LIQUIDITY ISSUES IN PRIVATE FUNDS
GENERAL PARTNER-LED SOLUTIONS

James Burdett, Jon Unger and Johanna Asplund of Baker McKenzie consider the ways in which general partner-led liquidity solutions can benefit the private equity industry during times of economic volatility.

Private equity (PE) fund managers have had to confront unprecedented challenges as a result of the market dislocation and volatility caused by the 2019 novel coronavirus disease. They have had to revisit their business plans as segments of their portfolios require injections of capital and, in some cases, more time to ride out and recover from the economic turbulence. These challenges are particularly testing for managers with older vintage funds that may have a limited ability to call further capital from their investors.

To further complicate matters, managers may be faced with investors who are having to deal with their own liquidity pressures and are exploring ways to reduce their exposure to PE as an asset class. Fortunately, in recent years the PE fund industry has developed a number of tools to help managers deal with these unforeseen scenarios. These are commonly referred to as general partner-led, or GP-led, liquidity solutions.

This article looks at:

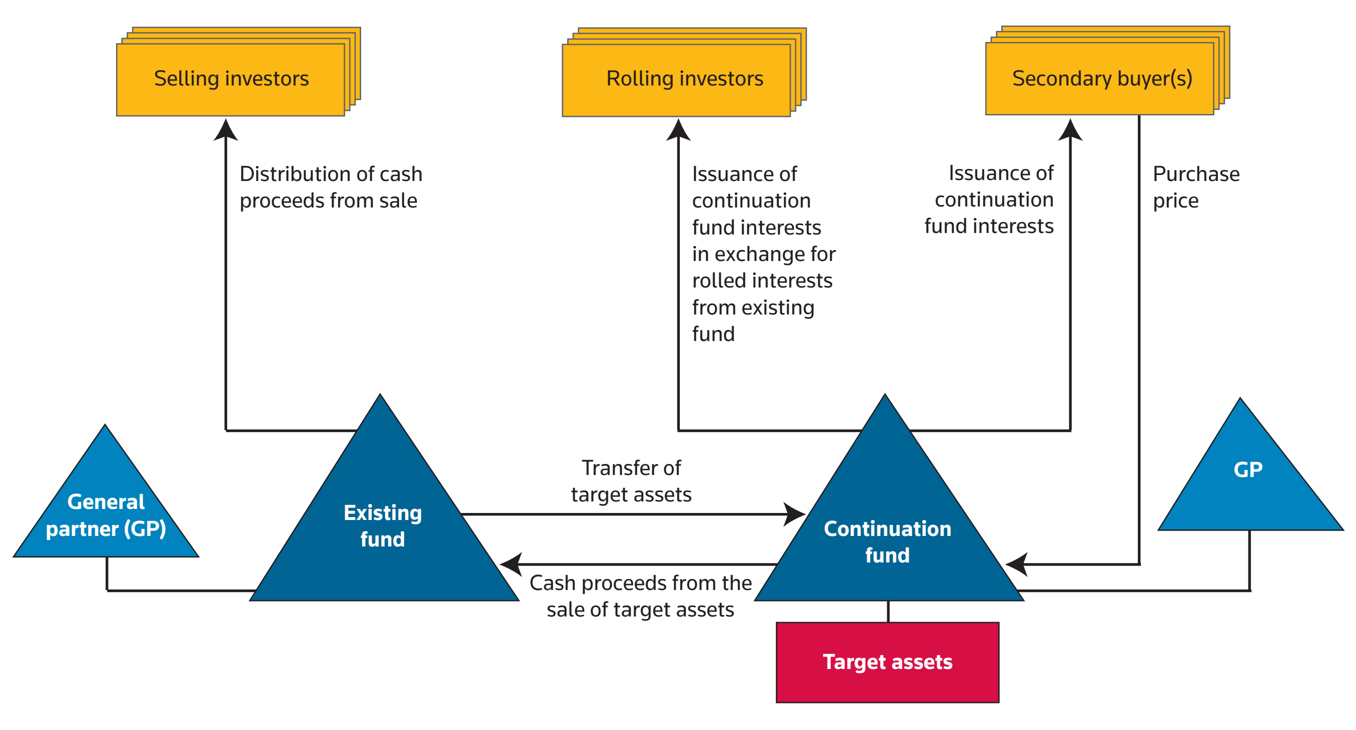
- How the structure of PE funds contributes to certain liquidity issues.
- The growth of GP-led liquidity solutions.
- The most commonly cited GP-led liquidity solution: the GP-led secondary fund restructuring.
- Some of the other liquidity solutions available to general partners (GPs).

