



**EUROPEAN COMMISSION**

DIRECTORATE-GENERAL FOR FINANCIAL STABILITY, FINANCIAL SERVICES AND CAPITAL  
MARKETS UNION

Financial markets  
Asset management

## **CONSULTATION DOCUMENT**

### **TARGETED CONSULTATION ON THE FUNCTIONING OF THE MONEY MARKET FUND REGULATION**

#### **Disclaimer**

This document is a working document of the Commission services for consultation and does not prejudice the final decision that the Commission may take.

The views reflected on this consultation paper provide an indication on the approach the Commission services may take but do not constitute a final policy position or a formal proposal by the European Commission.

The responses to this consultation paper will provide important guidance to the Commission when preparing, if considered appropriate, a formal Commission proposal.

You are invited to reply **by 13 May 2022** at the latest to the **online questionnaire** available on the following webpage:

[https://ec.europa.eu/info/publications/finance-consultations-2022-money-market-funds\\_en](https://ec.europa.eu/info/publications/finance-consultations-2022-money-market-funds_en)

Please note that in order to ensure a fair and transparent consultation process **only responses received through the online questionnaire will be taken into account and included in the report summarising the responses.**

This consultation follows the normal rules of the European Commission for public consultations. Responses will be published in accordance with the privacy options respondents will have opted for in the online questionnaire.

Responses authorised for publication will be published on the following webpage: [https://ec.europa.eu/info/publications/finance-consultations-2022-money-market-funds\\_en](https://ec.europa.eu/info/publications/finance-consultations-2022-money-market-funds_en)

Any question on this consultation or issue encountered with the online questionnaire can be raised via email at [fisma-money-market-funds@ec.europa.eu](mailto:fisma-money-market-funds@ec.europa.eu).

## INTRODUCTION

The [money market funds Regulation](#), fully applicable since January 2019, aims at preserving the integrity and stability of the internal market, by addressing credit and liquidity risks challenges experienced by MMFs during the 2008 crisis, increasing the protection of MMFs investors and enhancing the supervision of MMFs.

The MMF Regulation (EU Regulation 2017/1131) requires the Commission to submit a report to the co-legislators assessing the adequacy of this Regulation from a prudential and economic point of view by summer 2022. This should be based on a robust and comprehensive evaluation of current rules. The following questionnaire aims at complementing the information collected by other initiatives and work (ESMA, ESRB/ECB, FSB) on the functioning of the existing rules on money market funds.

## ABBREVIATIONS

MMF	Money Market Fund
MMFR	<a href="#">Money Market Fund Regulation 2017/1131</a>
NAV	Net Asset Value
MTM	Mark-to-Market
Shadow NAV	NAV per unit or share in accordance with Article 30 of MMFR
Public Debt CNAV	Public Debt Constant Net Asset Value MMF, defined in Article 2(11) of MMFR
LVNAV	Low Volatility Net Asset Value MMF defined in Article 2(12) of MMFR
VNAV	Variable Net Asset Value MMF defined in Article 2(13) of MMFR
Short-term VNAV	VNAV managed as Short Term MMF as per Article 2(14) of MMFR
Standard VNAV	VNAV managed as Short Term MMF as per Article 2(15) of MMFR
DLA	Daily Liquidity Assets ratios
WLA	Weekly Liquidity Assets ratios
WAM	‘weighted average maturity’ as per Article 2(19) of MMFR
WAL	‘weighted average life’ as per Article 2(20) of MMFR
LMTs	Liquidity management tools
EU	European Union
BoE	Bank of England
ECB	European Central bank
FED	Federal Reserve

## CONSULTATION QUESTIONS

### 1. QUESTIONS ADDRESSED TO ALL

1. In your view, what is the impact of the MMFR on the MMF industry in the EU? Please provide quantitative information to the extent possible. Please provide an assessment on a scale 1 to 5

**a) Effectiveness:** Has the Regulation been overall effective in delivering on its objectives in terms of

	Scale 1 to 5 (1=less effective)	Please comment
ensuring the liquidity of the fund is adequate to face redemption requests		
preventing risk of contagion, enhancing the financial stability of the internal market		
increasing MMF investor protection		
reducing first mover advantage incentives in times of stress		
risk management rules		
transparency		
supervision		
Other aspects (please specify)		

Please explain further if necessary  
(max 1.500 characters)

What factors have reduced the effectiveness / rendered the framework less effective than anticipated? Which rules have proven less effective than anticipated?

