Frankfurt am Main,
7 August 2017

BVI's response to ESMA's consultation paper on draft technical advice, implementing technical standards and guidelines under the MMF Regulation (ESMA34-49-82)

BVI[1] takes the opportunity to present its views on ESMA's proposals regarding different measures for the implementation of the new EU regulatory framework on money market funds (MMF). Before we answer the questions of the consultation paper, we would like to make the following general remarks:

We welcome the major efforts made so far by ESMA to provide detailed proposals for technical advice (TA) on reverse repurchase agreement and credit quality assessment, implementing technical standards (ITS) on the establishment of a reporting template and guidelines on stress test scenarios within a very challenging deadline. However, we see the need to analyse the proposals carefully and with a stronger focus on the different timelines required by the Money Market Fund Regulation (MMFR) and the timetable proposed by ESMA.

- According to Article 15(7) MMFR, the delegated act to supplement the MMFR by specifying quantitative and qualitative liquidity and credit quality requirements applicable to certain assets of a reverse repurchase agreement shall be adopted no later than 21 January 2018. This means that ESMA's TA must be submitted to the Commission at a considerably earlier date. In this respect, we strongly support ESMA's preferred solutions on credit quality and liquidity requirements. However, we propose some improvement with regard to the liquidity requirements. **In particular, we strongly disagree with the proposed reference to banking regulation such as haircut policies established by the Basel Committee given the fundamental differences between the business model and market practices of banks and MMFs.**

- There is no special timeline for the adoption of the delegated act for the credit quality assessment under Article 22 MMFR, even though these requirements shall apply from 21 July 2018. While it is the Commission's established practice to adopt delegated acts well before the date of application of a Regulation, we also see a time pressure for this TA. **However, we expressly request ESMA to fundamentally review the given proposals for the credit quality assessments**. In particular, the proposed transfer of requirements established for credit rating agencies (CRAs) is neither imperative nor appropriate for manager of MMFs. This applies all the more as the requirements of the MMFR in comparison with the requirements of the Regulation on credit rating agencies are completely different and with a focus on a more "principle-based" regulatory approach. In this context, it is entirely sufficient to reference to the standards and practices established in the asset management sector such as the IOSCO's report[2] on reducing reliance on CRAs in the asset management and the processes required by the Directive 2013/14/EU[3].

[1] BVI represents the interests of the German investment fund and asset management industry. Its 100 members manage assets of EUR 2.9 trillion in UCITS, AIFs and discretionary mandates. As such, BVI is committed to promoting a level playing field for all investors. BVI members manage, directly or indirectly, the investments for 50 million private clients in over 21 million households. BVI's ID number in the EU Transparency Register is 96816064173-47. For more information, please visit www.bvi.de/en.
[2] https://www.iosco.org/library/pubdocs/pdf/IOSCOPD488.pdf.
[3] http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0014&from=EN.

- According to Article 37(4) MMFR, ESMA shall submit a draft ITS on the establishment of a reporting template to the Commission only by 21 January 2018. In order to be able to evaluate the detailed draft reporting templates in full **we request ESMA to postpone the deadline for the consultation of the reporting template until end of September 2017. Moreover, we would like to reserve the right to make additional remarks after the deadline of 8 August 2017. More generally, we request ESMA to significantly reduce the content of the reporting template.** As it stands, the proposed content of the reporting template goes significantly beyond the requirements of the MMFR. In particular, the MMFR does not require a report on a share class basis which is requested by ESMA in its draft reporting template.

