



Frankfurt am Main,
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BVI¹ position paper on the ESMA consultation paper draft guidelines on the reporting to competent authorities under article 37 of the MMF Regulation (ESMA34-49-144)

We would like to highlight once again that the imminent jumble of different data standards and formats in regulatory reporting presents a huge burden for both the industry and the supervisory bodies in both operational and financial terms and impedes efficient supervision concerning the analyses of systemic risk within the financial markets. Enhancing consistency of regulatory reporting in terms of content is therefore strongly needed in order to enable the regulators across the board 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.

As we understand ESMA's approach for a harmonised MMF reporting ESMA is interested in using reporting standards comparable to 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. This applies all the more as long as the same information needs to be reported under both the AIFMD reporting and the MMFR reporting. In these cases, managers should be required to report the information needed through the same reporting standards.

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. In this context, we support ESMA's proposal using the ISO 20022 Standard as the format of MMF reports. In particular, we are a strong proponent of the use of ISO standards along the whole value chain of the financial industry. We believe that the ISO structure or organisation at least with some nudging by the regulators across the globe is able to create a successful story also for derivative instrument identification and classification and regulatory trade reporting in the same way as FSB was able to create a global solution for entity identification with the LEI leading to an ISO standard. We believe that the priority must be on pushing the only universally accepted and government supported industry standard setting system, the UN approved ISO system. The control over the data, and thereby the underlying markets, based on a system of various commercial interests and royalty creation on data which is maintained by the incumbent market participants with the help of proprietary standards is not acceptable going forward if we really want to enable a neutral aggregation of data and thereby support the control of systemic risk.

However, the ISO 20022 Standard is currently used in the context of the MiFIR and EMIR reporting requirements and will differ from the AIFMD one. In particular, using this standard for the MMF reporting would involve new IT implementing processes on the level of the management company as well as on the level of the competent national authority. Moreover, an efficient and successful implementation of

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this standard will essentially depend on further documents such as (i) the reporting validation rules specifying the criteria of acceptance of MMF reports by the NCAs and conditions under which fields are not applicable and should not be populated and (ii) the XML schemas of the candidate ISO 20022 messages. As long as ESMA will publish these final technical implementation standards by end of 2019, it will be impossible to implement these standards within a few weeks to deliver the first report already in Q1 2020 in this format. We believe that ESMA should grant certain leeway for submissions of regulatory reports in the first two quarters of 2020. Therefore, we suggest using the new format file firstly as an option but not as a compulsory requirement. For the first reports, other kind of files should also be admissible. **Otherwise, a longer transitional period is needed giving the market participants more time to establish an efficient and workable reporting system.**

With regard to the specific questions, we would like to answer as follows:

Q1: *Are you of the view that there could be merits for managers of MMFs subject to yearly reporting in accordance with article 37(1) of the MMF Regulation to report on a quarterly basis so that their corresponding operational process is less burdensome? (This option has legal support on the second subparagraph of Article 37 (1) where it is established that for an MMF whose assets under management in total do not exceed EUR 100 000000, the manager of the MMF shall report to the competent authority of the MMF on at least an annual basis.)*

It is obvious that the application of the reporting standards must be compatible with a company's general submission of reports under other reporting requirements such as the AIFMD regime or national law for the UCITS reporting.

In principle, managers of MMFs subject to (at least) yearly reporting in accordance with Article 37(1) MMFR should be not required per se to report on a quarterly basis. Such a report on a quarterly could be designed as an option. This could be helpful for these managers of MMFs where the reporting frequency is linked to an increase or a decrease in the total value of assets under management. In order to determine whether there is an increase or a decrease in the total value of assets under management, in our view it is necessary to consider the total value of assets under management as at the reporting date.

Moreover, we do not agree with the proposal for the first reporting. According to **paragraph 24 of the consultation paper** the date when the managers of MMFs should start the reporting should be the first authorisation date (exact date). This is not in line with the AIFMD reporting approach which only refers to the relevant (quarterly, half-yearly or yearly) reporting periods². Therefore, the first reporting should start with the first quarter (or half-year/year) of the MMF and not from the exact first date.

Q2: *Do you identify potential situations in which managers of MMFs do not have any information to report on MMFs other than those listed above (e.g. certain types of situations of liquidation of the MMF)?*

No, we don't have any further reasons. In any case, we request ESMA to align the requirements for reporting under Article 37 of the MMFR with its guidelines on reporting obligations under the AIFMD.

