



FOCUS

MMFR

Version 08 – Updated in September 2020

REGULATORY EVOLUTION

European Commission has proposed 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

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

Updated on 16 September 2020

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 proposed this new money market fund regulation (MMFR) in order to reinforce investor protection and help dealing with runs (massive redemption orders) during stressed market conditions.

❑ **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.

❑ **11 December 2018**, ESMA published on its website responses to the Consultation on Draft Guidelines on Stress Test Scenarios under the MMFR (Consultation of 28 September 2018). Discussions keep on going on Art. 37 MMFR (reporting requirements to NCA).

❑ **19 July 2019**, ESMA issued two sets of guidelines regarding the stress testing and reporting to NCAs. 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 have been 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](#). NCA need to notify ESMA whether they want to comply or intend to comply with those guidelines within 2 months of the date of the publication by ESMA

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.

Contact SGSS/SMI: Jean-Pierre Gomez



Jean-Pierre.Gomez@sgss.socgen.com

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

"This document is for informational purposes only. Under no circumstance should it, in whole or in part, be considered as an offer to enter into a transaction. This document is not intended to have an advisory character or intended to represent an investment recommendation or a recommendation regarding a certain strategy, product or service. Although information contained herein is from sources believed to be reliable, Société Générale makes no representation or warranty regarding the accuracy of any information and is not responsible for errors of any kind. Any reproduction, disclosure or dissemination of these materials is prohibited. The products and services described within this document are not suitable for everyone. This document is not intended for use by or targeted at retail customers. All of the products and/or services described may not be available in all jurisdictions"