

# Targeted consultation on the functioning of the Money Market Fund Regulation

Fields marked with \* are mandatory.

## Introduction

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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.

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**Please note:** In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact [fisma-money-market-funds@ec.europa.eu](mailto:fisma-money-market-funds@ec.europa.eu).

More information on

- [this consultation](#)
- [the consultation document](#)
- [the abbreviations used in this consultation](#)
- [money market funds](#)
- [the protection of personal data regime for this consultation](#)

## About you

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\* Language of my contribution

- Bulgarian
- Croatian
- Czech
- Danish
- Dutch
- English
- Estonian
- Finnish
- French
- German
- Greek
- Hungarian
- Irish
- Italian
- Latvian
- Lithuanian
- Maltese
- Polish
- Portuguese
- Romanian
- Slovak
- Slovenian
- Spanish
- Swedish

\* I am giving my contribution as

- Academic/research institution
- Business association
- Company/business organisation
- Consumer organisation
- EU citizen
- Environmental organisation
- Non-EU citizen
- Non-governmental organisation (NGO)

- Public authority
- Trade union
- Other

\* First name

Sven

\* Surname

Kasper

\* Email (this won't be published)

skasper@statestreet.com

\* Organisation name

*255 character(s) maximum*

State Street Global Advisors

\* Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

Transparency register number

*255 character(s) maximum*

Check if your organisation is on the [transparency register](#). It's a voluntary database for organisations seeking to influence EU decision-making.

2428270908-83

\* What type of entity are you?

- Financial entity
- Non-financial corporate
- Institutional investor
- Other

\* What type of financial entity are you?

- AIFM
- UCITS management company
- Association representing asset managers
- Bank or credit institution
- Insurance
- Other

\* Please specify what other type of financial entity you are:

*255 character(s) maximum*

Asset Manager

Please describe your entity, including elements with regard to its size (if applicable):

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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\* Country of origin

Please add your country of origin, or that of your organisation.

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- Åland Islands
- Albania
- Algeria
- American Samoa
- Andorra
- Angola
- Anguilla
- Antarctica
- Antigua and Barbuda
- Argentina
- Armenia
- Aruba
- Australia

- Austria
- Azerbaijan
- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Belize
- Benin
- Bermuda
- Bhutan
- Bolivia
- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Chile
- China
- Christmas Island

- Clipperton
- Cocos (Keeling) Islands
- Colombia
- Comoros
- Congo
- Cook Islands
- Costa Rica
- Côte d'Ivoire
- Croatia
- Cuba
- Curaçao
- Cyprus
- Czechia
- Democratic Republic of the Congo
- Denmark
- Djibouti
- Dominica
- Dominican Republic
- Ecuador
- Egypt
- El Salvador
- Equatorial Guinea
- Eritrea
- Estonia
- Eswatini
- Ethiopia
- Falkland Islands
- Faroe Islands
- Fiji
- Finland
- France
- French Guiana
- French Polynesia
- French Southern and Antarctic Lands

- Gabon
- Georgia
- Germany
- Ghana
- Gibraltar
- Greece
- Greenland
- Grenada
- Guadeloupe
- Guam
- Guatemala
- Guernsey
- Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Israel
- Italy
- Jamaica
- Japan
- Jersey
- Jordan
- Kazakhstan

- Kenya
- Kiribati
- Kosovo
- Kuwait
- Kyrgyzstan
- Laos
- Latvia
- Lebanon
- Lesotho
- Liberia
- Libya
- Liechtenstein
- Lithuania
- Luxembourg
- Macau
- Madagascar
- Malawi
- Malaysia
- Maldives
- Mali
- Malta
- Marshall Islands
- Martinique
- Mauritania
- Mauritius
- Mayotte
- Mexico
- Micronesia
- Moldova
- Monaco
- Mongolia
- Montenegro
- Montserrat
- Morocco



- Mozambique
- Myanmar/Burma
- Namibia
- Nauru
- Nepal
- Netherlands
- New Caledonia
- New Zealand
- Nicaragua
- Niger
- Nigeria
- Niue
- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
- Pakistan
- Palau
- Palestine
- Panama
- Papua New Guinea
- Paraguay
- Peru
- Philippines
- Pitcairn Islands
- Poland
- Portugal
- Puerto Rico
- Qatar
- Réunion
- Romania
- Russia