² Cf. Paragraph 12 of ESMA's Guidelines on reporting obligations under Articles 3(3)(d) and 24(1), (2) and (4) of the AIFMD.



Q3: *Do you agree that the MMF Guidelines could specify which sources should be used by managers of MMFs if the base currency is not included in the list of currencies for which the ECB provides an exchange rate? If yes, which sources should be used in your view?*

We do not agree that the guidelines could specify which sources should be used by managers of MMFs if the base currency is not included in the list of currencies for which the ECB provides an exchange rate. It must be the task of the ECB to offer all necessary rates. However, each manager should be able to use its own exchange rates where the ECB does not offer a rate as long as these own rates are already used by the manager of the MMF for the calculation of the net asset value of the MMF in the base currency. Any differences between reporting requirements on the one hand and practices of NAV calculation on the other hand should be avoided.

Q4: *Do you identify any other issue that would need to be specified in relation to the above section on “general principles” of the reporting template?*

With regard to the general principles, we request ESMA to align the MMF reporting requirements for reporting under Article 37 of the MMFR with its general guidelines on reporting obligations under the AIFMD.

In this context, we do not agree with the new definition of what ‘**optional fields**’ as opposed to ‘mandatory fields’ should mean. ESMA is proposing that information marked as mandatory should be reported by all managers of MMFs and information marked as optional should be reported by the manager of the MMF except if this regulatory information does not “apply” to this specific MMF at this specific point of time. This is not in line with the AIFMD approach. According to the ESMA Q&A on the application of the AIFMD, information marked as optional has to be reported if the AIFM has information to report. The proposed MMF approach could lead to the situation that even in cases where information is not available the MMF would be required to report these fields. Moreover, the criterion ‘applicable at this specific point of time’ would require the MMF to monitor and review whether and to what extent new circumstances could lead to an obligation to report these fields. This would be a very burdensome work which could not be automated. In any case, it must be clarified that the optional field renders a reporting item truly optional for MMF managers who can decide whether or not to submit the specific information.

Q5: *Do you agree that if an MMF is composed of different share classes that differ in relation to their base currency the base currency that should be included in field A.1.12 should be the base currency as specified in the accounting documents of the MMF or are you of the view that in that case the base currency of the largest share class should be included in field A.1.12? Would you see merit in aligning the inception date mentioned above in section X with the first reporting date, as defined in section II?*

According to the Delegated Regulation (EU) 2018/708, field A.1.12. only requires reporting the currency of the MMF. Therefore, we disagree with the proposed obligation to provide other information in that field such as another base currency of the MMF where the base currencies of share classes differ in relation to the base currency of the MMF. This applies all the more as field A.3.7 of the reporting template already requires information about the currencies of the different share classes. Therefore, ESMA would be able to get an overview of the relationship between the base currencies of large share classes and the base currency of the MMF anyway. Moreover, the largest share class can be different from time to time.



We do not see merit in aligning the inception date mentioned above in section X with the first reporting date, as defined in section II. The first reporting should start with the first quarter (or half-year/year) of the MMF and not from the inception or exact first date (please also see our answer to question 2).

Q6: *Do you identify any other issue that would need to be specified in relation to the above section on the block 1 of the reporting template?*

We welcome the approach to align the MMF reporting requirements with ESMA's guidelines on reporting obligations under the AIFMD and its Q&A.

The code requested in field A.1.16 (ECB code - MFI ID code - of the manager of the MMF) is not used in practice and, in addition, not sufficient. In particular, ESMA would be already able to identify the manager of the MMF through the LEI or the national code. However, from a data point of view, the practical procedure should be clarified where and how managers of MMF could request this code. In particular, it should be avoided that a code that is not needed would create new cost for managers of MMFs.

Q7: *Are you of the view that the abovementioned specification leaves too much room for interpretation and would lead to data that is not comparable? Are you of the view that settlement periods should be taken into account and that, as a consequence, the last part of the abovementioned specification ("if it has as a non-negligible impact on the liquidity profile of the MMF") should be removed?*

We welcome the approach to align the MMF reporting requirements with ESMA's guidelines on reporting obligations under the AIFMD and its Q&A.

Q8: *Do you have any views in relation to the abovementioned formula on how to measure the monthly portfolio volatility or are you of the view that another formula would be welcome?*

We agree that the reporting of the monthly portfolio volatility of the shadow NAV is not relevant for VNAV MMFs.

