

# 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

Tim

\* Surname

Kreutzmann

\* Email (this won't be published)

tim.kreutzmann@bvi.de

\* Organisation name

*255 character(s) maximum*

BVI

\* 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.

96816064173-47

\* What type of entity are you?

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

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

255 character(s) maximum

German Investment Fund Association

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.

**\* Country of origin**

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

- Afghanistan
- 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

\* Please specify the EU or EEA Member State you are domiciled in:

- AT - Austria
- BE - Belgium
- BG - Bulgaria

- HR - Croatia
- CY - Cyprus
- CZ - Czechia
- DK - Denmark
- EE - Estonia
- FI - Finland
- FR - France
- DE - Germany
- EL - Greece
- HU - Hungary
- IE - Ireland
- IT - Italy
- LV - Latvia
- LT - Lithuania
- LU - Luxembourg
- MT - Malta
- NL - Netherlands
- PL - Poland
- PT - Portugal
- RO - Romania
- SK - Slovak Republic
- SI - Slovenia
- ES - Spain
- SE - Sweden
- IC - Iceland
- LI - Liechtenstein
- NO - Norway
- CH - Switzerland

\* 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

The Commission will publish all contributions to this targeted consultation. You can choose whether you would prefer to have your details published or to remain anonymous when your contribution is published. **For the purpose of transparency, the type of respondent (for example, 'business association, 'consumer association', 'EU citizen') is always published. Your e-mail address will never be published.** Opt in to select the privacy option that best suits you. Privacy options default based on the type of respondent selected

### \* 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.

I agree with the [personal data protection provisions](#)

## 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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Transparency	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Supervision	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input 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 checked="" 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.

- MMFR has proven effective in delivering its objectives as shown during market events in March 2020 at the outset of the Covid-19 lockdowns in Europe. MMFs were regarded as safe havens by investors during the crisis. Especially, LVNAV EUR and GBP MMFs were very high in demand as investors faced market turmoil during March and April 2020 and needed to navigate limited visibility and high uncertainty in terms of liquidity needs in this kind of environment.
- MMFR seems well understood and recognized by global investors.
- The transparency and frequency of reporting of key fund data are regarded as role model for other asset classes.
- Overall, 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.

- Provisions which did not operate as intended were specifically the link between liquidity thresholds and the role of redemption fees and gates. This introduced an element of procyclicality and unwarranted noise in the sentiment.
- The increased level of reporting and transparency requirements as well as the required additional research and risk resources have increased the cost base for MMFs and contributed to a consolidation of MMF strategies within the industry. Consequently, investors and capital are more concentrated in fewer portfolios.

**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 introduction of MMFR has incurred implementation costs on all involved parties, such as asset managers, platforms, distributors, and investors.
- However, these costs were largely mitigated by money market fund consolidation with better economies of scale, as described in the prior section.
- But further changes may again result in additional costs to the end users.
- As MMFR has proven to be very positive in enhancing fund resilience and acceptance by investors we would see no need for further simplification.

### **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.

### **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.

- Given that MMFs continued to operate as intended despite the widespread market stress caused by the March 2020 crisis, we see no case for strengthening supervision.

### **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.

- The MMF framework is highly relevant given the continued growth of MMFs.
- This is particularly true for LVNAV offerings that are usefull and provide great value to investors.

## **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.

- Proposals for higher liquidity levels or recommendations of minimum public debt quotas should consider the reduced bank appetite for either secured or unsecured cash around reporting dates.
- The introduction of Basel III and EMIR have made liquidity and HQLA more important and created additional challenges for MMFs around reporting dates when short term funding markets function less well as a result of such regulation.
- Policymakers should seek to improve the functioning of the short-term funding markets in the EU.
- Changes in the interest rate environment and liquidity conditions have intensified substantially over the recent years and demand a great level of flexibility for money market fund managers to stay strongly aligned with the objectives of the MMFR.
- While 3M Euribor rate moderately fluctuated within the range of -0.15% to -0.60%; 3M USD Libor was significantly influenced by central bank activity moving from 2.8% to 0.1% and back up to 1.4%. In a similar but more muted fashion 3M GBP Libor declined from 0.9% to 0.0% before rising back up to almost 1.3%.
- Tighter restrictions on instruments such as min. quotas for public debt limit the flexibility for managers to navigate these changes.

#### 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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Are existing EU provisions coherent with each other?	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input 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.

- The introduction of Basel III and EMIR have made liquidity and HQLA more important and created additional challenges for MMFs around reporting dates when activities in short-term funding markets are subdued as a result of such regulation.
- This should be taken into recognition and improvements on short-term markets seem to be warranted. An isolated change of MMF regulation will not help in finding a solution to this issue.