  As we understand ESMA's approach, ESMA is interested in using the same reporting standards as those established under the AIFMD. In general, this approach is welcome because the implementing work is already done and the standards are well known by our members. However, per pages 95 et seq. of the consultation in all member states the vast majority of the EU MMFs are UCITS and not AIFs. Only in France and Luxembourg are sizable "pockets" of AIF-MMF's. Therefore we suggest reviewing the current UCITS reporting templates as the basis of MMF reporting too. Unfortunately, the UCITS reporting templates are yet not harmonised on an EU-wide level which may need some analysis to identify the common core elements of all UCITS reporting templates in the 21 member states offering MMF too. However, 15 of these 21 member states have less than 20 MMF each. Only France, Ireland and Luxembourg have over 100 MMF each. Otherwise, a MMF would need to reported twice: (1) depending on the type of the MMF, with a harmonised reporting template under the AIFMD or a reporting template established by different national authorities under the UCITS Directive and (2) with a separate MMF report template with in part identical or similar data which are already provided by the AIFMD or UCITS template. We would like to highlight again, the threatening jumble of different data standards and formats in EU regulatory reporting presents a huge burden for the industry in both operational and financial terms and impedes efficient supervision concerning in particular systemic risks. Enhancing consistency of regulatory reporting is badly needed in order to enable the regulators to use the stored data for the purpose of detecting systemic risk and to keep the administrative burden for market participants at a reasonable level. Moreover, there is also an urgent need for stronger integration in technological terms. The use of common reporting channels and standardised IT formats would enable regulators to better utilise the loads of submitted information for supervisory purposes, especially for the prompt detection of systemic risk, and might entail cost savings for market participants such as fund management companies which may run into millions of Euros.

  Moreover, the reporting requirements of the MMFR shall apply from 21 July 2018. However, according to ESMA's timetable, the managers should be able to send the quarterly reports only by October/November 2019**. It is of utmost importance to clarify if and how managers should proceed and store data for the reporting periods between July 2018 and October/November 2019.**

- According to Article 28(7) MMFR, ESMA shall issue guidelines on stress tests. The guidelines shall be updated at least every year taking into account the latest market developments. The MMFR requires no deadline for these guidelines. **We therefore also request ESMA to postpone the deadline for the consultation of the guidelines on stress test scenarios until end of September 2017. The global and EU discussion on the use and scope of stress test on an aggregated or single investment fund level is only in its infancy. ESMA should therefore take the available time to take global progress on the matter into account before issuing guidelines. In order to**

do so we also request to reduce the scope of the guidelines to those needed in order to comply with the express requirements stated in Article 28(7) MMFR. In particular, the MMFR requires that the guidelines should be issued with a view to establishing common reference parameters of the stress tests scenarios to be included in the stress tests on the investment fund level. This means, the content of the guidelines should be limited to fund scenarios. Any other issues proposed for application in ESMA's drafted guidelines such as the performance of aggregated and reverse stress tests are not required and must be deleted. Moreover, we would prefer a more principle-based approach to the guidelines. Parameters must not only be provided by figures on an example basis.

I. Technical Advice under Article 15 of the MMFR

Q1: *Do you agree that the abovementioned references to EU/US standards are relevant in the context of the issuance by ESMA of technical advice on quantitative and qualitative liquidity and credit quality requirements applicable to assets received as part of a reverse repurchase agreement in the context of the MMF Regulation? Do you identify other pieces of national/EU/International law that would be relevant in view of the work on this part of the advice?*

In general, the references to EU and US standards reflect the existing requirements in the field of liquidity and credit quality management. However, we note that the abovementioned standards' objectives differ from the MMFR's scope applicable to assets received as part of a reverse repurchase agreement. In particular, there are many differences between the European and US market. We therefore request ESMA to establish measures supplementing the MMFR which reflect the market practices and requirements in Europe. However, the standards established under EMIR and MiFID are more market oriented and do not fit the special requirements of the MMFR. Moreover, we strongly disagree to implement standards required for banks in the field of MMFs. In particular, banking regulation such as haircut policies established by the Basel Committee should not apply for manager of MMFs given the fundamental differences between the business model and market practices of banks and MMFs.

Where appropriate, it could be helpful to check the explanations made by IOSCO in its final report[4] on good practices on reducing reliance on CRAs in asset management with regard the size of haircuts applicable to certain collateral (page 9).

