

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

Fields marked with \* are mandatory.

## Introduction

---

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

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

---

**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

---

\* 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

Adina

\* Surname

Gurau Audibert

\* Email (this won't be published)

a.gurau.audibert@afg.asso.fr

\* Organisation name

*255 character(s) maximum*

AFG

\* 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.

5975679180-97

\* What type of entity are you?

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

\* What type of financial entity are you?

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

Please 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.

AFG federates is the collective voice of its members, the asset management companies, whether they are entrepreneurs or subsidiaries of banking or insurance groups, French or foreigners. In France, the asset management industry comprises 680 management companies, with €4355 billion under management and 85,000 jobs, including 26,000 jobs in management companies.

#### \* 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

---

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 type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Enhancing the financial stability of the internal market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Increasing MMF investor protection	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Reducing first mover advantage incentives in times of stress	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" 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 type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Other aspects	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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

*3000 character(s) maximum*

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

Yes, the Regulation has been overall effective in delivering on its objective in terms of all the aspects mentioned in the table. MMFR was a third step of more and more stringent MMF regulation for French MMFs: after AMF's definition of MMFs, the 2010 CESR's Guidelines and now the MMFR. The "CESR's Guidelines on a common definition of European money market funds" was already stringent and effective allowing to pass through different crisis as the risk of Eurozone breakup (2011), the Greek crisis (2015) or Brexit (2016) without difficulties. MMFR went even further strengthening the whole MMF management, risk, processes, etc. One of the effects of the MMFR was to drive out some asset management firms from the MMF space because of high increased costs of compliance while the asset class remuneration is low (sustained low interest rates regime). It is now a more concentrated industry. In France there are now less than 40 asset managers that offer at least one MMF, the vast majority of them being in the MMF space so as to be able to propose an MMF as an option in the employees' savings schemes. Indeed, the number of funds and AM companies in the MMF space have constantly declined: between 2010 and 2020 we observe a division by more than 4 of the number of MMFs and by 3 of the number of AMs. This market has therefore tightened between fewer AMs and fewer funds (i.e., on average larger funds and larger assets per AM company). A too stringent/bad calibrated reform may result in even more concentration of the industry and a bigger part of the market out of the regulated MMF space (via for instance direct and non supervised holding by institutional investors).

**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.

AFG members manage VNAV's. We have observed that the daily and weekly liquidity ratios worked well and played their countercyclical role. In addition, the mark to market valuation helped preventing first mover advantage behaviours, thus also allowing a quick recovery following the market own recovery. We cannot observe the same functioning for the LVNAV's structure for instance, as the attention of investors was too much focused on never breaching the liquidity ratios, creating a cliff effect. This is why AFG advises not to add any new rule on top of the current functioning of the liquidity ratios, otherwise a cliff effect will undoubtedly be created for all MMFs. We thus oppose ESMA's suggestions on modifying the functioning Art 24 (2) & 25 (2) as well as any attempt to define exceptional market conditions, that by definition are unexpected. The current text is very clearly and unambiguously worded.

**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 cost efficiency is linked to the effect on the market offering and actors (that concentrated further to MMFR) because of cost of compliance that include the huge costs for reporting. AFG thus humbly advises the Commission to take these effects into account when considering potential reform of MMFR. It would be detrimental to drive even more AMs out of business and concentrate the MMF management in a handful of firms, some of them being part of big non-European AMs. Diversity of firms in the space of economy financing is a richness that we believe the Commission should strive to keep.

	2017	2018	2019	2020
Number of French AM companies	54	45	35	34
Number of French MMFs	217	147	121	114

Regarding the reporting costs, they are unreasonably high with regards of the asset class remuneration, we can take a real example of a fund of 16 million€ that may have a benefit of up to 30k€, the offering to onboard from service providers is for instance around 10K€ plus 20K€ by reporting. Are we sure we want to require monthly data reporting (and quarterly for smaller funds) of such a costly, burdensome reporting with little utility (apart from a nice-to-have statistical purpose)?

**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.

As explained at the previous question, streamlining the MMF reporting (and without increasing the rhythm) may be a good example of cost efficiency as today it might be considered a matter of disproportionate burden.

Continuing to send the stress tests to its NCA only, up to the latter to transmit to ESMA or other entities seems proportionate.

In addition, the compliance costs are very high, and permitting a less strict interpretation of the diversification ratios might give some leeway to manage exposures without looking over one's shoulder at every trade.

**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.

AFG does not find proof of need for strengthened enforcement of the rules or supervision.  
AFG would like to remind that sufficient flexibility should be preserved so that actors can manage situations and adapt to markets. MMFR is already a very detailed regulation piece. It should be recognized that funds cannot be asked to be managed as if they were permanently in a crisis situation. In addition, markets evolve, and every crisis is different.