The term "private equity" is commonly interpreted in two ways: either narrowly to mean only buyout funds or, more widely, to mean any closed-end private investment funds, including debt, infrastructure, real estate and natural resources funds. This article uses the wider definition.

STRUCTURAL CONSIDERATIONS

A PE fund is typically structured as a limited partnership with two types of partners: a GP and limited partners. The GP is typically owned by, or affiliated to, the fund manager and is ultimately responsible for the operation of the fund but often will delegate certain activities to the fund manager. It is common practice in the industry for the fund manager to be referred to as the GP and this article follows that convention. A limited partner refers to the investor, who invests in the fund based on the GP's track record.

Structure of a GP-led secondary fund restructuring



The structure of a PE fund contributes to some of the liquidity issues faced by market participants.

Closed-ended structure

A PE fund is closed-ended, which means that an investor in a PE fund does not have the right to redeem its interest in the fund and the term of the fund is finite: typically, ten years with limited extensions. If an investor seeks to exit a PE fund before the fund's end-of-term liquidation, it will need to sell its interest in the fund to a third party, and the third party effectively replaces that investor in the fund.

PE funds invest in illiquid assets. One of the benefits of the closed-ended structure is that GPs are not compelled to sell illiquid assets, potentially significantly below market value, to satisfy redemption requests from exiting investors, which can be an issue experienced in open-ended fund structures where investors have a right of redemption.

Capital calls

When an investor is admitted to a fund at the fund's launch, it does not contribute its entire committed capital to the fund on its admission. Instead, its capital is called by the GP as and when required to meet the acquisition cost of investments and other fund-related costs up to the investor's committed capital amount.

To counter the absence of a redemption right and the requirement of investors to advance capital to the fund on demand, GPs provide some structure and visibility as to when and in what circumstances they will need to call capital. This assists investors with their own liquidity management so that they can be in a position to hold sufficient liquid reserves at any one time to satisfy the GP's capital calls. This is done by incorporating certain provisions into the limited partnership agreement (LPA), including the following restrictions:

- A ten-year term, with the ability to extend restricted to two additional one-year periods. Each extension will be subject to some form of investor consent.
- A five-year investment period, during which time the fund can make new investments and provide additional capital to existing investments, known as follow-on investments. Sometimes, the ability to extend the investment period may be restricted to a further period of six to 12 months.
- After the termination of the investment period, the GP may continue to make follow-on investments, although the amounts that can be called for follow-ons will generally be restricted; for example, to 15% to 25% of committed capital.
- With limited exceptions, the GP may call for capital only once for funding purposes and, after these amounts are returned to investors, they cannot be re-called. This process of re-calling capital is commonly referred to as recycling.

These provisions can be constraining for a GP managing a more mature fund, as the GP will be restricted from calling additional capital from investors or extending the life of the fund, particularly in an economic downturn. GP-led liquidity solutions have proved useful in bridging this gap.

GROWTH OF LIQUIDITY SOLUTIONS

The global financial crisis of 2008 created significant liquidity demands for both GPs and investors. During this crisis and in its immediate aftermath, many investors sought to reduce their exposure to PE due to liquidity issues, regulatory pressures and the denominator effect. The denominator effect is where the proportional value of illiquid assets increases in relation to the total value of an investment portfolio, so that an investor's portfolio becomes over-allocated to private equity. A large proportion of those investors were able to achieve liquidity for their portfolios through secondary sales of their interests in PE funds (*see feature article "Secondary sales: demystifying a growing trend", www.practicallaw.com/4-386-2640*).