- Rwanda
- Saint Barthélemy
- Saint Helena Ascension and Tristan da Cunha
- Saint Kitts and Nevis
- Saint Lucia
- Saint Martin
- Saint Pierre and Miquelon
- Saint Vincent and the Grenadines
- Samoa
- San Marino
- São Tomé and Príncipe
- Saudi Arabia
- Senegal
- Serbia
- Seychelles
- Sierra Leone
- Singapore
- Sint Maarten
- Slovakia
- Slovenia
- Solomon Islands
- Somalia
- South Africa
- South Georgia and the South Sandwich Islands
- South Korea
- South Sudan
- Spain
- Sri Lanka
- Sudan
- Suriname
- Svalbard and Jan Mayen
- Sweden
- Switzerland
- Syria

- Taiwan
- Tajikistan
- Tanzania
- Thailand
- The Gambia
- Timor-Leste
- Togo
- Tokelau
- Tonga
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda
- Ukraine
- United Arab Emirates
- United Kingdom
- United States
- United States Minor Outlying Islands
- Uruguay
- US Virgin Islands
- Uzbekistan
- Vanuatu
- Vatican City
- Venezuela
- Vietnam
- Wallis and Futuna
- Western Sahara
- Yemen
- Zambia
- Zimbabwe

\* In which jurisdiction are you domiciled?

- an EU or an EEA Member State
- United States of America
- United Kingdom
- Other

\* Field of activity or sector (if applicable)

- Accounting
- Auditing
- Banking
- Credit rating agencies
- Insurance
- Pension provision
- Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- Social entrepreneurship
- Other
- Not applicable

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\* **Contribution publication privacy settings**

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

**Anonymous**

Only the organisation type is published: The type of respondent that you responded to this consultation as, your field of activity and your contribution will be published as received. The name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your name will not be published. Please do not include any personal data in the contribution itself if you want to remain anonymous.

**Public**

Organisation details and respondent details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published. Your name will also be published.

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## 1. Questions addressed to all

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Question 1. In your view, what is the impact of the MMFR on the MMF industry in the EU?

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

	1 (least effective)	2 (rather not effective)	3 (neutral)	4 (rather effective)	5 (most effective)	Don't know - No opinion - Not applicable
Ensuring the liquidity of the fund is adequate to face redemption requests	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Preventing risk of contagion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Enhancing the financial stability of the internal market	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Increasing MMF investor protection	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Reducing first mover advantage incentives in times of stress	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Transparency	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Supervision	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other aspects	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please explain your answer to question 1 a), providing quantitative information to the extent possible:**

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe the framework introduced by the MMFR has proven to be largely effective. This is demonstrated by the fact that during the March/April 2020 market events, investor redemptions from MMFs were met in full, despite the market stress, and no fund was required to impose fees/gates or suspend redemptions.

However, with regards to preventing the risk of contagion, the framework, in particular the link between MMFs' liquidity thresholds and the imposition of fees and gates has proved ineffective. During the March /April 2020 market turmoil, investors prioritised access to liquidity and the 30% WLA requirement effectively became a "bright line" that investors were highly sensitive to. As was noted by ESMA in its 2021 Trends, Risks and Vulnerabilities (TRV) Report, there is evidence indicating that funds with lower WLA faced higher outflows. In practical terms, this resulted in the counterintuitive scenario whereby MMFs had a substantial portion of their portfolio invested in WLA that was unusable. Furthermore, MMFs became forced sellers in a deteriorating market, in order to hold additional liquidity over and above the regulatory thresholds, as a means to further assuage investor concerns.

In addition, the limit imposed by Article 24.1(g), which effectively states that sovereign, supranational or agency debt can only count for up to a maximum of 17.5% of the 30% WLA regulatory requirement for an LVNAV MMF has proven ineffective. In light of market events and with greater focus being placed on short-term MMFs investing in highly liquid securities and having usable liquidity, this appears to be an unnecessary constraint and indeed potentially counterproductive. We firmly believe that securities that are widely-regarded as highly liquid should be treated as such for regulatory purposes.

The enhanced portfolio diversification, transparency and consistency introduced by MMFR also contributed to resilience. This ability to withstand stress protected investors and mitigated contagion risk, thereby enhancing overall financial stability.

