

MEMO# 33634

June 30, 2021

ICI Files Response to ESMA's Consultation on EU Money Market Fund Regulation

[33634]

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TO: ICI Members
Investment Company Directors
ICI Global Members
Global Advocacy Coordination Advisory Committee
ICI Global Regulated Funds Committee
Money Market Funds Advisory Committee SUBJECTS: International/Global
Money Market Funds RE: ICI Files Response to ESMA's Consultation on EU Money Market Fund Regulation

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 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 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 did not 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).

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