**b) Efficiency:** Has the framework been cost efficient?

	Scale 1 to 5 (1=less	

	efficient)	
Has the framework been cost efficient?		

Please explain further if necessary  
(max 1.500 characters)

Is there any undue burden created by the MMFR? What scope is there to realise cost efficiencies via further simplification? (max 1.500 characters)

Should enforcement of the rules and supervision be strengthened? (max 1.500 characters)

**c) Relevance:** Is the framework overall relevant? (in terms of evolving objectives and needs, has the market significantly evolved compared to when the MMFR was designed?)

	Scale 1 to 5 (1=less relevant)	
Is the framework overall relevant? (in terms of evolving objectives and needs, has the market significantly evolved compared to when the MMFR was designed?)		

Please explain further if necessary  
(max 1.500 characters)

How relevant is it, or what needs to change, in light of market developments? (max 1.500 characters)

**d) Coherence:**

	Scale 1 to 5 (1=less coherent)	
Is the legislative framework coherent with other related frameworks, at EU level?		

Are existing EU provisions coherent with each other?		
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Please explain further if necessary  
(max 1.500 characters)

**e) EU value-added:** Has intervention at EU level been justified, and does it continue to be justified?

	Scale 1 to 5 (1=less successful)	
What has been the value-added compared to national frameworks?		

Please explain further if necessary  
(max 1.500 characters)

What has been the value-added compared to national frameworks?

2. a) To what extent has MMFR made MMFs more resilient during March 2020 and compared to 2007 (i.e. considering equivalents to MMFs at that time)?

	Scale 1 to 5 (1=less successful)	
To what extent has MMFR made MMFs more resilient during March 2020 and compared to 2007 (i.e. considering equivalents to MMFs at that time)?		

Please, explain, in case you have the experience/information to make such a comparison: (max 1.500 characters)

2. b) Through which channels has MMFR made MMFs more resilient during March 2020 and compared to 2007?

	Scale 1 to 5 (1=less successful)	
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MMFR rules on credit risk		
MMFs asset composition		
Definition of liquidity		
Other (please specify)		

Please, explain, in case you have the experience/information to make such a comparison: (max 1.500 characters)

3. If LVNAV were not available anymore, what impacts would you expect on you, and other relevant stakeholders? Please explain: (max 1.500 characters)
  
4. If Public Debt CNAV MMFs were not available anymore, what impacts would you expect on you, and other relevant stakeholders? Please explain: (max 1.500 characters)
  
5. What elements of the MMFR could in your view be improved and to what degree this is important (on a scale 1 to 5; 1 lower importance):

	To what degree (on a scale 1 to 5)	Please comment
Know your customer policy		
Disclosure / transparency		
Role of credit rating		
Limitations on the use of amortised cost method		
Regulatory triggers for LMTs		
Data sharing		
Scope		
Other		

Please explain further: (max 1.500 characters)

6. What regulatory developments at international level should be taken into account in the MMFR and why? Please explain:

7. Would the [proposal on Liquidity Management Tools](#) under the AIFMD/UCITS review contribute to strengthen the liquidity risk management in MMFs?

Yes, Partially, No, Other.

Please explain: (max 1.500 characters)

8. a) Do you have any comment on the impact of the MMFR on the functioning of short-term markets (via investments in short-term instruments issued by banks, insurances, non-financial corporates, etc.), both in terms of costs/convenience, but also in terms of financial stability/contagion in times of crisis? Please explain further and provide quantitative information if possible.

(max 1.500 characters)

8. b) In your view, is there sufficient transparency both in terms of issuance, underlying collateral and rates of short-term money market instruments in the EU insofar as covered by the MMFR?

Yes, Partially, No, Other.

Please explain: (max 1.500 characters)



**2. QUESTIONS ADDRESSED TO INVESTORS IN MMFS**

9. In which type(s) of EU MMFs do you invest? Please indicate in the respective cell, approximately, the total amount of your holdings in EU MMF converted in EUR.

	Public debt CVNAV	LVNAV	Standard VNAV	Short-term VNAV
Amount in EUR as of 31/12/2021				

10. Which currency do you mostly invest in and for what reasons? Please indicate the percentage share at end of 2021.

	EUR	GPB	US Dollars	Other currencies
Percentage share of your holdings at the end of 2021				
- In LVNAV				
- In Public Debt CNAV				
- In VNAV				

Please explain the reasons:

(max 1.500 characters)

11. What are the reasons/needs for investing in each type of MMFs? Please provide an assessment of importance (1 = not important; 5 =very important).