Q2: *Which of the options described above regarding credit quality and liquidity requirements would you favour?*

We fundamentally support ESMA's preferred solutions on credit quality and liquidity requirements. In our view, the MMFR already sets very demanding requirements on the collateral. The existing collateral requirements for reverse repos are already very restrictive especially as the exposure from reverse repos needs to be calculated against all regulatory and contractual investment limits of the investment fund. This means that MMFs are anyhow limited to money market instruments and securities. Additional measurements should be reduced to the minimum needed. New rules need to be implemented front to back through a MMF manager. This includes additional controls and reporting tasks that increase complexity. Further limitations would prohibit continuing reverse repos as the collateral is very limited.

[4] https://www.iosco.org/library/pubdocs/pdf/IOSCOPD488.pdf.

Moreover, reverse repos are an important tool to manage short dated liquidity in the negative interest/excess cash environment. Further limitation with regard to credit quality and liquidity requirements would lead to a reduced market capacity for MMFs. In Detail:

- **Credit quality requirements:** We prefer option a) as referred to in paragraph 93 of the consultation paper. There should not be further requirements specified in the delegated act under Article 22 of the MMFR with regard to the credit quality assessment methodology. However, we refer to our concerns to the proposed ESMA's TA under Article 22 (please see our answers to questions 6-9).

- **Qualitative and quantitative liquidity requirements:** The ultimate credit and liquidity risk is posed by the counterparty itself. We therefore prefer option a) with an additional remark that all regulated and supervised counterparties such as insurance companies, pension funds (institutions for retail provisions (IORP)) and manager of UCITS/AIF should qualify in the same manner as regulated credit institutions. Moreover, the proposed haircut policies should be determined by the asset manager (please see also our answer to question 3).

Article 3 of the drafted TA under Article 15 of the MMFR should be amended as follows:

> "If the counterparty to the reverse repurchase agreement is a credit institution**,** ~~**or**~~ an investment firm**, a management company licenced under the UCITS Directive or AIFMD, an insurance undertaking or a institutuion for retirement provision** under the applicable Union law or a regulation deemed equivalent under the Union law, or a regulated central counterparty, or the ECB, or one of the Member States' central banks, or one of the non-EU central banks deemed equivalent under the requirements of the Article 114 of CRR, that ensures appropriate matching of assets and liabilities, there shall not be further quantitative and qualitative liquidity requirements as mentioned in Article 15(7) of the MMF Regulation."

Article 4 of the drafted TA under Article 15 of the MMFR should be amended as follows:

> „1. If the counterparty to the reverse repurchase agreement is not **one of the entities reffered to in Article 3** ~~**regulated as a credit institution or an investment firm under the applicable Union law or a regulation deemed equivalent under the Union law, and in order to ensure sufficient overcollateralization of the reverse repurchase agreement**~~, additional liquidity requirements shall apply depending on such factors as:
> - time to maturity of the assets;
> - volatility of the price of the assets;
> - appropriate policy on stress testing, as per Article 28 of the MMF regulation.
>
> 2. Depending on the abovementioned factors, corresponding haircut shall apply to the assets referred to in Article 15(6) of the MMF Regulation. Such haircut shall be based **on a clear haircut policy adapted for each class of assets received as collateral**. ~~**as a minimum, on the corresponding standards included in the annex B of the report on margin requirements for non-centrally cleared derivatives published by the Basel Committee on Banking Supervision and IOSCO65.**~~
>
> 3. Such haircut shall be revised on a regular basis ~~**depending in particular on the revision of the abovementioned report published by the Basel Committee on Banking Supervision**~~**."**

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***Q3:** With respect to option a), do you think the haircut policy should be determined as suggested, or should there be more flexibility given to the manager on this determination? Do you think that the decision of equivalence vis a vis third countries mentioned in this option should relate to the one mentioned in Article 114 (107 in the case of credit institutions) of CRR?*

We strongly disagree with the proposed approach to reference to banking regulation such as haircut policies established by the Basel Committee given the fundamental differences between the business model and market practices of banks and MMFs. Any references to the banking regulation such as haircut policies established by the Basel Committee should be deleted. We agree that suitably conservative haircuts must be in place. However, it is of utmost importance that the haircuts should be determined by the asset manager based on the credit quality assessment of both the counterparty and the underlying collateral. This would avoid that standardised haircuts would be in place which would reduce the competitiveness of money market fund managers versus other repo counterparties.