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

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As mentioned above, the link between MMFs' liquidity thresholds and the imposition of fees and gates has proved ineffective. During the March/April 2020 market turmoil, investors prioritised access to liquidity and the 30% WLA requirement effectively became a "bright line" that investors were highly sensitive to. While the EU MMFR has built in a 'double trigger' for such actions, i.e. WLA below 30% and net daily redemptions on a single day exceeding 10% of net assets, the 30% minimum requirement became a 'bright line'. This rendered the liquidity buffers, intended to be used in such circumstances, unusable. As a result, some funds had to become forced sellers into a stressed market.

Furthermore, as previously mentioned, the limit imposed by Article 24.1(g) MMFR, which effectively states that sovereign, supranational or agency debt can only count for up to a maximum of 17.5% of the 30% WLA regulatory requirement for an LVNAV MMF, has proven ineffective. In light of market events and with greater focus being placed on short-term MMFs investing in highly liquid securities and having usable liquidity, this appears to be an unnecessary constraint and indeed potentially counterproductive. We firmly believe that securities that are widely-regarded as highly liquid should be treated as such for regulatory purposes.

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

- 1 - Least efficient
- 2 - Rather not efficient
- 3 - Neutral
- 4 - Rather efficient
- 5 - Most efficient
- Don't know / no opinion / not applicable

**Please explain your answer to question 1 b), providing quantitative information to the extent possible:**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The implementation of the MMFR resulted in implementation and adaptation costs for both MMF providers (compliance costs, investor education, MMF operating costs) and end users/end investors (e.g. treasury systems, accounting processes).

**Is there any undue burden created by the MMFR? What scope is there to realise cost efficiencies via further simplification?**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.



In light of our overall view of the effectiveness of the MMF Regulation, we do not believe that there are simplifications that would result in the realization of material cost efficiencies. As stated above, in our view, the MMFR has resulted in the enhancement of MMFs' resilience and therefore we would see no need for further simplification in the pursuit of cost efficiencies. However, in our view, the proposed removal of the link between minimum liquidity thresholds and liquidity fees and gates would enable the regulation to function as originally intended.

## Should enforcement of the rules and supervision be strengthened?

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that the MMFR framework continues to be appropriate with regards to its rules on enforcement and supervision. We therefore see no need to further strengthen these rules.

## 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?)?

- 1 - Least relevant
- 2 - Rather not relevant
- 3 - Neutral
- 4 - Rather relevant
- 5 - Most relevant
- Don't know / no opinion / not applicable

## Please explain your answer to question 1 c), providing quantitative information to the extent possible:

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As demonstrated the levels of AuM in European MMFs (see the response submitted by the Institutional Money Market Funds Association (IMMFA) for AuM statistics), money market funds remain an important and relevant investment vehicle as well as a source of funding.

## How relevant is it, or what needs to change, in light of market developments?

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Based on the experiences from the March 2020 market events, including banks' limited ability to make markets also due to the post-financial crisis prudential reforms, we would recommend considering ways to improve the functioning and transparency of short-term funding markets.

#### d) Coherence

	1 (least coherent)	2 (rather not coherent)	3 (neutral)	4 (rather coherent)	5 (most coherent)	Don't know - No opinion - Not applicable
Is the legislative framework coherent with other related frameworks, at EU level?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Are existing EU provisions coherent with each other?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please explain your answers to question 1 d), providing quantitative information to the extent possible:**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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

- 1 - Least successful
- 2 - Rather not successful
- 3 - Neutral
- 4 - Rather successful
- 5 - Most successful
- Don't know / no opinion / not applicable

**Please explain your answer to question 1 e), providing quantitative information to the extent possible:**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

With the introduction of the MMFR, a harmonised and consistent European framework has been introduced which created greater transparency for MMF providers and their investors. The need for such a harmonised regime continues to justify the intervention at EU level. However, any possible future changes should be very limited and very targeted.

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

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As mentioned above, the introduction of the EU MMFR and the creation of a MMF designation has increased momentum behind EU-wide harmonisation and behind the reduction of national inconsistencies of MMF rules.

