



MMFR

FOCUS

Version 17 – Updated in August 2022

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 August 2022

STATEMENT

- For IOSCO, FSB, ESRB: 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 must transmit to competent authorities.
- 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 CSSF (Sept. 2020) and AMF (Jan. 2021) confirmed using liquidity stress testing of 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 (closing 30 June 2021) regarding possible new Reform of MMFs. Launch of two CP 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. **25 Jan 2022** ESRB issued its recommendation on the reform of MMFs. MMF EU regulation expected to be reviewed later for this year.
- 14 Feb 2022 – Publication of final ESMA report/opinion on the review of MMFR.
- 4 Aug 2022 - AMF confirmed application of new ESMA stress tests parameters for MMFs as from Q3 2022. In short, managers to include new parameters linked to interest rate fluctuations in Reporting to French Regulator as from 30 September 2022.

FOR YOUR CONSIDERATION

Lots of debates occurred between pros and cons C-NAV MMFs. Some European Parliament (EP) members/policymakers were not satisfied with final text approved by the EP in April 2015, certainly because CNAV MMFs continue to be offered to retail investors. If C-NAV MMFs continue to exist even though less permissive, the future of those MMFs can be challenged if too expensive to comply with new requirements.

Contact SGSS/SMI: Jean-Pierre Gomez  Jean-Pierre.Gomez@sgss.socgen.com

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

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