However, at that time, GP-led liquidity solutions were not as universally embraced as investor-led secondary sales. GP-led solutions tended to be associated both with tainted assets and underperforming GPs. Assets that were disposed of in this manner were often sold at a steep discount. More recently, however, the stigma associated with these transactions has dissipated, alongside the growth of the number and size of secondary buyers seeking exposure to these opportunities. These developments have resulted in:

- Further innovation and liquidity in the market.
- More attractive prices being achieved for assets sold.
- A far greater proportion of PE market participants accepting GP-led solutions.

The most commonly cited GP-led liquidity solution is a GP-led secondary fund restructuring (*see box "Structure of a GP-led secondary fund restructuring"*). Other types of fund restructuring include single-asset fund restructurings, strip sales and GP-led tender offers (*see "Other types of fund restructuring" below*). Alternative GP-led liquidity solutions include GP-led preferred equity, net asset value (NAV) facilities, annex funds and amendments to the LPA (*see "Alternative GP-led liquidity solutions" below*).

GP-LED SECONDARY FUND RESTRUCTURINGS

Although each GP-led secondary fund restructuring is bespoke, a typical fund restructuring involves the remaining portfolio investments of an existing fund being sold to a new fund, commonly referred to as a continuation fund (*see box "Key stages of a GP-led secondary fund restructuring"*). The continuation fund is managed by the same GP as the existing fund and the sale of the investments is underwritten by one or more secondary investors.

Each investor in the existing fund is given the option to either:

- Sell; that is, receive a pro rata share of the cash purchase price for the transfer of the assets to the continuation fund.
- Roll; that is, roll over its pro rata interest in the existing fund for an interest in the continuation fund.

Key stages of a GP-led secondary fund restructuring

The transaction timeline for general partner-led secondary fund restructurings varies considerably from deal to deal. Most will be completed within six months of inception, however some outliers take more than 12 months to close.

Initial discussions	The general partner (GP) discusses the rationale for the potential transaction with members of the fund's investor advisory committee and, potentially, other key investors. The GP seeks "in principle" advisory committee approval before appointing advisers, incurring costs and committing resources to the sale process.
Appointment of advisers	The GP appoints financial and legal advisers to advise on the structure and process of the fund restructuring.
Preparation phase	The financial adviser works with the GP to draw up marketing materials and operating models, and assemble the data room for the disclosure of information to investors. The legal advisers consider whether there are any restrictions on the proposed transaction or other technical issues at the fund or portfolio level, and prepare a summary structure memorandum for the transaction.
Marketing round one	The financial adviser contacts prospective buyers. Interested buyers undertake desktop due diligence, along with an initial call or meeting with the GP to discuss the transaction rationale and the features of the key assets. Indicative bids are gathered at the end of round one, normally based on a short-form term sheet. If the round one outcome is positive, this is relayed to the advisory committee and key investors.
Marketing round two	Prospective buyers are invited to conduct in-depth due diligence on the assets and the GP's deal team. Final bids are submitted and the winning bid is agreed alongside the execution of the final term sheet, including pricing and the terms of the continuation fund.
Presentation to the advisory committee	A final bid and terms of the transaction are formally presented to the advisory committee, with a binding and formal approval sought from the advisory committee on the transaction.
Investor elections	An election pack including the information memorandum, the continuation fund limited partnership agreement, subscription agreements and the election form is circulated to existing investors. Existing investors are asked whether they wish to sell or roll and are typically given 20 business days to make their decision.
Completion	The transaction and transfer documents are executed along with subscription documents for the continuation fund. Assets are transferred to the continuation fund, and the purchase price is paid to the existing fund and distributed to relevant partners.

- Sell and roll; that is, a combination of the sell and roll options above.

In a roll option, an investor may be offered the opportunity to invest in the continuation fund either on a reset basis or a status quo basis (*see box "Reset and status quo bases in roll options"*).

Reset and status quo bases in roll options

In the context of a general partner-led secondary fund restructuring, if an investor elects to roll over its pro rata interest in the existing fund for an interest in the continuation fund, it may do so on either a reset basis or a status quo basis.