**Question 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)?**

- 1 - Least successful
- 2 - Rather not successful
- 3 - Neutral
- 4 - Rather successful
- 5 - Most successful
- Don't know / no opinion / not applicable

**Please explain your answers to question 2 a), in case you have the experience /information to make such a comparison:**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

MMFR was successful in making funds more resilient as demonstrated by the fact that no fund imposed fees, gates or suspensions, unlike the 2007-08 crisis. MMFs continued to serve their purpose and to meet their regulatory requirements. Instead, in March 2020, MMFs continued to perform their important function.

The 2007-08 global financial crisis was an endogenous event, driven by leverage, credit and related solvency concerns over certain large financial institutions to which MMFs, amongst others, had significant exposure. The COVID- crisis was, in contrast, an exogenous event unrelated to inappropriate risk taking by either MMFs or any other sector. The resulting liquidity shock was disruptive for MMFs but did not originate with them.

MMFR liquidity requirements ensured that MMFs held cash buffers which were more than adequate to meet elevated outflows. The problem for LVNAV MMFs was not a lack of liquidity but the fact that the liquidity was rendered effectively unusable by the 'bright line': as funds approached the 30% minimum liquidity threshold, investors felt incentivised to redeem.

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

	1 (least successful)	2 (rather not successful)	3 (neutral)	4 (rather successful)	5 (most successful)	Don't know - No opinion - Not applicable
MMFR rules on credit risk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
MMFs asset composition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Definition of liquidity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please specify to what other channel(s) you refer in your answer to question 2 b):**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As set out above, the events in 2020 were fundamentally different from those in 2007-08. The former was driven by an exogenous systemic liquidity shock not a credit event. However, rules on portfolio composition helped ensure that MMFs, particularly short-term MMFs, continue to hold very high credit quality, diversified assets.

MMFR liquidity requirements ensured that MMFs held cash buffers which were more than adequate to meet elevated outflows. However, some provisions, such as the gate/fee provisions, were largely conceived to deal with idiosyncratic risks within specific funds; the nature of the exogenous shock meant that these rules created procyclical pressures. The problem was not a lack of fund liquidity but the fact that the liquidity was rendered effectively unusable by the 'bright line' which meant that buffers could not be used as intended.

**Please explain your answers to question 2 b), in case you have the experience /information to make such a comparison:**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In our view the 17.5 % cap on government debt that may be counted as liquidity for an LVNAV or PDCNAV should be removed. This appears to be an unnecessary constraint. High quality government securities are the most liquid under stress and this cap places an arbitrary limit on their ability to contribute to liquidity.

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**Question 3. If LVNAV were not available anymore, what impacts would you expect on you, and other relevant stakeholders? Please explain:**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

MMFs are important for overnight cash investors as an alternative to bank balance sheet deposits. If LVNAV were not available anymore, the result would be a more limited set of MMF alternatives. In particular, as banks are already under pressure to absorb the deposits already in the banking system, there simply may not be enough options for overnight cash investments. This risk may be compounded during periods of market volatility/ stress when banks will be less willing to take on additional deposits or make markets in critical funding markets.

Regarding investing directly in underlying money market instruments, not all investors have this capability. For those that do, they are potentially exposing themselves to liquidity and counterparty risk. When invested in MMFs, investors will benefit from the counterparty risk diversification and laddered maturity within the fund. In addition, MMFs are a highly cost-efficient way to invest short-term cash given their trading size and volume.

Furthermore, there are certain investors who, in their search-for-yield and taking into account the above, may seek alternatives in less visible and more thinly-regulated parts of the market. We believe this would be a sub-optimal outcome from a policy and market stability perspective.

Lastly, moving from LVNAV to VNAV would require managers to close their funds earlier in order to produce a VNAV in a timely fashion. Limiting liquidity and accessibility for investors would be the result.

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#### **Question 4. If Public Debt CNAV MMFs were not available anymore, what impacts would you expect on you, and other relevant stakeholders? Please explain:**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

PDCNAVs perform an important function in providing investors with choice and have a proven track record of resilience. Importantly, some investors can only invest in PDCNAVs. The removal of PDCNAVs would leave investors with the same alternatives as above. These are subject to significant capacity constraints (e.g. deposits), additional risks (longer term investments) and/or resource allocation (direct investment) or less transparency and regulation (other alternatives).

Also, investors value PDCNAVs' stable NAV. If PDCNAVs weren't available anymore, investors would have to invest directly into debt securities which would potentially expose them to mark-to-market volatility and the resulting additional complexity and risk of capital losses.

