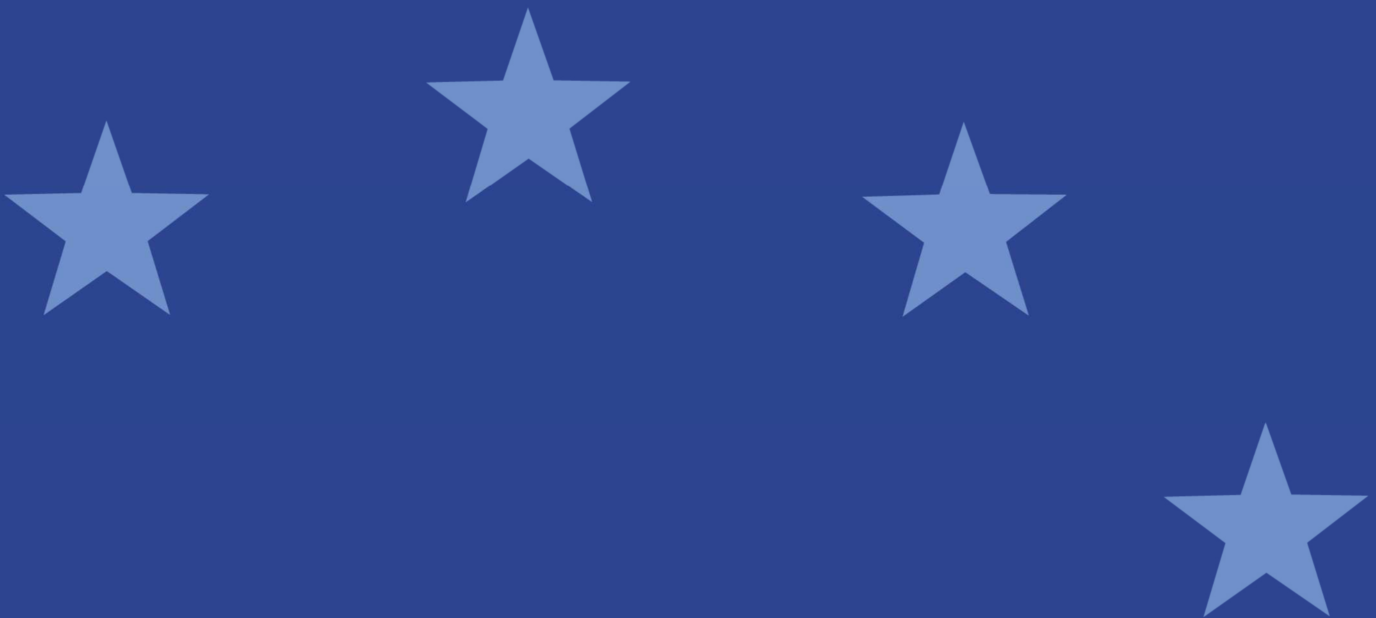
Reply form for the Consultation Paper on

Draft technical advice, implementing technical standards and guidelines under the MMF Regulation



24 May 2017

esma European Securities and Markets Authority

Date: 24 May 2017

Responding to this paper

The European Securities and Markets Authority (ESMA) invites responses to the specific questions listed in Consultation Paper on Draft technical advice, implementing technical standards and guidelines under the MMF Regulation (MMF), published on the ESMA website.

Instructions

Please note that, in order to facilitate the analysis of the large number of responses expected, you are requested to use this file to send your response to ESMA so as to allow us to process it properly. Therefore, ESMA will only be able to consider responses which follow the instructions described below:

- use this form and send your responses in Word format (pdf documents will not be considered except for annexes);
- do not remove the tags of type <ESMA_QUESTION_MMF_1> - i.e. the response to one question has to be framed by the 2 tags corresponding to the question; and
- if you do not have a response to a question, do not delete it and leave the text “TYPE YOUR TEXT HERE” between the tags.

Responses are most helpful:

- if they respond to the question stated;
- contain a clear rationale, including on any related costs and benefits; and
- describe any alternatives that ESMA should consider

Naming protocol

In order to facilitate the handling of stakeholders responses please save your document using the following format:

ESMA_MMF_NAMEOFCOMPANY_NAMEOFDOCUMENT.