**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.

AFG believes that the framework is relevant to the current market.  
This question is major and AFG thanks the Commission for asking it. AFG believes that the merit of a regulation, especially at level 1, is to be robust enough so as to address several market regimes throughout the time. A too detailed piece of regulation does not fit this overarching purpose. The regretted French Institutional Investors Association's President, Jean Eyraud, had also explained this important feature to the Commission during the MMFR negotiations. Having known 30 years of MMF investing in France, he explained that interest rate regimes, inflation, crises are evolving and that MMFs should be able to continue their role as matching the economy financing and investors' needs.  
Regarding the last crisis, no European MMF suspended during the pandemic and each MMF dealt with its redemptions. In the French market, despite important redemptions, especially in March 2020 (-52.4 bn euros), French VNAV money market funds managed the outflows. Unlike 2008, there was no issue with the portfolio composition, particularly in terms of asset quality; funds were healthy and resilient in their construction and composition. MMFR played its role. Investors' confidence was maintained: despite the significant net outflows in March, overall inflows in French MMFs over the first 8 months of 2020 amounted to +48.6 bn euros.

**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.

In the light of the pandemic, there have been proposed several potential reform options. Two major aspects of the proposed reform options retained AFG's attention:

- Allocate the cost of liquidity to redeemers
- Enhance liquidity on asset side.

They may have the potential to increase fund resilience, but at the same time it should be avoided that details and calibration proposed for implementation have side effects that overtake their utility.

AFG believes that the success on enhancing liquidity on asset side lies fundamentally with the underlying money markets' smooth functioning. All efforts should be done to ensure an orderly functioning of the markets. As any other investment fund, MMFs are dependent on the well-functioning of underlying markets. Neu CP market notable efforts, especially in terms of transparency, should also be done on the euro CPs market. In addition, AFG supports the suggestions recorded in the Paris Europlace report to enhance the Neu CP market: [https://paris-europlace.com/sites/default/files/public/pariseuroplace\\_rapport\\_attractivite-place-de-paris-financements-courts\\_2021.pdf](https://paris-europlace.com/sites/default/files/public/pariseuroplace_rapport_attractivite-place-de-paris-financements-courts_2021.pdf)

AFG believes that the programs and the responsiveness of the central banks were relevant and that the learning curve makes everyone better prepared. Market stakeholders recognize the need for more transparency, flexibility and the collection of early warning signs on money markets as a whole, not only /specifically on MMFs.

#### d) Coherence

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

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

*1500 character(s) maximum*

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

AFG thanks the Commission for asking such an important question. It is essential for the European Commission to ensure that the MMFR framework is not affected by other regulations, especially banking ones.

We are all conscious of the improvements introduced by MMFR to tackle liquidity and credit risk in MMFs. The Commission should also consider coherence with rules that might seem overly restrictive for the calculation of banking ratios under CRR. MMFs should be considered as liquid assets when held by banks. Another issue is linked to MMFs that are rated by an external CRA. Some CRAs may impose credit quality rules that are restricting the diversity of eligible instruments and create an external rating overreliance.

**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.

As long as the European rule takes into account the market specificities (which is not always the case), the European rule ensures level playing field. We note however that sometimes the "supervision hat" of a European agency may chase the "competitiveness hat" and the market ends up with straight jacket rules, not adequate at least to some markets. AFG pleads that the Commission and its Agencies take great care in insuring that financing markets competitiveness, specificities, and continuation of activity are preserved, especially when European issuers, stakeholders and market players are involved.

**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.

Level playing field

---

**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.

As explained above, AFG observed MMFs' resilience during the pandemic.

No European MMF suspended during the pandemic and each MMF dealt with its redemptions. In the French market, despite important redemptions, especially in March 2020 (-52.4 bn euros), French VNAV money market funds managed the outflows.

Unlike 2008, there was no issue with the portfolio composition, particularly in terms of asset quality; funds were healthy and resilient in their construction and composition.

Investors' confidence was maintained: despite the significant net outflows in March, overall inflows in French MMFs over the first 8 months of 2020 amounted to +48.6 bn euros.

AFG reminds that the crisis was an exogenous shock to money markets that generated a genuine « need for cash » from corporates related to their economic activity sudden fall. There is no «flight to quality» phenomenon to report in this case.

As any other investment fund, MMFs are dependent on the well-functioning of underlying markets. AFG believes that the programs and the responsiveness of the central banks were relevant and that the learning curve makes everyone better prepared. Market stakeholders recognize the need for more transparency, flexibility and the collection of early warning signs on money markets as a whole, not only/specifically on MMFs.

**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 type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
MMFs asset composition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Definition of liquidity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**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.