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#### **Question 5. What elements of the MMFR could in your view be improved?**

Please select as many answers as you like

- 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

**To what degree is it important to improve the disclosure and/or the transparency?**

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

**Please explain your answer about the improvement of the disclosure and/or the transparency:**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

MMFs provide a high level of transparency to both investors and regulators. While investors have access to detailed portfolio metric on fund websites, regulators receive detailed information on funds' assets and liabilities.

We therefore do not see a need to further enhance MMFs' disclosure and transparency requirements. However, given the observed issues in the short-term funding markets in March/April 2020, we would recommend and support efforts to enhance the transparency in the short-term funding markets including market data and more post trade information.

**To what degree is it important to improve the role of credit rating?**

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

**Please explain your answer about the improvement of the role of credit rating:**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As a member of IMMFA, all of our MMFs already have a AAA rating from one or more European regulated credit rating agency. These ratings are valued by the funds' investors.

Against the background of possible MMF reform, we do not see a need to change/improve the role of fund ratings. Ratings did not play a role in the March/April 2020 events. Having a fund rating instead provides an additional layer of oversight by an independent third party thereby contributing and supporting the overall objective of the MMF Regulation to enhance MMFs' resilience.

### **To what degree is it important to improve the limitations on the use of amortised cost method?**

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

### **Please explain your answer about the improvement of the limitations on the use of amortised cost method:**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We do not support the removal of the amortised cost method.

Under the current MMF framework, funds can make use of the method for the portion of the portfolio which is 75 days or fewer and where the value is within 10 bps of the mark-to-market. In line with the wider industry, we consider this to be an appropriate accounting valuation mechanism.

Limiting or removing of the ability to use amortised cost accounting could become a policy option as long as funds continue to be able to round to two decimal points in order to minimise price volatility. Otherwise, introducing price volatility would represent a significant and disruptive change for investors who would be likely to move out of MMFs.

### **To what degree is it important to improve the regulatory triggers for LMTs?**

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

## Please explain your answer about the improvement of the regulatory triggers

### for LMTs:

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As set out above, we believe that the link between using LMTs and the minimum liquidity thresholds should be removed in a targeted reform. In line with the MMF industry, we agree that some form of redemption fee is the preferred way of imposing a transaction cost on shareholders leaving the fund and ensuring that remaining shareholders are fairly treated and are supportive of the recommendations which allow flexibility of choice between different types of LMT.

With regards to triggering LMTs, we believe that fund managers and fund boards are best placed to decide on the timing and calibration of LMTs in the best interest of fund shareholders. We therefore do not agree with proposals that the use of LMTs should be determined by the relevant national competent authority (NCA).

## To what degree is it important to improve the data sharing?

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

## Please explain your answer about the improvement of the data sharing:

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Having access to accurate and relevant data in a timely manner is key for regulators to be able to identify risks in the system and to assess market events. We therefore support the detailed reporting framework for managers that was introduced by the EU MMFR. It not only requires quarterly reporting by the fund, but also gives national competent authorities (NCAs) the power to request data ad hoc more frequently. Such requests were frequently made during the March/April 2020 market turmoil.

Based on the existing requirements and reporting powers for NCAs, we do not see a need for additional reporting requirements and do not believe that they would further enhance fund resilience and/or add value for investors.

## To what degree is it important to improve the scope?

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important

- 5 - Very important
- Don't know / no opinion / not applicable

**Please explain your answer about the improvement of the scope:**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We think the scope of MMFR is clear and needs no further improvement.

---

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

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

---

**Question 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
- Don't know / no opinion / not applicable

**Please explain your answer to question 7:**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Given that the AIFMD review is still going through the legislative process, its outcome is difficult to predict. However, in line with our comments above, we do not support proposals to let national competent authorities determine when to use LMTs. We believe that the fund manager and fund board should have discretion over when to deploy LMTs and how to determine the specific calibration, within the overall framework and in the best interests of investors.

A possible compromise could be ESMA's suggestion that LMTs should be activated by the fund manager with criteria for use to be included in a delegated act. We would support this approach, provided it is principles-based and not overtly granular and agree with ESMA's point that it is important not to create new threshold risks.