Reset basis

When an investor rolls its interest on a reset basis, that investor continues to participate in the transferred assets through an interest in the continuation fund but, typically, on improved economic terms. This could involve reduced management fees; for example, a lower fee rate or a reduced capital base for fee calculation, or both. Moreover, given that the investment portfolio is known and returns can be projected with more clarity, it is also common for the continuation fund to provide for a more bespoke distribution waterfall; that is, with different tiers of carried interest tied to the level of return generated from the assets on exit. In return for such preferential economics, the general partner would seek to lock in the carried interest earned on the underlying assets to date, based on the value of the assets transferred to the continuation fund.

Status quo basis

When an investor rolls its interest on a status quo basis, that investor continues to participate in the transferred assets through an interest in the continuation fund on substantially the same economic terms; that is, the same rates of management fee and carried interest, and no crystallisation of carried interest on the assets transferred. This option will usually apply to an investor that has failed to respond with an affirmative election to the fund restructuring.

Benefits of fund restructurings

GP-led secondary fund restructurings can be attractive to market participants for a number of reasons.

Time and capital. The GP benefits from securing additional time and capital to allow an orderly sale of the fund's assets and maximisation of value, avoiding a potentially disorderly fire sale.

Alignment. GP-led secondary fund restructurings provide an opportunity to improve alignment between the GP and investors. Existing investors are granted the option to reduce, maintain or increase their exposure to the fund's assets. The GP and investors also have the opportunity to re-examine fund terms and make them more appropriate to the characteristics of the fund and its remaining assets, as well as to align them with current market terms. In addition, any secondary investors are essentially buying into the portfolio and so have visibility as to what is being acquired, in contrast to committing as a primary investor to a blind pool fund. Secondary investors are also in a position to negotiate the terms of the continuation fund to bolster the alignment of interests between the secondary investors and the GP.

Attractive economics. Rolling investors opting for a reset basis may be attracted by more beneficial economic terms than those offered by the current fund, while secondary investors have the opportunity to invest significant capital into a known portfolio of assets and, sometimes, at a discount to the NAV.

Internal alignment for the GP. A GP can take the opportunity of a fund restructuring to align interests internally within its existing teams. For example, if inactive or departed partners hold a material proportion of an existing fund's carried interest allocation (broadly, a share of the fund's profits), the GP may choose to cash out those carry-holders and allocate the go-forward carry to the continuing team, therefore improving the alignment of incentives for the team. This, in turn, would be attractive to investors in the continuation fund.

Building relationships. A GP is able to manage its broader investor relationships by attracting new long-term strategic investors and provide liquidity solutions to existing investors.

Continuity. The management team of the underlying portfolio companies, who already are familiar with the existing GP, may be attracted to the continuity of ownership and the alleviation of the risk that can be associated with a change in ownership.

Conflicts of interest and fiduciary duties

Conflicts of interest are a particular issue for a GP to consider in fund restructurings, while looking to uphold its fiduciary duties to its investors (*see feature articles "The limited partnership: a fresh look at a trusted model", www.practicallaw.com/1-531-7239 and "Private equity fund governance: back to the drawing board", www.practicallaw.com/6-502-0127*). The difficulty for the GP in a GP-led secondary fund restructuring is that there is a variety of stakeholders to which the GP owes a fiduciary duty to act in their best interests; however, these stakeholders may have competing interests and different priorities and, in some cases, their interests may be diametrically opposed to one another. Stakeholders include:

- Existing investors seeking liquidity.
- Existing investors intending to roll over on a status quo basis.
- Existing investors planning to roll over on a reset basis.
- Secondary investors seeking admission to the continuation fund.

If there are stapled commitments linked to the fund restructuring, this may further compound the conflicts (*see box "Stapled commitments"*). For example, a secondary buyer whose offer is less favourable to existing investors but has agreed to commit a large amount of capital to the GP's next fund may be more attractive to the GP than an ostensibly higher secondary bid.

Volatility in the financial markets makes GP-led secondary fund restructuring outcomes less predictable and could lead to hindsightdriven challenges to a GP's actions and motivations. GPs therefore need robust defences to any future claims from regulators and disgruntled investors. There are several steps that a GP can take to mitigate the risk of failing properly to discharge its fiduciary duties.

