
- Activation or deactivation of side pockets must be notified to the AFM in advance, within a reasonable period.
- For all other selected LMTs, activation or deactivation must be notified to the AFM without delay to the extent that the LMT is activated or deactivated "in a manner that does not fall within the ordinary course of business" as provided for in the fund rules/articles. When notifying the AFM, fund managers must have a substantiated explanation of what constitutes circumstances outside the ordinary course of business.

As of 18 March 2026, an adjusted notification procedure is available for LMT-related notifications. These notifications must be submitted through [the AFM Portal](#).

For existing funds in which changes arise in relation to LMTs, notifications may be submitted through the specific form provided in the portal; this submission must in all cases include a revised prospectus. Through the same form, fund managers may also opt to provide the AFM with the amended fund rules or instruments of incorporation, and the amended detailed policies and procedures governing the selected LMTs.

For existing funds where no material changes occur in the prospectus and/or the relevant policy framework (e.g. because they have already complied with the requirements under AIFMD II), the AFM expects to collect information on the chosen LMTs at a later stage.

Outlook

In recent months, the AFM has provided fund managers with insights to promote careful preparation for AIFMD II. In addition to LMTs, attention has been paid to the new requirements for day-to-day policymakers and for loan-originating funds. The AFM intends to further update its AIFMD II webpage in the run-up to 16 April 2026. It is therefore advisable to keep a close eye on this page.

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