However, further industry work is required to develop the criteria and we would welcome the opportunity to contribute to such efforts.

---

**Question 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:**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

MMFs provide a vital source of funding to a wide range of issuers. This funding is difficult to replace by other sources. If a substantial shift out of MMFs were to occur, it is likely that this would have implications for funding to the real economy as an important source of liquidity would be withdrawn.

The functioning of the short-term funding markets remains reliant on the role of banks as intermediator. It is beyond the scope of the MMFR review, but we would encourage policymakers to consider the underlying market structural issues and the role of prudential regulation in incentivising broker-dealers to continue to make markets during times of stress.

**Question 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
- Don't know / no opinion / not applicable

**Please explain your answer to question 8 b):**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

## **2. Questions addressed to investors in MMFs**

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**Question 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				



**Question 10. Which currency do you mostly invest in and for what reasons?**

**Please indicate the percentage share of your holdings at the end of 2021:**

	<b>EUR</b>	<b>GPB</b>	<b>US Dollars</b>	<b>Other currencies</b>
In LVNAV				
In public debt CNAV				
In VNAV				



## Please explain your answer to question 10:

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

---

## Question 11. a) What are the reasons/needs for investing in **public debt CNAV** ?

Please select as many answers as you like

- 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

---

## Question 11. b) What are the reasons/needs for investing in **LVNAV**?

Please select as many answers as you like

- 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
- 

**Question 11. c) What are the reasons/needs for investing in standard VNAV?**

Please select as many answers as you like

- 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
- 

**Question 11. d) What are the reasons/needs for investing in short-term VNAV?**

Please select as many answers as you like

- 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
-

**Question 12. What is your investment horizon when investing in these MMFs?**

**Please specify time frame and please indicate “on demand” when you invest in MMF due to keeping a liquid cash balance:**

	<b>Investment horizon</b>
Public debt CVNAV	
LVNAV	
Standard VNAV	
Short-term VNAV	

**Please explain your answer to question 12:**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

---

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

- Yes
- Partially
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 13:**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

---

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

**a) Drift of risk indicators (WAM, WAL, DLA, WLA)**

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

**Please explain your answer to question 14 a):**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**b) Fund's recent performance**

**Volatility of the NAV and MTM (shadow) NAV**

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

**Please explain your answer to question 14 b) on volatility of the NAV and MTM (shadow) NAV:**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Difference between constant NAV and MTM (shadow) NAV that widens (question relevant for LVNAV and Public Debt CNAV)**

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

**Please explain your answer to question 14 b) on the difference between constant NAV and MTM (shadow) NAV that widens (question relevant for LVNAV and Public Debt CNAV):**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

c) By anticipation due to the market context

**Risk of non-accessibility or partial access to the cash in case of LMTs being triggered (e.g. suspension, gates)**

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

**Please explain your answer to question 14 c) on risk of non-accessibility or partial access to the cash in case of LMTs being triggered (e.g. suspension, gates):**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Emerging risks, anticipation of further markets deterioration that may affect the MMF's performance**

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

**Please explain your answer to question 14 c) on emerging risks, anticipation of further markets deterioration that may affect the MMF's performance:**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

---

**Question 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
- Don't know / no opinion / not applicable

**Please explain your answer to question 15:**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

---

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

Please select as many answers as you like

- Bank deposits
- Short-term VNAV
- Standard VNAV
- Public debt CNAV
- EU investment funds other than MMFs
- Non-EU MMFs



- Non-EU investment funds other than MMFs
- Direct investments in money market instruments (such as short-term treasury bills, etc.)
- Other financial instruments
- Other

**Please further explain your answers to question 16 if necessary:**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

---

**Question 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?**

Please select as many answers as you like

- Bank deposits
- Short-term VNAV
- Standard VNAV
- EU investment funds other than MMFs
- Non-EU MMFs
- Non-EU investment funds other than MMFs
- Direct investments in money market instruments (such as short-term treasury bills, etc.)
- Other financial instruments
- Other

**Please further explain your answers to question 17 if necessary:**

*1500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.



