

## Press release

### ESMA report finds EU MMF industry at close to €1.5tn

The European Securities and Markets Authority (ESMA), the EU's financial markets regulator and supervisor, today published its inaugural market report on European Union (EU) Money Market Funds (MMF). With this report ESMA provides for the first time a comprehensive market-level view of EU MMFs, based on supervisory information collected by National Competent Authorities (NCAs) and ESMA.

Verena Ross, Chair, said:

*“MMFs play a central role in the financial system, by bringing together the demand for and supply of short-term funding, and are closely interconnected with other parts of the financial sector. Recent periods of stress experienced by MMFs in the short-term funding markets (such as in March 2020) have shown the importance of monitoring trends and developments in the EU MMF sector.*

*The MMF Regulation introduced a reporting obligation for managers of MMFs to inform competent authorities' supervisory activity, allowing ESMA to publish today the first overview of this market using regulatory data.”*

The main findings included in today's report are:

- **EU MMF sector:** The EU MMF sector had €1.44tn of assets in 2021, with 89% of the funds domiciled in France, Luxembourg and Ireland.
- **Sector breakdown:** Low-volatility NAV (LVNAV) MMFs account for 46% of the total assets, followed by Variable NAV (VNAV) MMFs (42%) and Constant NAV (CNAV) MMFs (12%). All MMFs domiciled in France are of the VNAV type and almost exclusively denominated in EUR. MMFs in Luxembourg and Ireland are mainly in non-EU currencies and set up mostly as CNAVs and LVNAVs. MMFs authorised in other EU jurisdictions are VNAVs denominated in other EU domestic currencies and account only for a small fraction of assets.
- **Asset allocation:** The portfolio structure of EU MMFs remains relatively stable over time, and they are mainly exposed to the financial sector. Between March 2020 and June 2022, average exposures to credit institutions amount to 60% of total assets. Most of the EU MMFs' government debt exposure is towards non-EU sovereigns, and during March to December 2020 LVNAVs increased their share of government bonds before starting a slow readjustment back to the pre-COVID composition.

- **Liquid assets and risk sensitivity:** The share of daily and weekly liquid assets remained above the regulatory minimum, and increased for CNAV s at a regular pace starting in 3Q20. As of 3Q21, EU MMFs have significantly reduced the interest rate risk sensitivity of their portfolios, measured as the weighted average maturity of assets (WAM), to improve resilience to a rate rise.
- **Ownership and liabilities:** Professional investors hold more than 90% of EU MMFs. Financial corporations are the main unitholders of MMF shares, with insurance firms, pension funds and banks accounting together for 25% of NAV and other financial institutions, including collective investment undertakings, for 45% of the NAV. Between December 2021 and March 2022 MMFs experienced substantial outflows, partially driven by investor expectations linked to the increase in interest rates and a turning investor sentiment away from fixed income instruments in general, a trend that reversed later in 2022.

In its [opinion from February 2022](#), ESMA proposed that the European Commission should consider a number of changes to the MMF Regulation, intended to make MMFs more resilient. These reforms would help to improve the overall stability of financial markets, by reducing the risk of liquidity stress. Alongside key policy measures such as addressing the threshold effects for CNAV MMFs, and addressing liquidity related issues, ESMA suggested complementary reforms aimed at enhancing MMFs' preparedness for a crisis. These reforms would include enhancements of reporting requirements and the stress testing framework, as well as new disclosure requirements linked to the rating of MMFs. ESMA has also highlighted the importance of having these changes to the MMF Regulation implemented speedily.

ESMA will continue to monitor and analyse the risks in the MMF sector.

## Notes for editors

1. [ESMA50-165-2391 ESMA markets report on Money Market Funds](#)
2. ESMA is the European Union's EU's financial markets regulator and supervisor. Its mission is to enhance investor protection and promote stable and orderly financial markets.
3. It achieves this objective through three strategic priorities:
  - fostering effective markets and financial stability,
  - strengthening supervision of EU financial markets,
  - enhancing protection of retail investors,and two thematic drivers:
  - enabling sustainable finance; and
  - facilitating technological innovation and effective use of data.
4. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).

## Further information:



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