



# MMFR

FOCUS

Version 02 – Updated in March2019

### 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**.

#### 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 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.

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 12 March 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 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 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.

Contact SGSS/SMI: Jean-Pierre Gomez



[Jean-Pierre.Gomez@sgss.socgen.com](mailto: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"*