However, in our view, the monthly portfolio volatility for one or two year(s) is not very reliable. We therefor propose for these cases that the formula should take into account: for 1 year / 2 years there has to be $T = 12 / T = 24$.

Q9: *Do you identify any other issue that would need to be specified in relation to the above section on the block 2 of the reporting template?*

With regard to paragraph 85, we understand that the method used for the calculation of the cumulative returns (expressed as net returns) is the same calculation method used for the report of the returns to their investors. We do not see any merit in further guidance to calculate the net return because, in practice, efficient standards are already in place.

Q10: *Do you identify any other issue that would need to be specified in relation to the above section on the block 3 of the reporting template?*

We welcome the approach that the national competent authorities can allow managers of MMFs to report the stress test information in English. In any case, there should be an alignment between the



frequency of the internal stress tests and the report. This means that for reporting reasons a new stress test is not necessary if the stress test is due half-yearly and the report is due quarterly. Therefore, it should be clarified that only the last outcome of the latest stress test should be reported if no stress tests have been carried within the reporting period.

Q11: *With the respect to the CFI codes to be provided, do you identify any eligible asset not included in the table in the Annex of the Guidelines?*

No.

However, the CFI code is not used in practice. It should be clarified that the CFI code is conditional on the availability of the ISIN. According to the Delegated Regulation (EU) 2018/708, this code should be only provided if available, and if the ISIN is not available. Therefore, 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 MiFID II should be able to identify the instruments directly.

Q12: *Do you agree with the proposals of ESMA in relation to the domicile of the abovementioned assets?*

Yes, we agree.

Q13: *Do you agree that a category “supranational/multiple regions” should be included in the potential geographical areas to be chosen? If yes, could you provide examples of assets for which you would choose that category?*

Yes, we agree. Examples could be XS1538282531, XS0490636791.

Q14: *Do you agree that the clean price of the money market instrument (A.6.12), this field should always be reported in absolute terms (in monetary values, not in percentages)? Which of the 2 abovementioned options on the “base currency” mentioned in field A.6.13 would you favour: currency of the asset or the currency of the MMF?*

In general, we agree with the obligation to report the clean price of the money market instrument in absolute terms (in monetary values).

However, we would prefer the second option after which only the currency of the MMF (and not the one from the assets) should be reported.

Q15: *With respect to fields A.6.23 to A.6.25, would you identify any cases where there is no sponsor of an eligible securitisation or asset backed commercial paper?*

We have no information on this topic.



Q16: Do you identify other potential contract types that would need to be included in the list above in relation to field A.6.39?

We propose to use the classification used in the AIFMD.

Q17: Do you see merits in clarifying what should be the name of the underlying as referred to in Field A.6.45? If yes, which specifications would you expect?

No, we see no merit.

Q18: Are you of the view that ESMA should further specify what is meant by “exposure” in fields A.6.91 and A.6.92? If yes, which types of specifications would you suggest?

We agree that the exposure of the repurchase agreement or a reverse repurchase agreement (fields A.6.91 and A.6.92) is gross exposure.

Q19: Do you identify any other issue that would need to be specified in relation to the above section on the block 4 of the reporting template?

No.

Q20: Do you identify any other issue that would need to be specified in relation to the above section on the block 5 of the reporting template? In particular, in your view, how would the NAV of the MMF compare to the sum of the values of 49 the fields on total market values (and quantity) of money market instruments, securitisation and ABCP, financial derivative instrument, unit or share of other MMF, deposit or ancillary liquid asset, repurchase agreement and reverse repurchase agreement (A.6.16 and A.6.11, A.6.34 and A.6.29, A.6.54, A.6.67 and A.6.69, A.6.80, A.6.91)? Do you have any comments on the table “CFI codes for eligible securities” included in the annex of the Guidelines?

We would like to ask ESMA to clarify in **paragraph 133** of the consultation paper that payments to investors as referred to in field A.7.11 only include dividends in cases where dividends are actual part of the payment to the investor. In particular, in the case of accumulative funds, income generated in the course of the fiscal year (such as dividends) permanently remains in the fund’s portfolio. Moreover, it should be clarified as it stated in ESMA’s AIFMD Q&A (Question 61) that manager of MMF should not consider distribution of dividends to investors as redemptions for the purpose of the field A.7.10.

With regard to the CFI code, we refer to our answer to question 11.

Q21: Do you identify any other issue that would need to be specified in relation to the above section on the block 6 of the reporting template?

No.