AFG believes that MMFR went as far as possible to define robust rules on credit risk, asset eligibility and ratios, portfolio and underlying liquidity. Any new possible addition should be well calibrated so as not to imbalance the current status. One cannot know in advance where the next crisis will come or how the new market, interest rate, stability issues may evolve. A robust framework should also ensure enough flexibility to be able to adapt to market conditions. This is what active asset management is about.

---

**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.

AFG members offer too few LVNAVs to be relevant for us to comment. Our members' funds investors (European institutional investors for the main part) have never had an issue investing in VNAVs under the cash equivalent book. We would like to remind that an in-depth work has been done by the French Accounting Authority (ANC) in relation with the IFRS so to recognize that the MMFR compliant MMFs were all presumably corresponding to the cash equivalent provisions (knowing that the final decision is always the responsibility of the investor's auditor). It would be very annoying for AFG to learn that in a totally artificial manner, some commentators might let erroneously stakeholders believe that only some MMFs are presumably eligible to "cash equivalent" provisions and that this would constitute a reason to claim for investors the stringent need to invest in CNAV type of funds over VNAVs. Because this reason would be misleading.

---

**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.

AFG members offer € VNAV MMFs, or there are very few PDCNAVs € denominated because of the market (no interest to have public debt MMFs for our members' investors and in addition the low to negative interest rate regime is a deterrent to the creation of € denominated PDCNAVs).

---

**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 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.

AFG would like to remind that from a pragmatic standpoint, all crises are dealt with in coordination. Thus, it should be acknowledged that there should be a coordinated activation of LMTs and/or information with the authorities at least at the level of the currency/financial centre.

**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.

Central banks and market authorities should be able to improve data sharing on the money markets so as to improve the orderly functioning of money markets.

As stated previously, as any other investment fund, MMFs are dependent on the well-functioning of underlying markets. AFG believes that the programs and the responsiveness of the central banks were relevant and that the learning curve makes everyone better prepared. Market stakeholders recognize the need for more transparency, flexibility and the collection of early warning signs on money markets as a whole, not only/specifically on MMFs.

---

**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.

Each market has its specificities: for instance, the US market and the EU market are not alike. This is why each regional regulation should be adapted. However, there might be some options that can be considered more specifically in the context of MMFs potential reforms.

First, there should be avoided adding any cliff effect in the regulation.

Second, it is useful to be able to allocate the cost of liquidity to redeemers and efforts should be made to enhance the smooth functioning (and thus the liquidity) of the underlying money markets. AFG members believe that European MMFs too should benefit from access to the ECB's reverse repurchase program (like in the US). The quarter end problem when banks cannot accept significant cash on their balance sheets could thus be avoided, as well as the important reduction in short-term money market yields at year end (no more MMFs stringent need of temporarily placing their cash).

---

**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.

In France there is a full spectrum of available tools to use as LMTs. This was not the case at the European level. The AIFM/UCITS proposal brings forward a short list of 3 tools to be able to include mandatorily. This list should indeed continue to be coherent with MMFR, where the redemption fee is envisaged as one potential reform option.

MMFs have a higher sensitivity to the liquidity risk than other investment funds. The acceptability of the LMTs should be discussed also with investors before the Commission decides.

AFG is favourable in principle with the introduction of an anti-dilution method, however the operational characteristics are major. AFG advocates strongly for a liquidity fee, which is operationally a better solution than swing pricing or ADL for money market funds. AFG thinks that, drawing lessons from the COVID-19 crisis, the legislator should look for a « systemic » utility of the tool as it should only be applied in difficult markets, not in normal ones (which may be different from other funds LMTs).

The fee should take the form of a fixed percentage in relation to money market type of remuneration, i.e., of a few basis points. In any case, it should be avoided that the liquidity fee amounts to a « sanction ».

As explained above, AFG would like to remind that from a pragmatic standpoint, all crises are dealt with in coordination.

---

**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.

Money markets are an important short-term capital market that contributes to the financing of the economy. As such, they are one of the pillars of the global financial system.

MMFs play an important role in this market allowing the encounter between a short term financing need and a short term investment, offering a remuneration in line with money markets. In France, they allow for more than 40 years (since 1981) a sustainable financing of the short end of the economy.

No, MMFs do not create contagion. On the contrary, they may act as a buffer in a crisis.

Borrowers, like treasurers or corporates, count on MMFs as a short-term funding available to them. They appreciate the continuous detention of short-term paper (CDs and CPs) by MMFs, which constitute historically a very stable, reliable, diversified and less costly (vs banks) financing source. Standard MMFs offer a higher diversification as the eligible paper can go up to 2 years maturity, allowing access to financing for more European non-financial corporates. Replacing MMFs would simply transfer the activity and related risks mainly towards banks without retaining the benefits of the current diversification of sources. This hypothesis would prove to be suboptimal from a systemic point of view.

