PRESS RELEASE

ESMA consults on the framework for EU Money Market Funds

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, today launches a consultation on potential reforms of the EU Money Market Funds Regulation (MMFR). ESMA reviews the stress experienced by MMFs during the March 2020 crisis and assesses the roles played by markets, investors and regulation, and proposes potential reforms.

Potential MMF reforms

ESMA sets out four types of potential reforms for MMFs:

- **Reforms targeting the liability side of MMFs** such as decoupling regulatory thresholds from suspensions/gates to limit liquidity stress, and to require MMF managers to use liquidity management tools such as swing pricing;

- **Reforms targeting the asset side of MMFs** by e.g. reviewing requirements around liquidity buffers and their use;

- **Reforms targeting both the liability and asset side of MMFs** by reviewing the status of certain types of MMFs such as stable Net Asset Value (NAV) MMFs and Low Volatility Net Asset Value (LVNAV); and

- **Reforms that are external to MMFs themselves** by assessing whether the role of sponsor support should be modified. In addition, ESMA is also gathering feedback from stakeholders on other potential changes, particularly linked to ratings, disclosures and stress testing.

Steven Maijoor, Chair, said:

> "The COVID-19 crisis has been very challenging for some MMFs, with large redemptions from investors and a severe deterioration in the liquidity of money

market instruments. Some of the regulatory reforms implemented after the global financial crisis did not work as intended."

"ESMA is seeking input from stakeholders on potential reforms of the EU MMF regulatory framework, in light of the lessons learnt from the difficulties faced by MMFs last March, with the aim of providing feedback to the Commission ahead of the scheduled legislative review."

Next steps

ESMA will consider the feedback it received 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 (MMFR), requires the EC to review, following consultations with ESMA, the adequacy of the MMFR from a prudential and economic point of view by 21 July 2022.

Notes for editors

1. [ESMA Consultation paper on MMFR](#)

2. At international level, several workstreams (including under the aegis of IOSCO and the Financial Stability Board) have started to assess the situation faced by MMFs during the March 2020 crisis, and which policy options should be considered in order to address the issues which have been observed, and potentially enhance further the reforms on MMFs adopted following the 2008 financial crisis.

3. In the EU context, the ESMA work takes the form of an assessment of the functioning and potential need for amendment of the regulatory framework applicable to MMFs in the EU, which is the Money Market Fund Regulation (MMF Regulation) and its implementing measures.

4. This consultation document represents the first step in the development of an ESMA opinion under Article 16a of the ESMA Regulation.

5. ESMA is the European Union's securities markets regulator. Its mission is to enhance investor protection and promote stable and orderly financial markets.

6. It achieves these objectives through four activities:

    a. assessing risks to investors, markets and financial stability;

    b. completing a single rulebook for EU financial markets;

    c. promoting supervisory convergence; and

    d. directly supervising specific financial entities.

    e. 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).

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