

MEMO# 33594

June 17, 2021

ICI Draft Response to ESMA Consultation on Money Market Funds; Comments Due 25 June

[33594]

June 18, 2021

TO: Global Advocacy Coordination Advisory Committee

ICI Global Regulated Funds Committee

Money Market Funds Advisory Committee RE: ICI Draft Response to ESMA Consultation on Money Market Funds; Comments Due 25 June

The European Securities and Markets Authority (ESMA) has issued a [consultation report](#) on potential reforms of the EU Money Market Funds Regulation (MMF Regulation). The consultation discusses potential reforms of the MMF Regulation in light of the experiences of money market funds during the COVID-19 crisis in March 2020.

ESMA is accepting responses from external stakeholders to its consultation until 30 June 2021. ESMA has stated that it will consider the feedback it receives to this consultation in Q2 2021 and expects to publish its opinion on the review of the MMF Regulation in the second half of 2021. Article 46 of the MMF Regulation requires the European Commission to review, following consultations with ESMA, the adequacy of the MMF Regulation from a prudential and economic point of view by 21 July 2022.

Proposed money market fund reforms

The consultation sets forth four types of potential reforms for money market funds:

- Reforms targeting the liability side of money market funds by, for example, decoupling regulatory thresholds from suspensions/gates to limit liquidity stress, and requiring money market fund managers to use liquidity management tools such as swing pricing;
- Reforms targeting the asset side of money market funds by, for example, reviewing requirements around liquidity buffers and their use;
- Reforms targeting both the liability and asset side of money market funds by reviewing the status of certain types of money market funds such as stable net asset value money market funds and low volatility net asset value (LVNAV) funds; and
- Reforms that are external to money market funds themselves by assessing whether

the role of sponsor support should be modified and gathering feedback from stakeholders on other potential changes, particularly linked to ratings, disclosure, and stress testing.

ICI has prepared the attached draft response form, which largely tracks our [comments](#) to the President's Working Group [Report](#) on Money Market Funds. Please note that because our responses primarily focus on potential reform options, we are not planning to provide responses to questions relating to specific provisions or requirements of the MMF Regulation or fund ratings (e.g., questions 7, 8, 9, 10, 11, and 13).

Please provide your written comments to our draft responses by Friday, 25 June.

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