Engagement. The advisory committee's role in a GP-led secondary fund restructuring includes reviewing the structure and economics, and providing a sounding board for the GP (*see box "Advisory committee"*). Any identified conflicts of interest typically must be approved by the advisory committee. Therefore, it is critical for the GP to engage at an early stage with the advisory committee and, in some circumstances, a broader set of investors. This gives the GP the opportunity to listen to and address key concerns before committing additional resources to the transaction. It is also important for the GP to maintain an ongoing dialogue with the advisory committee throughout the process so that any issues, including potential conflicts, are dealt with efficiently and promptly.

Disclosure. Transparency and communication with investors are of paramount importance. Advisory committees and, ultimately, all investors, need sufficient information to assess whether the restructuring process is capable of delivering a fair price so that they can exercise their votes (and roll elections) on an informed basis. The GP needs to be transparent on all aspects of the fund restructuring process but, in particular, on valuations, conflicts and any material interests of the GP in the transaction. In addition, the GP should endeavour to achieve parity of knowledge between all investors, with the same information being provided to existing and secondary investors at the same time, such as financial information about the projected value of remaining assets in the fund.

The US Securities and Exchange Commission (SEC) has paid close attention to whether GPs are providing adequate disclosure on the valuation of assets and identifying potential conflicts of interests, and has taken enforcement action against non-compliant GPs. For example, in September 2018, the SEC issued administrative cease-and-desist proceedings against VSS Fund Management and its managing partner, Mr Jeffrey Stevenson, in relation to an alleged failure to provide material information about a change in value of fund assets in connection with a GP-led secondary transaction (*www.sec.gov/litigation/admin/2018/ia-5001.pdf*). The parties agreed to pay a $200,000 civil penalty to the SEC.

Stapled commitments

General partner-led secondary fund restructuring transactions sometimes include a stapled commitment. A stapled commitment involves the secondary buyer agreeing to make, in addition to its investment in the continuation fund, a stapled capital commitment to the general partner's (GP) next fund. These can be attractive to a GP as they kick-start the fundraising process for the next fund. From a secondary investor's perspective, it helps them to develop relationships with coveted GPs and provides potential exposure to funds to which they may not otherwise have access.

Fairness opinion. GPs often arrange for an independent financial adviser to value the transferring assets and provide a fairness opinion. A fairness opinion will confirm whether the consideration offered in the transaction is fair and reasonable, and is intended to provide objectivity to the restructuring process. It is particularly important from a GP's perspective as it provides an additional layer of protection from challenge on the transaction pricing. Furthermore, the advisory committee may insist on a fairness opinion before waiving any conflicts of interest. In a dislocated market, fairness opinions are particularly useful as the pricing of the asset is open to challenge. In contrast, if a fund restructuring takes place in quick succession following an aborted sale, the sale process may provide reliable market pricing data, making a fairness opinion less relevant.

Warranty and indemnity insurance. Warranty and indemnity (W&I) insurance has gained in popularity in the PE sector (*see News brief "Private M&A trends: report on warranty and indemnity insurance", www.practicallaw.com/w-026-1285*). PE fund managers are often unable or unwilling to provide traditional (that is, uninsured) warranties and indemnities to prospective buyers when selling portfolio assets, with the attendant liability overhang for the fund. W&I insurance is also gaining ground in GP-led secondary fund restructurings where it is particularly useful in mitigating conflicts arising from the GP's dual role as manager of both the selling fund and the continuation fund. For example, a buy-side warranty claim will likely depress the performance of the selling fund, with attendant diminution in carried interest for the GP.

Allocation of fees and expenses. Fund restructurings are complex transactions and can incur significant fees and expenses. Expenses related to the transfer of the aassets, including all of the due diligence and financing expenses, are typically shared pro rata by the continuation fund in its capacity as a buyer of the assets and by the existing fund in its capacity as the seller. The fund formation costs associated with the continuation fund will generally be picked up by the investors in that fund. Costs that are not obviously in one fund or the other will be the subject of negotiation.

Additional considerations

There are a number of additional consdierations in relation to fund restructurings.

Managing third-party rights. While much of a GP-led secondary fund restructuring is focused on the existing investors and secondary buyers, other parties can be involved. At the portfolio level this may include management teams, co-investors and lenders. At the fund level, this may include subscription or NAV finance providers. The underlying agreements with these parties will need to be analysed to determine which steps to take and what consents are required.