Reason for investing in EU MMFs	Public debt CNAV	
	Ranking (1 to 5)	Comment
Short-term investment: optimise returns while preserving liquidity		
Margin call management		
Operational use (payment of invoices and bills, etc.)		
Other cash management reasons		

As part of investment products offered to retail investors (life insurance product, pensions products, fund of funds – please specify which one(s) and why		
Regulatory incentives, please specify which one(s) and why		
Tax reasons, please specify which one(s) and why		
Accounting reasons (e.g. Classification in “cash and cash equivalents” investment, others.)		
Other		

Please explain further if necessary:

(max 1.500 characters)

Reason for investing in EU MMFs	LVNAV	
	Ranking (1 to 5)	Comment
Short-term investment: optimise returns while preserving liquidity		
Margin call management		
Operational use (payment of invoices and bills, etc.)		
Other cash management reasons		
As part of investment products offered to retail investors (life insurance product, pensions products, fund of funds – please specify which one(s) and why		
Regulatory incentives, please specify which one(s) and why		
Tax reasons, please specify which one(s) and why		
Accounting reasons (e.g. Classification in “cash and cash equivalents” investment, others.)		

Other		
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Please explain further if necessary:  
(max 1.500 characters)

Reason for investing in EU MMFs	Standard VNAV	
	Ranking (1 to 5)	Comment
Short-term investment: optimise returns while preserving liquidity		
Margin call management		
Operational use (payment of invoices and bills, etc.)		
Other cash management reasons		
As part of investment products offered to retail investors (life insurance product, pensions products, fund of funds – please specify which one(s) and why		
Regulatory incentives, please specify which one(s) and why		
Tax reasons, please specify which one(s) and why		
Accounting reasons (e.g. Classification in “cash and cash equivalents” investment, others.)		
Other		

Please explain further if necessary:  
(max 1.500 characters)

Reason for investing in EU MMFs	Short-term VNAV	
	Ranking (1 to 5)	Comment
Short-term investment: optimise returns while preserving liquidity		
Margin call management		

Operational use (payment of invoices and bills, etc.)		
Other cash management reasons		
As part of investment products offered to retail investors (life insurance product, pensions products, fund of funds – please specify which one(s) and why		
Regulatory incentives, please specify which one(s) and why		
Tax reasons, please specify which one(s) and why		
Accounting reasons (e.g. Classification in “cash and cash equivalents” investment, others.)		
Other		

Please explain further if necessary:  
(max 1.500 characters)

12. What is your investment horizon when investing in these MMFs? Please specify time frame (please indicate “on demand” when you invest in MMF due to keeping a liquid cash balance).

	Investment horizon
Public debt CVNAV	
LVNAV	
Standard VNAV	
Short-term VNAV	

Please explain further if necessary:  
(insert free box - max 1.500 characters )

13. Do the levels of DLA and WLA profile published by MMFs play a role in your investment/disinvestment decision?

Yes, Partially, No.

Please further explain if necessary  
(insert free box - max 1.500 characters )

14. Except for immediate cash needs, what are the most typical reasons why you would divest from a given MMF?

Please provide an assessment of importance (1 = not important; 5 =very important).

	<b>Ranking (1 to 5)</b>	<b>Please explain your answer</b>
a) Drift of risk indicators (WAM, WAL, DLA, WLA)		
b) Fund's recent performance <ul style="list-style-type: none"> <li>o Volatility of the NAV and MTM (shadow) NAV</li> </ul>		
<ul style="list-style-type: none"> <li>o Difference between constant NAV and MTM (shadow) NAV that widens (question relevant for LVNAV and Public Debt CNAV)</li> </ul>		
c) By anticipation due to the market context <ul style="list-style-type: none"> <li>o Risk of non-accessibility or partial access to the cash in case of LMTs being triggered (e.g. suspension, gates)</li> </ul>		
<ul style="list-style-type: none"> <li>o Emerging risks, anticipation of further markets deterioration that may affect the MMF's performance</li> </ul>		

15. Would the mandatory availability of LMTs to pass on the cost of liquidity to redeeming investors be a reassurance to the remaining investors?

Yes, Partially, No.

Please comment  
(max 1.500 characters )

16. If LVNAV were not available anymore, or not available in your preferred currency, what alternative investment(s) would correspond to your needs?