**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.

- A base level of consistency across national EU member jurisdictions has been achieved by MMFR and this was justified.
- A "money market fund" label can be regarded as a great success of EU intervention.
- While there is still some divergence between EU member states based on investor preference for a certain type of MMF, a minimum standard has been set and investors may make informed investment choices across a range of products that suit their needs and risk appetite.

**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.

**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.

- No regulation could have anticipated the global economic shutdown which resulted from measures to contain the COVID crisis.
- Comparisons between the crises are not appropriate as the 2007-08 global financial crisis was an endogenous event, driven by credit and related solvency concerns over certain large financial institutions to which MMFs, amongst others, had significant exposure. The 2020-COVID-crisis was an exogenous event, not caused by inappropriate risk taking by either MMFs or any other sector.
- MMFR was successful in making funds more resilient, as shown by the fact that there were no fund-imposed fees, gates or suspensions. MMFs continued to serve their purpose and met their regulatory requirements exactly as intended.
- MMFR liquidity requirements ensured that MMFs held cash buffers which were more than adequate to meet elevated outflows.
- In general, the commercial paper market faced disrupted secondary markets and received little or no benefit from various asset purchase programmes. However, despite the challenges, all funds stayed within their MMFR basis pricing parameters.

**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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input checked="" type="radio"/>	<input 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.

- The gate/fee provisions create procyclical pressures. The challenge is not a lack of liquidity but the fact that the liquidity may be judged effectively unusable by the construction of MMFR.

**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.

- As liquidity conditions can vary significantly at different times (such as reporting dates), managers should have sufficient tools and flexibility to manage liquidity in those changing conditions.
- We question the rationale for differences in the definition of liquidity between MM fund types and for a 17.5% cap for government securities as those securities are the most liquid under stress and this cap places an arbitrary limit on their ability to contribute to liquidity. In our view, this may be contradictory to the targeted objectives as e.g., a minimum quota for public debt is limiting the flexibility for the manager to navigate a change in market conditions.

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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.

- If the LVNAV in its current form were no longer available, we expect that many investors would leave the MMF sector altogether and potentially move into unregulated markets.
- There will be accounting obstacles and increased costs associated with any transition from LVNAV to VNAV and PDCNAVs do not currently offer a scalable alternative except in USD.
- Furthermore, this could have a significant impact on issuer funding and Euribor levels.
- The accounting treatment of LVNAV as cash or cash equivalent is vital and a cornerstone of the value proposition to the investors. Loss of the ability to transact at a largely predictable price would create deep uncertainty around this. In some jurisdictions, such as France and the US, cash equivalence has been granted to variable or floating NAV MMFs, but there is no single authority in Europe to provide clarity more broadly. Moving the LVNAV to a floating NAV could therefore be deeply disruptive for investors and in any way result in a faster pace of consolidation and thereby increased investor concentration with fewer providers.
- Direct investing is limited to only those investors with the scale, credit resources, and settlement capabilities to manage a portfolio. Such investors are unlikely to match the diversification or market execution of an MMF. Crucially, capacity constraints on bank deposits may mean investors are forced into less transparent, less regulated alternatives.

**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.

- We currently do not offer any significant amount of PDCNAV funds due to lack of supply and low returns.
- However, we suspect that 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).

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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 "know your customer policy"?**

- 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 "know your customer policy":**

*1500 character(s) maximum*

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

- KYC is already an important part of the fund manager's role and provides an invaluable tool in predicting investor behavior and likely redemption patterns.
- Predicting likely redemption behaviour on the basis of generic categorizations can be misleading as this can vary by sector. Managers of MMFs are best positioned to understand and anticipate the specificities of their investors and to keep an ongoing flow of communication with them.
- This remains an ongoing priority.

**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 are already showing a very advanced level of transparency towards investors, distributors and regulators.
- Especially, the bi-weekly transparency reporting for MMFs, which offers portfolio-specific information and key statistics to our investors is highly regarded by them.

**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.

- Fund ratings are a prerequisite for most of our investor base and are widely used and embedded in the investment guidelines of many institutional investors.
- Fund ratings also bring the added benefit of additional transparency on data and they provide an additional layer of oversight by skilled professionals which is aligned with and enhances and supports the MMF regulation.

**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.

- Amortised cost is considered to be an appropriate valuation for shortterm high-quality securities generally held to maturity.
- LVNAV funds apply amortising cost only to assets 75 days or less and where the value is within 10 bps of the market to market. The entire portfolio is marked to market daily to calculate deviation and the comparison provides a useful check that fair value is being represented.
- Hence, a sound daily valuation process which is based on market value seems warranted in the current framework.
- This mechanism is a means of reducing volatility, allowing investors more predictability and smoothing out accounting gains or losses.
- The ability to transact at a predictable price is a vital component of the LVNAV structure and therefore a shift to variable NAV would be deeply disruptive for investors, likely to may cause a shift out of MMFs which in turn could impact funding to issuers.