ILPA guidance on fund restructurings. In April 2019, the Institutional Limited Partner's Association (ILPA), a trade association representing institutional PE limited partners, released guidance setting out considerations and recommendations with respect to GP-led secondary fund restructurings (*https://ilpa.org/wp-content/uploads/2019/04/ILPA-Guidance-on-GP-Led-Secondary-Fund-Restructurings-Apr-2019-FINAL.pdf*). The ILPA guidance covers, among other things:

- Disclosure.
- The structure of the process.
- Engagement with the advisory committee and the wider limited partner community.

The ILPA guidance acknowledges that each fund restructuring is unique, and therefore the specific process and considerations should be viewed in light of the underlying facts and circumstances applicable to each transaction. Arguably, much of what is cited as best practice in the ILPA guidance is already followed by market participants, however the guidelines do contribute to the ongoing discourse and accordingly benefit market participants.

Advisory committee

The advisory committee, which is also referred to as the limited partner advisory committee, is composed of investor representatives and is a common feature of many private equity funds. Places on advisory committees are usually reserved for investors that make the largest commitments to the fund or offer specific skills or experience that the general partner (GP) wants to be able to access. Broadly speaking, the advisory committee will:

- Review and approve conflicts of interest.
- Waive restrictions to which the GP is subject under the limited partnership agreement (LPA).
- Consent to certain matters set out in the LPA.

By virtue of being on the advisory committee, a limited partner will have greater access to more detailed information about the fund and its management (*see feature article "The limited partnership: a fresh look at a trusted model", www.practicallaw.com/1-531-7239*).

OTHER TYPES OF FUND RESTRUCTURING

In addition to the GP-led secondary fund restructuring described above, other approaches can be seen in the market.

Single-asset fund restructurings

When a single asset in an existing fund is transferred to a continuation fund as part of a fund restructuring, it is referred to as a single-asset fund restructuring. Typically, these restructurings are undertaken where one asset in a portfolio requires extra time or capital to maximise value creation or to support a potential restructuring of the asset. Single asset deals have the same key features as multi-asset deals; however, they do not have the benefit of diversification and, consequently, some secondary investors are put off by this concentration risk. This risk may be countered if the asset is of high quality and there is a convincing rationale for the transaction.

Strip sale

A strip sale involves a fixed percentage of the fund's portfolio (or subset of the portfolio) being transferred to a continuation fund. The sale allows the existing fund to partially lock-in any increase in asset values at the time of the sale and receive additional liquidity for investors, while still allowing the existing investors to benefit from further upside through the fund's retained stake in the relevant assets. Since strip sales involve only a partial sale of each asset, with the existing fund continuing to hold the balance, this may require the existing fund's term being extended as part of the transaction.

GP-led tender offer

GP-led tender offers are the simplest type of fund restructuring. They involve the GP organising a secondary sales process, which gives existing investors an option to retain interests in the existing fund or to sell their interests to a new secondary investor at a pre-negotiated price. In a GP-led tender offer a continuation fund is not established; instead, the existing fund's life is typically extended and there may be a wider reappraisal of the other fund terms. The attraction of a GP-led tender offer is its relative speed and simplicity. A drawback is that it may not fit a secondary buyer's specific needs; for example, a secondary buyer may not be willing to acquire fund interests from existing investors holding interests in a variety of different feeder or parallel fund vehicles as a result of their differing tax or regulatory profiles.

ALTERNATIVE GP-LED LIQUIDITY SOLUTIONS

In addition to fund restructurings, a number of other GP-led liquidity solutions are available.

GP-led preferred equity

A GP-led preferred equity transaction involves a preferred equity provider contributing additional capital to a fund and, in return, being granted priority over the distributions from a defined asset (or group of assets) held by the fund. The priority will typically expire once the investor has received proceeds from the applicable assets equal to its capital plus a minimum rate of return or multiple on its investment. Sometimes, the preferred equity provider is eligible to receive further distributions of subsequent proceeds under a revised distribution waterfall.