Alternative investments	Please indicate degree of suitability (1 to 5; 5 being most suitable)	Please explain your answer and also indicate why the instruments constitute or do not constitute a relevant alternative investment, focusing on expected costs and other risks or opportunities of such choice (as regards costs, please indicate answer in basis points, if possible).
Bank deposits		
Short-term VNAV		
Standard VNAV		
Public debt CNAV		
EU investment funds other than MMFs (please specify which ones)		
Non-EU MMFs		
Non-EU investment funds other than MMFs (please specify which ones)		
Direct investments in money market instruments (such as short-term treasury bills, etc.)		
Other financial instruments (please		

specify which ones)		
Other		

Please further explain if necessary.  
(max 1.500 characters)

17. If Public Debt CNAV MMFs were not available anymore, or not available in your preferred currency, what alternative investment(s) would correspond to your needs?

<b>Alternative investments</b>	<b>Please indicate degree of suitability (1 to 5; 5 being most suitable)</b>	<b>Please explain your answer and also indicate why the instruments constitute or do not constitute a relevant alternative investment, focusing on expected costs and other risks or opportunities of such choice (as regards costs, please indicate answer in basis points, if possible).</b>
Bank deposits		
Short-term VNAV		
Standard VNAV		
EU investment funds other than MMFs (please specify which ones)		
Non-EU MMFs		
Non-EU investment funds other than MMFs (please specify which ones)		
Direct investments in money market instruments (such as short-term treasury bills, etc. )		

Other financial instruments (please specify which ones)		
Other		

Please further explain if necessary.  
(max 1.500 characters)

18. Do you already invest in these alternative investments? If so, in which ones? Would it be feasible for you to transfer all your MMF holdings into these instruments (if not, why not)?

<b>Alternative investments</b>	<b>Percentage share invested - end 2021</b>	<b>Further comment if necessary</b> (max 1.500 characters)
Bank deposits		
Non-EU MMFs		
Non-EU investment funds other than MMFs (please specify which ones)		
Direct investments in money market instruments		
Other financial instruments (please specify which ones)		
Other		



### 3. QUESTIONS ADDRESSED TO MMFS ASSET MANAGERS

19. Which type(s) of MMFs do you manage, in which currency and for which amount (end of 2021 position converted in EUR)?

	CNAV Total NAV EUR	LVNAV Total NAV in EUR	Standard VNAV Total NAV in EUR	Short-term VNAV Total NAV in EUR
Euro-denominated				
USD-denominated				
GBP-denominated				
Other currencies (please specify)				

20. Do the MMFs you manage invest in debt issued or guaranteed by public authorities or institutions? Could you please specify in the respective cell the amount (end of 2021 position converted in EUR), the country of issuance and the currency?

	Public debt CNAV	LVNAV	VNAV
a) Debt issued or guaranteed by EU public issuers  (Total amount in EUR)			
% of this debt acquired on primary market compared to the NAV of all MMFs			
Country(ies) of issuance			

	Public debt CNAV	LVNAV	VNAV
b) Debt issued or guaranteed by non-EU public issuers (Total amount in EUR)			
Country(ies) of issuance			
% of this debt acquired on primary market compared to the NAV of all MMFs			

21. When monitoring the evolution of the difference between the constant NAV and MTM (shadow) NAV, on a regular basis or during the March 2020 crisis, what actions were/are taken to maintain this difference below the threshold mentioned in Article 33(2)(b) of Regulation 2017/1131 for LVNAV or to maintain a constant NAV for Public Debt CNAV?

	Action taken on a day to day basis	Specific actions taken during the March 2020 crisis
Public debt CNAV		
LVNAV		

22. Can you explain the direct and indirect impacts (on the type of MMF and on the broader markets) of the central banks' intervention since March 2020 up to now? Please specify the central bank your answer refers to (ECB, BoE, FED). Please provide an assessment of importance (1 = low impact; 5 = high impact).

	Ranking (1 to 5)	CNAV

Impact of outright purchases of CP by central banks on cumulative MMFs outflows/inflows		
On prices of short-term financial instruments bought by the ECB/BoE/FED		
Impact on market confidence -decreasing outflows (EUR)		
Other impacts		

	Ranking (1 to 5)	LVNAV
Impact of outright purchases of CP by central banks on cumulative MMFs outflows/inflows		
On prices of short-term financial instruments bought by the ECB/BoE/FED		
Impact on market confidence -decreasing outflows (EUR)		
Other impacts		

	Ranking (1 to 5)	VNAV
Impact of outright purchases of CP by central banks on cumulative MMFs outflows/inflows		
On prices of short-term financial instruments bought by the ECB/BoE/FED		
Impact on market confidence -decreasing outflows (EUR)		

Other impacts		
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Please explain further.  
(max 1.500 characters)