***Q4:** With respect to option b) on liquidity requirements, do you think that requiring assets convertible to cash in one business day or less is appropriate? Do you think this requirement should be more detailed and refer to trade date or settlement date, for example? With respect to that same option b), how do you think that the criteria mentioned in this option could be defined in more detail, and how could quantitative indicators be introduced? Do you think all the criteria mentioned in Article 2(3) of this option b) are relevant? Under this option, when the liquidity assessment of the manager is that the assets would no longer be liquid assets, the manager shall take immediately any appropriate action including the replacement of the collateral with another asset that would be qualified as liquid assets. Do you think that the replacement of the collateral could be carried out overnight?*

As described under question 2, our preferred option is a). There are the following reasons against option b):

Specifying the number of days, within the assets must be convertible to cash, is not appropriate as it does not reflect the functioning of the repo market behaviour of MMF. The MMF will first and foremost rely on counterparties which have received the highest internal credit quality assessment. In addition, the MMF will only take ownership of the collateral where the counterparty defaults. Given that reverse repos are often overnight and counterparties will have a very favourable credit assessment, an event of overnight default is highly improbable. Moreover, the classification of assets that are expected to be convertible to cash in one business day or less could also lead to “herding” behaviour around certain assets.

Nonetheless, we are aware of no single, validated approach for accurately measuring and managing liquidity of certain assets. In particular, it is questionable whether the detailed indicators proposed under Article 2(3) of the drafted TA for the assessment of the liquidity of the assets are available for the implementation of a standardised process. Furthermore, it is not clear what is meant by the wording “*the manager of a MMF shall use a number of indicators, including but not limited to:*” Does the proposal contain an exhaustive list of indicators that must be implemented as a minimum or can the manager of a MMF decide which of the indicators should be used for the assessment of the liquidity? In any case, we recommend a principled based approach depending on the decision made by the manager of the MMF. In the market, numerous different approaches to managing liquidity have emerged and have proven highly successful over time. There are many models and methodologies that seek to take into account the numerous factors that can impact liquidity at a given point in time and over time as markets evolve. Mentioning even a list of examples will be interpreted by certain IUCA's as minimum tests which need to be implemented in any case.

Q5: *What would be in your view the consequences in terms of costs of the chosen option, and of the other options mentioned above? Do you agree with reasoning mention in the CBA (annex III) in relation to the possible costs and benefits of the options as regards the abovementioned credit quality and liquidity requirements? Which other costs or benefits would you consider in this context?*

In terms of cost analysis, we disagree with ESMA's CBA, as our members foresee operational difficulties with the daily monitoring of all the criteria listed in Article 2(3) of option b (page 99 of the consultation paper), knowing that the benefit of such an approach is totally marginal with regards to the objective assigned.

In terms of benefit analysis, we think that option b) on the liquidity requirements offers poor protection to investors compared to option a) which focuses on the central question of the quality of the counterparty and incentivises the choice of regulated entities.

II. Technical Advice under Article 22 under the MMFR

Q6: *Do you agree that the abovementioned references to EU and US standards are relevant in the context of the issuance by ESMA of technical advice on credit quality assessment under the requirements of the MMF Regulation? Do you identify other pieces of national/EU/International law that would be relevant in view of the work on ESMA technical advice on credit quality as-sessment under the requirements of the MMF Regulation?*

References to the IOSCOs report on reducing reliance on CRAs in the asset management (https://www.iosco.org/library/pubdocs/pdf/IOSCOPD488.pdf) and the Directive 2013/14/EU (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0014&from=EN) are missing. The MMFR requires explicitly that these established standards should be considered (cf. recital 32 of the MMFR).

