



FOCUS

MMFR

Version 14 – Updated in November 2021

### REGULATORY EVOLUTION

European Commission decided to regulate differently and better supervise all Money Market Funds (MMFs) in Europe, whether UCITS or non UCITS.

**20 July 2017:** Entry into force of the MMFR published in the EU Journal Official on 30 June 2017.

MMFs had until **21 July 2018** to comply with MMFR while existing MMFs have until **21 January 2019**.

On **19 July 2019**, ESMA issued 2 set of guidelines regarding the stress testing on MMFs and reporting money market funds to NCA.

#### Main changes adopted

1. Creation of 2 types of C-NAV Funds : 1. **Public debt** CNAV (99.5% invested in government debts); 2. **Low volatility NAV** (invested in high quality of asset with low pricing variation & stress test).
2. Redemption gates/liquidity fees have been imposed to C-NAV funds.
3. KYC Reporting.
4. External support is prohibited in case of high market turbulence.

### FOCAL POINTS

Asset managers/MMFs need to:

1) **carry out stress test scenarios** as well as **create internal credit risk assessment** and provide further information to investors in addition to UCITS and AIFM directives.

2) set up new tools to deal with “**know your customer**” rules in the sense of knowing their likely redemption requirements, **nothing to do with AML policy.**

New requirements incur costs that could damage MMFs returns and reduce attractiveness of this product for investors, in particular during low and/or negative interest rate periods.

2013

2015

2016

2017

2017

2019

**4.09.2013**  
EC proposal  
to regulate  
all MMFs

**29.04.2015**  
Proposal  
voted by EP

**Q4**  
End of trilogue  
process

**Q2**  
EP & EC  
adopt  
MMFR

**20.07.2017**  
Entry into  
force of the  
MMF Reform

**20.01.2019**  
Implementation  
of the EU MMF  
Reform

❑ **MMFR came into force on 20 July 2017**

Updated on 12 November 2021

STATEMENT

❑ For IOSCO, FSB, ERSB: CNAV MMFs represent a systemic threat for the financial system giving the impression to be risk-free. In its March 2015 - Consultation Paper, EBA identified MMFs as shadow banking entities even if MMFs operate under UCITS / AIFMD. The EC decided this money market fund regulation (MMFR) in order to reinforce investor protection and help dealing with runs (massive redemption orders) during stressed market conditions. On 15 May 2018, publication of a reporting template for MMFs managers. This template sets the standards for the reporting of the general characteristics to identify both the MMF and its manager. The report shall include information on the assets and liabilities of the MMF, specific portfolio indicators and stress tests.

❑ 19 July 2019, ESMA issued two sets of guidelines regarding the stress testing and reporting to NCAs (Art. 37 MMFR ). The Guidelines on reporting (updated at least once a year) provide guidance on how to fill in the reporting template on money market funds that managers of MMFs will transmit to competent authorities as of Q1 2020. **Reporting date as of Q1 & Q2 were postponed until September 2020.**

❑ 22 June 2020, ESMA published the translations of the guidelines on the reporting to competent authorities under Art. 37 of the Money Market Fund Regulation [link](#). Both the CSSF in September 2020 and the AMF in January 2021 have confirmed using LST (Liquidity stress testing) ESMA guidelines.

❑ 8 Feb 2021, meeting at EFAMA to assess possible reform of MMFR following suggestions of US Treasury and Bank of England in 2020. **New CP from ESMA regarding a possible and new Reform of MMFs. ESMA will consider replies received until 30 June 2021. In addition 2 CP were launched: one from FSB on policy proposals to enhance Money Market Fund resilience and one from EBA on criteria for the identification of shadow banking entities.**

FOR YOUR CONSIDERATION

❑ Lots of debates occurred between pros and cons C-NAV MMFs. Some European Parliament (EP) members and policymakers have not been satisfied with the final text approved by the EP in April 2015 and certainly because CNAV MMFs continues to be offered to retail investors. If C-NAV MMFs can continue to exist even though they are less permissive, the future of those MMFs can be challenged if implementation cost becomes too expensive in order to comply with new requirements of this MMF Reform.

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To know more please refer to:  
Fiche MMFR-To KnowMore

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