Appendix

Examples of LMTs and measures

1. This Appendix provides further details on examples of LMTs and measures referred to in this circular.

A. ADTs

2. *Swing pricing*: A process for adjusting a fund's NAV by applying a swing factor that reflects the estimated liquidity cost arising from net subscriptions or redemptions for a particular dealing day. The swung price is applied consistently to all transacting investors on that dealing day.

3. *Subscription and redemption fees*: A fixed levy or fee is added to, or deducted from, a fund's NAV regarding subscriptions or redemptions. The fee is charged to transacting investors for the benefit of the fund to cover the liquidity cost. Its use may be more appropriate where transaction costs are relatively stable or driven by identifiable fixed charges.

4. *Anti-dilution levy*: A variable levy or fee is added to, or deducted from, a fund's NAV regarding subscriptions or redemptions, by increasing the final price paid by subscribing investors or decreasing the price received by redeeming investors, to effectively pass on the liquidity cost. The levy may be applied on a fund-wide basis or, where appropriate, based on individual investor flows.

5. *Dual pricing*: A pricing method under which two NAVs are calculated per valuation point. One NAV is calculated using the assets' ask prices and the other using the assets' bid prices, so that subscribing investors pay the NAV calculated using ask prices and redeeming investors receive the NAV calculated using bid prices.[21]

B. Quantitative-based LMTs

6. *Suspension of subscriptions and redemptions*: A tool typically used in exceptional circumstances to prevent existing investors from withdrawing their capital from a fund and new investors from investing in it. In most cases, it should be a temporary measure used only where orderly dealing cannot otherwise be maintained.

7. *Redemption gates*: A partial and temporary restriction on investors' ability to redeem their capital, generally on a pro-rata basis, to spread redemption requests and asset sales over time in the best interests of all investors[22]. The non-executed portion of the redemption orders are either cancelled or carried over to the next dealing day, in accordance with the offering documents disclosures.

---

[21] Alternatively, dual pricing may be implemented by applying an "adjustable spread" around the fund's NAV, under which assets are priced on a mid-market basis, with a bid price at which the fund redeems shares and an offer price at which the fund issues new shares. The spread may be calibrated dynamically to reflect prevailing liquidity conditions.

[22] Redemption gates differ from redemption caps, which are part of the fund's redemption terms and apply continuously rather than only upon activation in specific circumstances.

8. *Extension of notice period*: An extension of a fund's notice period allows the manager more time to sell assets in an orderly manner to meet redemption requests. The extension should be appropriate to the initial notice period and should not change the nature of the fund or the dealing frequency.

9. *Extension of settlement period*: An extension of a fund's settlement period allows the manager more time to sell assets in an orderly manner to meet redemption requests. The exit NAV for redeeming investors is determined before the manager begins to sell assets over the extended settlement period.

C. Other liquidity management measures

10. *In-kind redemptions*: A mechanism by which a fund distributes the underlying assets on a pro-rata basis to investors, instead of paying cash, to meet redemption requests. This facilitates the exit of investors from the fund without requiring the manager to liquidate assets.

11. *Side pockets*: A mechanism by which the manager segregates specific assets, such as assets with valuation issues or legal uncertainty, from the fund's overall portfolio. Investors then receive shares or units of the new holding on a pro-rata basis of their holdings in the existing fund.

12. *Soft closures*: A mechanism by which a fund temporarily closes subscriptions to prevent subscriptions of larger size, particularly where assets have limited liquidity and/or capacity.

13. *Borrowing or credit facilities*: The use of short-term borrowing arrangements to bridge timing mismatches and meet payment requests (e.g. redemptions) without immediate asset disposals.