We would like to highlight again that this consultation is an EU regulation and not an academic treatise on global MMF. References to the US market are only acceptable to the extent that the legal situation and the MMF market structure is the same which is usually not the case. The financial crisis of September 2008 was largely a problem of the perceived guarantees on existing US CNAV products. Therefore, any references to US standards should be avoided because the requirements of the MMFR are already extensive in term of qualitative and quantitative coverage and credit quality assessment.

Q7: *Do you agree with the proposed option on each of the requirements mentioned in Article 22 of the MMF Regulation? If not, could you specify which existing regulatory framework would you suggest as a basis for the work on the technical advice related to Article 22 of the MMF Regulation?*

- **TA under Article 22(a) of the MMFR – credit quality assessment methodology**

In general, we strongly disagree with the proposed approach to implement the same requirements as those that apply to CRAs. According to Article 8(3) of the CRA Regulation, "*a credit rating agency shall use* ***rating methodologies that are rigorous, systematic, continuous and subject to validation*** *based on historical experience, including back-testing"*. In this context, the Delegated Regulation (EU) No 447/2012 requires the detailed criteria what "rating methodologies that are rigorous, systematic, continuous and subject to validation" means. In comparison with the CRA Regulation, Article 19(3) of the MMFR requires a more principled based approach: "*The internal assessment procedure shall be based on prudent, systematic and continuous assessment methodologies.*" Moreover, Article 22(a) of the MMFR requires only supplementing the MMFR by specifying the criteria for **the validation of the credit quality assessment methodology**. Therefore, the new Delegated Act should only require some minimum standards on what the "*validation of the credit quality assessment methodology"* means. According to Article 19(3) of the MMFR "*the validation of the methodologies shall be based on historical experience and empirical evidence, including back testing*". This does not include any criteria what "prudent, systematic and continuous" means. In the further alternative, there could only be a comparison with Article 7 of the Delegated Regulation (EU) No 447/2012) that requires the assessment that a credit rating methodology used by a credit rating agency is subject to validation based on historical experience including back testing. Therefore, **we expressly request ESMA to fundamentally revise the given proposals for the credit quality assessment in the drafted TA under Article 22(a) of the MMFR methodology as follows:**

> **Article 1(1)** should be deleted because the wording is not in line with the requirements of Articles 22(a) and 19(3) of the MMFR.
>
> **Article 1(2),(3) and (4)** should be based on a more principle based approach with focus on the validation based on historical experience and empirical evidence.
>
> **Article 2, 3 and 4** should be deleted because these proposed requirements are not requested for supplement the MMFR by specifying the validation of the credit quality assessment methodology.

- **TA under Article 22(b) of the MMFR – quantitative criteria for assessing credit quality**

The proposed quantitative criteria under Article 1 of the drafted TA under Article 22(b), (c) and (d) of the MMFR for assessing the credit risk, and the relative risk of default of an issuer and of the instruments, seem appropriate.

- **TA under Article 22(c) of the MMFR –qualitative indicators on the issuer of the instrument**

We strongly disagree with the proposed scope of Article 2 of the drafted TA under Article 22(b), (c) and (d) of the MMFR. The requirements should be in line with those of the MMFR. According to Article 22(c) of the MMFR, the Delegated Act shall specify only the criteria for establishing **qualitative indicators on the issuer of the instrument**, as referred to in point (b) of Article 20(2) of the MMFR. Qualitative indicators of the credit risk **of an instrument are not requested** in order to supplement the MMFR by specifying through a Delegated Act and are not required by Article 20(2)(b) of the MMFR. Therefore, Article 2 of the drafted TA should be limited to the qualitative indicators on the issuer of the instrument with focus on the macroeconomic and financial market situation. Any other proposed qualitative indicators on the instruments such as analyses of any underlying assets, structural aspects of the relevant instruments or ratings or rating outlooks assigned to the instrument should be deleted.