MMFs do not bear contagion risk, they act more like a "buffer": MMFs are a highly regulated actor in the money market space; they are diversified, constrained and transparent investment funds, have diversified investor' base, etc.

**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.

Increasing the knowledge on money markets is key. Daily transparency on issuance and transaction information would be very useful. We propose the implementation of a trade repository easily accessible, enabling a follow-up of the issuers outstanding volumes and displaying the characteristics of the short-term papers issued (nature, eligibility, maturity, ISIN, sector ...). Information on the types of investors in money markets and the trends of their investment would also be useful. Neu CPs are benefitting from better transparency (Banque de France statistics), standardisation and facility of use than Euro CPs. The Short-Term European Paper (STEP) initiative/label should also be reinvigorated to increase the confidence in the short-term markets.

As in the case of NeuCP, it would be useful to create a European regulated market for EuroCP, with better transparency on pricing, issuance, and secondary market volumes. It should also be permitted that all these papers be eligible as collateral with the ECB. AFG supports the Paris Europlace report on NeuCP.

AFG members believe that in addition central banks should be able to take as temporary repo portfolio short term papers that respect a set of minimum criteria (credit rating, maturity, etc). The objective would be to facilitate the access to central banks' repurchase programmes either through reinforcing the effectiveness of the circuit going through banking institutions (current situation) or even get direct access.

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

---

**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				

---

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

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

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

## Please explain your answer to question 10:

*1500 character(s) maximum*

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

---

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

Please select as many answers as you like

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

---

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

Please select as many answers as you like

- Short-term investment: optimise returns while preserving liquidity
- Margin call management
- Operational use (payment of invoices and bills, etc.)
- Other cash management reasons
- As part of investment products offered to retail investors (life insurance product, pensions products, fund of funds – please specify which one(s) and why

- Regulatory incentives, please specify which one(s) and why
  - Tax reasons, please specify which one(s) and why
  - Accounting reasons (e.g. Classification in “cash and cash equivalents” investment, others.)
  - Other
- 

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

Please select as many answers as you like

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

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

Please select as many answers as you like

- Short-term investment: optimise returns while preserving liquidity
- Margin call management
- Operational use (payment of invoices and bills, etc.)
- Other cash management reasons
- As part of investment products offered to retail investors (life insurance product, pensions products, fund of funds – please specify which one(s) and why
- Regulatory incentives, please specify which one(s) and why
- Tax reasons, please specify which one(s) and why

- Accounting reasons (e.g. Classification in “cash and cash equivalents” investment, others.)
  - Other
-

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

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

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

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

*1500 character(s) maximum*

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

---

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

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

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

*1500 character(s) maximum*

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

---

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

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

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

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

*1500 character(s) maximum*

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

**b) Fund's recent performance**

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

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

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

*1500 character(s) maximum*

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

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

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

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

*1500 character(s) maximum*

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

c) By anticipation due to the market context

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

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

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

*1500 character(s) maximum*

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

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

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

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

*1500 character(s) maximum*

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

---

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

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

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

*1500 character(s) maximum*

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

---

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

Please select as many answers as you like

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

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

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

*1500 character(s) maximum*

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

---

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

Please select as many answers as you like

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

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

*1500 character(s) maximum*

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



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

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

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

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

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

---

**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			317 bn €	69 bn €
USD-denominated				
GBP-denominated				
Other currencies (please specify)				

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

Please select as many answers as you like

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

**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 checked="" 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 checked="" 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 checked="" 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.

AFG agrees with the PEPP being a powerful tool, as the president of the ECB explains in

“One year of the PEPP: many achievements but no room for complacency

Blog post by Christine Lagarde, President of the ECB

22 March 2021”

- “The launch of the PEPP acted as a powerful circuit breaker. Market conditions stabilised before we bought even a single bond. Our commitment to do everything necessary within our mandate to support the euro area economy throughout the pandemic was understood and internalised by markets from day one.”

In order to fully grasp the effect of this event, AFG would also like to report the MMF managers’ feed-back. Although the programme was announced by the ECB on the 18th of March 2020, most of the redemptions had already taken place in French MMFs when the Eurosystem effectively started to implement its first acquisitions of CPs in the market. Indeed, at that time, an intervention on a market like the CP one was not that simple in operational terms, as the CP market was the only market where the ECB was not intervening through programs already put in place before the crisis (indeed, the ECB was already acquiring public debt, corporate bonds, covered bonds and ABS through its QE programme). Now the learning curve on the operational circuits is more mature also on CPs.

## Additional information

---

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

The maximum file size is 1 MB.

You can upload several files.

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

### Useful links

[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**

fisma-money-market-funds@ec.europa.eu