**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.

- Given that the linkage between the possible use of LMT and minimum liquidity thresholds inadvertently resulted in procyclicality, this linkage should be removed in a targeted reform.
- We welcome recommendations which allow flexibility of choice between different types of LMT.
- The choice, timing, and calibration of LMTs should rest with the fund manager and board who are best able to apply them in the best interest of investors and have faster access to relevant information.
- Not all available LMTs seem feasible for MMFs which mostly offer T+0 or T+1 settlement. From our assessment it seems very challenging to integrate a swing pricing mechanism into to T+0 and T+1 order settlement process as the time frame for valuation of transactions and the portfolio positions, quality check of valuation errors and execution of client redemptions is already very short. Embedding a swing pricing mechanism into this short-term process and time span may cause unintended instability of the process.
- Hence, we would like to stress the point that some LMTs like liquidity fees seem better suited for MMFs than others like swing pricing.

## 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.

- A lot of data is already being shared to investors and NCAs, but the industry could enhance those efforts if required.
- However, we are convinced that additional reporting does not directly contribute to fund resilience and, most importantly, does not affect investor incentives to redeem.

## 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 do not see any need to change the scope of MMFR.

---

**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.

- In the US, PDCNAV MMFs are eligible for investment by CCPs as they invest almost exclusively in assets which meet the CCP investment criteria (highly liquid, minimal credit and market risk). This should be included in any update to MMFR in Europe as well.

- Moreover, ongoing work to enhance the functioning of short-term funding markets, should be taken into consideration during any changes to MMFs which are only one player in the short-term financial market. Improvements in the liquidity of underlying markets would probably have the biggest positive benefit to MMF resilience.

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**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.

- The AIFMD/UCITS review provides for a harmonised list of LMTs, some of which are not appropriate for MMFs, e.g. redemptions in kind and side pockets. Other options, such as fees, gates, suspensions, may be more appropriate for MMFs.
- The fund manager and 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.
- We are supportive of recommendations which allow flexibility of choice between different types of LMT.

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**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. Through their purchases of ECP and CDs MMFs provide borrowers with a reliable source of cost efficient and flexible short-term issuance in EUR, USD and GBP as well as other smaller currencies. This funding seems not replaceable by other sources.
- MMFs also provide substantial overnight funding to banks through the reverse repo market, allowing banks an important and cost-effective funding tool for their trading books. 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 was withdrawn.
- The functioning of the short-term funding markets remains reliant on the role of banks as intermediators. Hence it became dysfunctional in March 2020.
- Policy makers should consider the underlying market's 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.

- The short-term market is an OTC-dealer-intermediated market. There is no single source of trading information which makes price discovery challenging compared with other markets such as fixed income or equity.
- More transparency on issuers outstanding and levels would be helpful for MMFs. Greater level of transparency would likely improve overall liquidity by aiding price discovery.

## 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:**

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

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**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.

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## 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.

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**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.

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**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				
USD-denominated				
GBP-denominated				
Other currencies (please specify)				

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**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
-

**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?**

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

**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:**

	<b>1</b> (low impact)	<b>2</b> (rather low impact)	<b>3</b> (neutral)	<b>4</b> (rather high impact)	<b>5</b> (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 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 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 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.

**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 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 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 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.

**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 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 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 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.

## 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

**ac51ce7c-31e5-4165-840c-c556f99397fd/BVI\_REPLY\_2022-money-market-funds-consultation-document.pdf**

### Useful links

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

[Consultation document \(https://ec.europa.eu/info/files/2022-money-market-funds-consultation-document\\_en\)](https://ec.europa.eu/info/files/2022-money-market-funds-consultation-document_en)

[Abbreviations \(https://ec.europa.eu/info/files/2022-money-market-funds-abbreviations\\_en\)](https://ec.europa.eu/info/files/2022-money-market-funds-abbreviations_en)

[More on money market funds \(https://ec.europa.eu/info/business-economy-euro/growth-and-investment/investment-funds\\_en#mmf\)](https://ec.europa.eu/info/business-economy-euro/growth-and-investment/investment-funds_en#mmf)

[Specific privacy statement \(https://ec.europa.eu/info/files/2022-money-market-funds-specific-privacy-statement\\_en\)](https://ec.europa.eu/info/files/2022-money-market-funds-specific-privacy-statement_en)

[More on the Transparency register \(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en\)](http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

## **Contact**

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