- **TA under Article 22(d) of the MMFR – material change**

In general, we agree with the proposed approach for specifying the meaning of material change as referred to in point (d) of Article 19(4) of the MMFR. In particular, the given new flexibility to assess the material change based on a broader approach with different criteria is welcome.

However, we request ESMA deleting the given examples under **Article 5(2) of the drafted TA**. There should only be a reference to the criteria stated under Article 1 to 3 of the drafted TA. For purposes of clarity and uniqueness all relevant criteria/ examples should be stated once and in one place. Otherwise, Article 5 would establish additional requirements how to assess the credit quality.

Moreover, we understand ESMA's approach in such a manner that the criterion on the analyses of the credit ratings or rating outlooks assigned to the instrument stated under **Article 5(4) of the drafted TA** is only one example. In particular, each manager of MMFs should be allowed to create its own credit assessment system based on different criteria such as quantitative or qualitative criteria or the risk factors of the stress test scenarios.

In terms of avoiding mechanistic overreliance on external credit ratings, it is contradictory that MMF managers should be required to monitor the credit ratings provided by at least on any credit rating agency recognized by ESMA. Therefore, the use and the number of credit rating agencies should be determined by the fund's management in the best interest of unit holders. It should be clarified that the required monitoring process should be limited to downgrades of such a credit rating agency which the MMF manager uses within its credit quality assessment. Otherwise the monitoring process would require the MMF to monitor all downgrades of any credit rating agency.

Q8: *In your view, what would be the consequences (including operational ones) of the level of detail and prescription suggested above in the proposed technical advice on credit quality assessment under the MMF Regulation (which would be broadly similar as in the delegated Regulation on the assessment of compliance of credit rating methodologies (447/2012), and in the technical advice on reducing sole and mechanistic reliance on external credit ratings (2015/1471))?*

As described under question 7, we strongly disagree with the proposed approach to implement the same requirements as those that apply for CRAs.

With regard to the proposed TA on reducing sole and mechanistic reliance on external credit ratings, in general, we welcome ESMA's approach. The influence of external credit ratings could be reduced as a result of a broader assessment of more qualitative criteria. However, maintaining the process of monitoring of ratings would not change the current situation. Our members can only get ratings data information in return for a fee. Any solution should be set in a manner that no further expense or costs for rating data (defined as the rating and the corresponding identification of the rated object) are incurred.

Q9: *What would be in your view the consequences in terms of costs of the chosen options described above in relation to the requirements included in the technical advice under Article 22 of the MMF Regulation? Do you agree with the assessment of costs and benefits mentioned in the CBA (annex III) on the technical advice under Article 22 of the MMF Regulation? If not, please explain why and provide any available quantitative data that the proposal would imply.*

We prefer option 1 rather than option 2, for option 2 more likely implies that existing processes and controls need to be adapted or redesigned which would lead to additional costs. This also relates to the specification or interpretation of Article 23 (4) what persons differing from the MMF manager should have to perform the internal assessment of the credit quality and the regular review of methods used. A complete independence of already existing models and procedures within the investment process of PM would involve much higher costs.

III. Implementing technical standards to establish reporting template (Article 37)

Q10: *Do you think other type of information should be considered as "characteristics" of the MMF?*

Any reporting requirements with regards to share classes should be deleted. The MMFR does not require a report on a share class basis.

Portfolio liquidity profile: The time buckets (A.4.9) should be in line with the time buckets under the AIFMD reporting.

The reporting of the instruments should be limited to the Identifier (ISIN) and minimum master data to describe the instrument associated with the identifier. ESMA at least going forward with the help also of the FIRDS financial instruments reference database implemented under MiFID2 should be able to identify the instruments directly.