**Question 18. Do you already invest in these alternative investments? If so, in which ones?**

	<b>Percentage share invested (end 2021)</b>	<b>Further comment if necessary</b>
Alternative investments		
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 (please specify which ones)		

**Question 18 a) Would it be feasible for you to transfer all your MMF holdings into these instruments?**

- Yes
- No
- Don't know / no opinion / not applicable

### **3. Questions addressed to MMFs asset managers**

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

	<b>CNAV - Total NAV EUR</b>	<b>LVNAV - Total NAV in EUR</b>	<b>Standard VNAV - Total NAV in EUR</b>	<b>Short-term VNAV - Total NAV in EUR</b>
Euro-denominated		6,415,678,258	477,934,775	
USD-denominated	939,259,585	15,084,850,265		
GBP-denominated		4,543,888,136		
Other currencies (please specify)				

**Question 20. Do the MMFs you manage invest in debt issued or guaranteed by public authorities or institutions?**

Please select as many answers as you like

- Debt issued or guaranteed by EU public issuers
- Debt issued or guaranteed by non-EU public issuers

**a) Debt issued or guaranteed by EU public issuers**

	<b>Public debt CNAV</b>	<b>LVNAV</b>	<b>VNAV</b>
Total amount of debt in EUR		3,228,846,096	40,000,000
% of this debt acquired on primary market compared to the NAV of all MMFs		4.06%	0.07%
Country(ies) of issuance		AUSTRIA, BELGIUM FRANCE, NETHERLANDS, LUXEMBOURG, GERMANY	AUSTRIA, LUXEMBOURG

**b) Debt issued or guaranteed by non-EU public issuers**

	<b>Public debt CNAV</b>	<b>LVNAV</b>	<b>VNAV</b>
Total amount of debt in EUR	689,794,231	1,014,190,635	
% of this debt acquired on primary market compared to the NAV of all MMFs	UNITED STATES	UNITED KINGDOM UNITED STATES	
Country(ies) of issuance		0.02%	



**Question 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?**

	<b>Action taken on a day to day basis</b>	<b>Specific actions taken during the March 2020 crisis</b>
Public debt CNAV	No action needed	No action needed
LVNAV	Managing liquidity and duration through asset purchases, sales and maturities depending on liquidity and client flows	Managed liquidity and duration through asset sales

**Question 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?**

**a) CNAV:**

	1 (low impact)	2 (rather low impact)	3 (neutral)	4 (rather high impact)	5 (very high impact)	Don't know - No opinion - Not applicable
Impact of outright purchases of CP by central banks on cumulative MMFs outflows/inflows	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
On prices of short-term financial instruments bought by the ECB /BoE/FED	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Impact on market confidence -decreasing outflows (EUR)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Other impact(s)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please specify the central bank your answer to question 22 a) refers to (ECB, BoE, FED):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

FED

**B) LVNAV:**

	1 (low impact)	2 (rather low impact)	3 (neutral)	4 (rather high impact)	5 (very high impact)	Don't know - No opinion - Not applicable
Impact of outright purchases of CP by central banks on cumulative MMFs outflows/inflows	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
On prices of short-term financial instruments bought by the ECB /BoE/FED	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Impact on market confidence -decreasing outflows (EUR)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other impact(s)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please specify the central bank your answer to question 22 b) refers to (ECB, BoE, FED):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The US Fed's program had significant impact on US registered funds and indirect impact on UCITs funds. The ECB & BoE did not have any direct impact CP market but did have indirect impact. Prices did improve as central banks announced purchase programs. Confidence did increase as central bank programs were announced and implemented

**C) VNAV:**

	1 (low impact)	2 (rather low impact)	3 (neutral)	4 (rather high impact)	5 (very high impact)	Don't know - No opinion - Not applicable
Impact of outright purchases of CP by central banks on cumulative MMFs outflows/inflows	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
On prices of short-term financial instruments bought by the ECB /BoE/FED	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Impact on market confidence -decreasing outflows (EUR)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other impact(s)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please specify the central bank your answer to question 22 c) refers to (ECB, BoE, FED):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The US Fed's program had significant impact on US registered funds and indirect impact on UCITs funds. The ECB & BoE did not have any direct impact CP market but did have indirect impact. Prices did improve as central banks announce purchase programs. Confidence did increase as central bank programs were announced and implemented.

## Additional information

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Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) below. **Please make sure you do not include any personal data in the file you upload if you want to remain anonymous.**

The maximum file size is 1 MB.

You can upload several files.

Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

### Useful links

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## Contact

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