A GP-led preferred equity deal is typically structured by transferring the relevant asset(s) to a newly established special purpose vehicle, which then issues preferred shares to the new investor. These preferred shares have priority over those issued to the fund for the benefit of the existing investors. Alternatively, the GP may admit the preferred equity provider to the fund and issue a new class of investor interest to the preferred equity provider, which affords it the same preferred economic rights.

GP-led preferred equity transactions can be an attractive liquidity solution to market participants for the following reasons:

- They are simpler to undertake than a traditional fund restructuring.
- The valuation of the underlying portfolio companies is less important to the preferred equity provider, which is particularly helpful in times when valuations are challenging to undertake.
- There are fewer conflicts for the GP to manage with its investors and preferred equity provider.

- There is greater flexibility for GPs than in traditional fund finance solutions, such as limited lender covenants and an absence of debt servicing payments.

NAV facilities

The fund finance market has grown significantly over the past few years, in large part thanks to the expansion in the use of credit facilities secured by the unfunded capital commitments of investors, which is commonly referred to as subscription facilities. Subscription facilities are typically used in newer funds with significant unfunded capital commitments. For more mature funds with a limited ability to call additional capital from investors, NAV facilities are a more appropriate liquidity solution.

NAV facilities are credit facilities collateralised by the cash flows and distributions from the underlying assets. NAV facilities can be attractive to a GP that requires additional capital to support companies in its existing portfolio and whose fund has a limited ability to call additional capital from investors but still holds a number of unrealised investments. The primary benefits of NAV facilities are that they can be put in place more quickly and cheaply than GP-led preferred equity.

Annex funds

An annex fund is a newly formed fund vehicle, typically raised on an expedited timeline, that is intended to inject new capital into investments held by the existing fund. A GP forming an annex fund will usually offer investor interests to existing investors on a pro rata basis and then to third-party investors.

Annex funds are typically raised after the main fund's investment period and are formed to support follow-on activity in certain existing portfolio companies. To incentivise investors to commit to an annex fund, management fees and carried interest payable to the GP generally is significantly lower than that seen in the main fund and, in the case of management fees, may be eliminated entirely. A GP must manage the conflicts concerning the valuations of the assets as, inevitably, the main fund investors will want a high valuation while the annex fund investors will prefer a low valuation. The GPs valuation is therefore often backed up by an independent valuation report.

Amendments to the LPA

LPAs restrict when and how much a GP can call down capital from investors (*see "Capital calls" above*). In some scenarios, if the GP is able to increase the flexibility in the fund's terms, it may be able to generate additional liquidity for its fund. There are a variety of provisions that a GP may wish to revisit to increase liquidity.

Recycling. The basic principle in a PE fund is that committed capital can be called only once and amounts distributed to investors cannot be re-called. However, in reality, there are a number of accepted exceptions to this principle where money may be recycled, including:

- Amounts returned to existing investors in connection with the admission of new investors to the fund at a subsequent closing.

- Distributions received in relation to an investment that is sold during the investment period.

- Distributions received from investments that are realised within 24 months of being acquired.

A popular amendment to the recycling provision includes permitting GPs to recycle all future distributions and, in certain cases, permitting historic distributions to be recycled.

Investment period and term extensions. A GP with a fund nearing the end of its investment period that still has significant capital to deploy will need to check whether there is sufficient flexibility in the fund's LPA to extend the investment period or, if not, to look to build in an extension. Likewise, a GP with a fund nearing the end of its term will need to consider what extension mechanism is in place and, if appropriate, whether the term can be extended or the LPA be amended to permit further term extensions.

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Follow-on restriction. Follow-on investments are those investments that are necessary to protect or enhance the value of existing investment. There is typically a cap on the percentage of capital that can be expended on follow-on investments and sometimes a time limit for when they can be deployed. These restrictions may be waived to give the GP greater flexibility to deploy additional capital to its existing investments.

Amending the LPA can be particularly attractive to GPs as it reduces the need to involve external liquidity providers and it may be a much simpler process with lower costs involved.

However, any amendments will require a detailed analysis of the terms of the LPA and the applicable level of consent from the advisory board or the wider limited partner base. In some cases, this may require unanimous consent from investors, which may be challenging when some investors are dealing with their own internal liquidity constraints.

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