At the current stage, we do not have a final opinion on the extent of the outcome of the stress tests. In any case, there should be an alignment between the frequency of the internal stress tests and the report. This means, a new stress test is not necessary, if the stress test is due half-yearly and the report is due quarterly.

Q11: *Do you agree with the proposed way of reporting the yield of the MMF? If not, could you indicate what would be the more appropriate way to report yield in your views? Do you think the 7-days gross yield should be reported for each week of the reporting period? If not, what should be the appropriate frequency of reporting on this item? Do you think that the calendar year performance and yield could be calculated at (sub)fund level and at share class level? Which difficulties do you identify while doing so? At which frequency should it be reported?*

In our view, seven yield measurements as proposed - A.4.11 to A.4.17- may be exaggerated. One single set of figures for different time periods would be sufficient. The common range is the succession of returns YTD, 1 month, 3 months and 1 year. The goal should be to avoid debatable assumptions, be informative and allow regulators and investors to monitor and compare performances on a daily basis.

As the MMFR does not require a report on a share class basis, any references to such reporting, should be deleted. Share classes of MMFs do not develop specific investment strategies, they cover different types of distribution channels (and various share prices and fees for example) or different base currencies. Therefore, there is no specific additional risk nor performance engine at the level of the share class. The use of share classes has recently been clarified by an ESMA statement.

Q12: *Which type of measure would you suggest using to report the quantified outcome of the credit assessment procedure?*

The outcome of the internal credit assessment procedure (A.6.26) should be deleted - it is sufficient to report if the outcome is favourable or unfavourable because the outputs of internal assessments established by the MMFs could be defined differently, so that the reported outcomes would not be comparable.

Q13: *With respect to reverse repurchase agreement, do you agree that the information requested is appropriate? With respect to repurchase agreements, do you think the value of cash received should be reported as a breakdown per investment purposes, i.e. liquidity management or investment in assets referred to in Article 15(6)? (given the information on the amount of cash received as part of repurchase agreements that is also requested). What should be the appropriate frequency of reporting on this information? Do you think the value of unencumbered cash should be reported as a breakdown per country where the bank account is located and currency? (given the information on deposits that is also requested)*

Regarding reverse repos, we suggest reducing the information requested and including only those fields which are not derivable under existing or planed EU regulatory reporting, such as SFTR reporting. In this context, we wonder whether the information on the market value of the exposure or collateral is necessary.

Q14: *Do you think the information on the investor 'lock-up' period in days (report asset weighted notice period if multiple classes or shares or units) is relevant in the case of MMFs (this information is included in the AIFMD reporting template)?)? Do you agree with the proposed way to report stress tests?*

The reference to "lock up periods" should be removed from the reporting template. To our knowledge, lock up is not provided for in MMFs prospectuses. We have the view that such a restriction on liquidity would be inconsistent with the objective of a MMF and would disqualify a fund to be labelled MMF.

Q15: *Do you identify other type of information that should be included in the requested information in the reported template? What would be in your view the consequences in terms of costs of the proposed options for the reporting template? Do you agree with the assessment of costs and benefits above for the proposal mentioned in the CBA (Annex III) on the reporting template? If not, please explain why and provide any available quantitative data on the one-off and ongoing costs (if any) that the proposal would imply. Do you have specific views on the potential use of the ISO 20022 standard?*

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We refer to our general comments on page 2 of our response.

IV. Guidelines on stress test scenarios (Article 28 of the MMFR)

Q16: *Do you agree that the abovementioned references to EU/international standards are relevant in the context of the issuance by ESMA of guidelines on stress testing of MMFs? Do you identify other pieces of EU/International law that would be relevant in view of the work on ESMA guidelines on stress testing of MMFs?*

Yes, we believe those references are of importance to underline the connectivity between the different requirements and to get towards alignment of requirements and standards. However, any references to purely national, e.g. US standards should be avoided.

