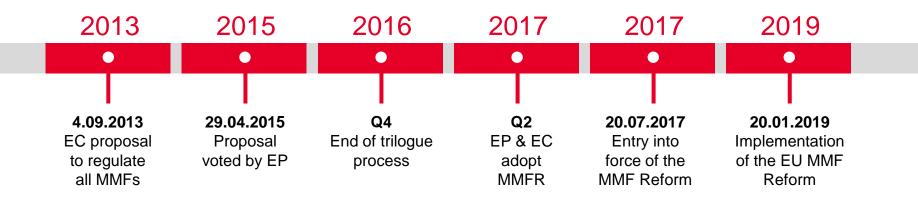






REGULATORY EVOLUTION	FOCAL POINTS
European Commission has proposed to regulate differently and better supervise all Money Market Funds (MMFs) in Europe, whether UCITS or non UCITS. 20 July 2017 : Entry into force of the MMFR published in the EU Journal Official on 30 June 2017. MMFs had until 21 July 2018 to comply with MMFR while existing MMFs have until 21 January 2019 .	 Asset managers/MMFs will have 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.
 Main changes adopted 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). Redemption gates/liquidity fees have been imposed to C-NAV funds. KYC Reporting. External support is prohibited in case of high market turbulence. 	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.





New MMFR came into force on 20 July 2017

Updated on 17 June 2019

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 V/ AIFMD. The European Commission proposed this <u>new money market fund regulation (MMFR)</u> 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 managers of MMFs. 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 test.

□11 December 2018, ESMA published on its website the 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).

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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