FOCUS

MMFR
(Money Market Fund Reform)

Updated in October 2025

SOCIETE GENERALE
Securities Services

MMFR

TO BETTER REGULATE AND SUPERVISE DIFFERENTLY ALL MMFS IN EUROPE

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REGULATORY EVOLUTION

European Commission decided to reform MMF landscape and implement a **new regulation for Money Market Funds (MMFs)** in Europe even though already regulated by the UCITS/AIFM directive.

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

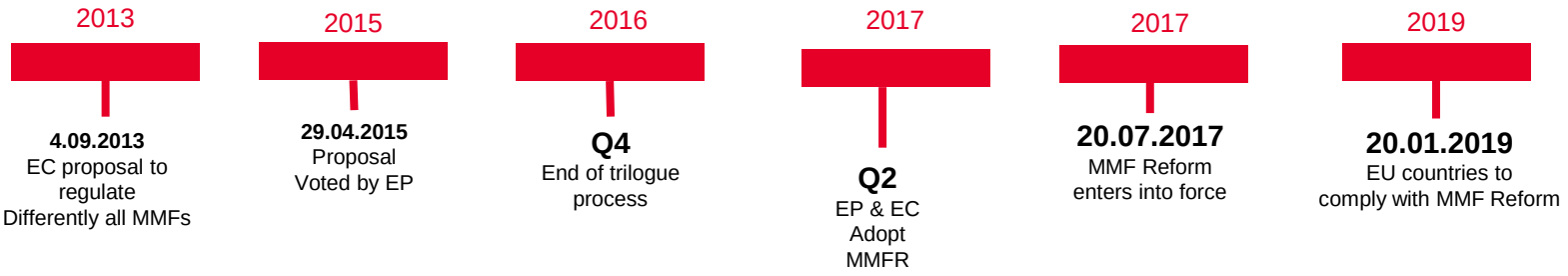
Asset managers/MMFs must:

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 performance and reduce attractiveness of this product for investors, in particular during periods of low and/or negative interest rate.

With the AIFMD II reforms, Money market funds (**MMFs**) must select at least one LMT. The choices must be notified to the CSSF or to the AMF. The list of LMTs is the same as in AIFMD II, with minor terminology differences ("redemption cap" vs. "redemption gate").



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STATEMENT

- MMFR came into force on 20 July 2017 to reinforce investor protection and deal with runs (massive redemption orders) during stressed market periods.
- *15 May 2018* - publication of a reporting template for MMFs managers, setting up standards for reporting general characteristics to identify both the Fund and its manager. It includes information on MMF assets and liabilities, specific portfolio indicators and stress tests.
- *19 July 2019* - ESMA issued two sets of guidelines regarding 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 must transmit to competent authorities.
- *22 June 2020* - ESMA published translations of guidelines on reporting to competent authorities under Art. 37 of Money Market Fund Regulation link. Both CSSF (Sept. 2020) and AMF (Jan. 2021) confirmed using liquidity stress testing of ESMA guidelines.
- 25 Jan 2022 - ESRB issued its recommendation on a new MMF Reform.
- 14 Feb 2022 – Publication of final ESMA report/opinion on MMFR review.
- 4 Aug 2022 - AMF confirmed application of new ESMA stress tests parameters for MMFs as from Q3 2022. In short, managers must include new parameters linked to interest rate fluctuations in Reporting to French Regulator as from 30 September 2022.
- 4 Sept 2023 – ESMA working paper: Bang for (breaking) the buck: Regulatory constraints and money market funds reforms. https://www.esma.europa.eu/sites/default/files/2023-09/ESMA50-524821-2800_ESMA_Working_Paper_-_Bang_for__breaking__the_buck.pdf
- CSSF issued the MMF Reporting Dashboard on 7 November 2023 including overviews on latest developments for the Luxembourg market in the year 2022.
- FCA consults on updating MMF regime (deadline 8 March 2024). Significant increase in the minimum proportion of highly liquid assets and removal of an existing regulatory requirement for important types of MMF.
- 24 April 2024 CSSF published Circular 24/857 to update MMF stress testing to integrate latest ESMA guidelines on stress test scenarios (Art.28 of MMFR)
- 4 June 2024 AMF updated its position DOC-2018-05 to include references to ESMA's guidance on updating stress testing scenarios, in line with MMFR Art. 28.
- **1 April 2025** CSSF 24/857 updated with Circular CSSF 25/877 ESMA Guidelines on stress test scenarios under Article 28 of the Money Market Fund Regulation. The AMF did the same on **May 3rd, 2025,** by updating its position DOC-2018-05 . It applies as from 30 June 2025.

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.
- 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.
- *8 Feb 2021* – EFAMA meeting on new MMF Reform following US Treasury / Bank of England 2020 suggestions. New ESMA CP (closing 30 June 2021) with two other CP - one from FSB on policy proposals to enhance Money Market Fund resilience and one from EBA on criteria to identify shadow banking entities.
- 12 July 2023- US Securities and Exchange Commission (SEC) adopts new MMF Reforms and Amendments to mainly increase minimum liquidity requirements. European Commission might inspire from SEC to propose new changes to current MMF regulation.

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If you want to know more, refer to Fiche To Know More

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