Q17: *Do you have specific views on the interpretation of the requirements of Article 25(1) of the MMF Regulation on the meaning of the abovementioned "effects on the MMF"?*

The guidelines should be limited to the scenarios on the investment fund level as required by the MMFR. Any other issues proposed for application in ESMA's drafted guidelines such as the performance of aggregated stress tests (paragraph 18) and reverse stress tests (paragraph 19) are not required and should be deleted. The global and EU discussion on the use and scope of stress test on an aggregated or single investment fund level is only in its infancy. ESMA should therefore take the available time to take global progress on the matter into account before issuing guidelines.

Q18: *Do you have views on the specifications of the following criteria:*
- level of changes of liquidity of the assets with respect to Article 28(1)(a),
- levels of changes of credit risk of the asset with respect to Article 28(1)(b),
- levels of change of the interest rates and exchange rates with respect to Article 28(1)(c),
- levels of redemption with respect to Article 28(1)(d),
- levels of widening or narrowing of spreads among indexes to which interest rates of portfolio securities are tied with respect to Article 28(1)(e),
- identification of macro-systemic shocks affecting the economy as a whole with respect to Article 28(1)(f))? (how would set the calibration of the relevant factors in the case of the Lehman Brothers' event, and the two proposed scenarios A and B? With respect to scenario B mentioned above, do you think the duration of 12 months is appropriate?)

We request ESMA to establish guidelines using a more principle based approach. In particular, it seems that the given examples are not only examples. Parameters must not only be provided by detailed figures. In detail:

- **Levels of redemption with respect to Article 28(1)(d),**

  The combination of different risk factors (such as interest rates, FX) with potential redemptions of investors would increase the number of assumptions which are part of the stress tests. The complexity caused by such different assumptions would reduce the relevance of the stress test and the benefits for the MMF manager.

Having a clear picture on the largest 5 investors can be a rather challenging task, in particular when considering potential sub-distribution networks. Therefore, identifying the 5 largest investor concentration can be difficult. As an alternative, fund's redemption history (i.e., both outflows and inflows) should be considered/ analyzed as a basis to estimate expected levels of redemptions also under stressed conditions.

- **Identification of macro-systemic shocks affecting the economy as a whole with respect to Article 28(1)(f))? (how would set the calibration of the relevant factors in the case of the Lehman Brothers' event, and the two proposed scenarios A and B? With respect to scenario B mentioned above, do you think the duration of 12 months is appropriate?)**

  As recommended by the FSB in its policy recommendations to address structural vulnerabilities from asset management activities, it is the task of the authorities to analyse the level of systemic relevance and to consider whether and how to incorporate such potential impact in system-wide stress testing to better understand collective behavior dynamics as well as the impact on financial markets and on the financial system more generally. Although such system-wide stress testing exercises are still in an exploratory stage, the FSB highlights that over time authorities may provide useful insights that could help inform both regulatory actions and funds' liquidity risk management practices.

  Assuming that the MMFR requires the MMF manager to identify the effect of macro-systemic shocks, it could be helpful that ESMA itself would be required in its guidelines to disclose the outcome of the analyses of the reported results of stress tests to the public with a view on the macro-systemic impact. These figures could be used by the MMF manager for identifying the effect of macro-systemic shocks affecting the economy as a whole.

***Q19:** Are you of the view that ESMA should specify other criteria that should be taken into account? If yes, which ones?*

No.

***Q20:** Are you of the view that other topic should be covered in the ESMA guidelines under the requirements of Article 28 of the MMF Regulation?*

No. The requirements of the MMFR are limited to establish stress test guidelines only with a view to establishing common reference parameters of the stress test scenarios to be included in the stress tests taking into account the factors specified in paragraph 1.

***Q21:** Do you agree with the assessment of costs and benefits mentioned in the CBA (Annex III) on the different options on the Guidelines on stress tests? If not, please explain why and provide any available quantitative data on costs (if any) that the proposal would imply.*