E.g. if the respondent were XXXX, the name of the reply form would be:

ESMA_MMF_XXXX_REPLYFORM or

ESMA_MMF_XXXX_ANNEX1

Deadline

Responses must reach us by **7 August 2017.**

All contributions should be submitted online at www.esma.europa.eu under the heading ‘Your input/Consultations’.

Publication of responses

All contributions received will be published following the end of the consultation period, unless otherwise requested. **Please clearly indicate by ticking the appropriate checkbox in the website submission form if you do not wish your contribution to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.** Note also that a confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make is reviewable by ESMA's Board of Appeal and the European Ombudsman.

Data protection

Information on data protection can be found at www.esma.europa.eu under the headings 'Legal notice' and 'Data protection'.

General information about respondent

Name of the company / organisation	Amundi
Activity	Investment Services
Are you representing an association?	☐
Country/Region	France

Introduction

Please make your introductory comments below, if any:

<ESMA_COMMENT_MMF_1>
Amundi is Europe's largest asset manager by the size of assets under management (AuM) and ranks in the top 10 globally. Thanks to the integration of Pioneer Investments, it now manages over 1.3 trillion euros of assets across six main investment hubs. Amundi offers its clients in Europe, Asia-Pacific, the Middle-East and the Americas a wealth of market expertise and a full range of capabilities across the active, passive and real assets investment universes. Headquartered in Paris, and listed since November 2015, Amundi is the 1st asset manager in Europe by market capitalization and the 5th globally .
According to Lipper FMI (Q1 /2017 figures) Amundi is the major actor in the management of MMFs in the European Union with AuM around 170 billion €. We principally manage VNAV MMFs denominated in € that suit the needs of large corporate clients as well as institutions. With the turn to negative short term interest rates in € the proportion of retail clients in MMFs has substantially decreased over the recent years. We also manage smaller amounts of CNAV MMFs and have, thus, a diversified experience in MMFs management.

Amundi has constantly participated to consultations and discussions that led to the finalisation of MMFR and is happy to continue. We support MMFR globally and consider that vulnerabilities specific to CNAV concept have been reasonably addressed, through solutions that mitigate but not totally suppress them. We see MMFR as a great improvement and are actively preparing its implementation. In that regard, we appreciate the opportunity to express views on the "Draft technical advice, implementing technical standards and guidelines under the MMF Regulation" proposed by ESMA.

Prior to answering the questionnaire, Amundi wishes to stress the following points:

- It is in our view vital that delegated and implementation acts do not go further than the fragile balance that was reached in MMFR; we urge authorities to stick to level 1 provisions and not try and introduce additional requirements.
- Proportionality is a key concept for a proper application of MMFR without distorting competition ; it is particularly important on issues like reporting, credit assessment or stress tests where compliance can rapidly lead to excessive burden if not proportionate to size and effective level of risk; we note that MMFR has taken proportionality seriously when designing the liquidity and concentration ratios with consideration to the limited size and diversity of issuers of the short term EU market.
- Reporting should be limited to those fields that have relevance, present no redundancy and are not already reported under another regulation (typically SFTR and Reverse repo); obviously, the proposed format for reporting does not meet these criteria.
- Asset managers are not Credit rating agencies (CRA) and have learned to avoid mechanistic reliance on CRAs' ratings; we support the requirement for internal credit assessment before investing on behalf of a MMF, and we believe that level 1 text does not prescribe nor ask ESMA to prescribe a specific methodology; organisation, governance and processes for the required credit assessment are for the MMF manager to decide; we expect that proportionality will naturally apply to the size, type of assets or level of in-house expertise.
- Stress tests should be at the hand of the asset manager and no prescriptive scenario should be required; guidelines should be illustrative when they show examples and discuss details; the high level principles that apply are determined in level 1 text with no possibility to add on to them.

- MMFs are funds, most of them UCITS, managed by asset managers that are under close supervision of NCAs. Asset managers have developed over the years a real expertise on risk management specific to MMFs that focuses not only on credit and interest risk but also on liquidity risk; we think that it explains that the track record of MMFs in the EU is very satisfactory and there has been no default nor run on VNAV labelled MMFs; consequently, we do not consider that references in the application of MMFR to solutions that apply in the EU banking regulation or on funds, even MMFs, in the US are fit for EU MMFs which are fundamentally different from banking and very far from the US environment.
- MMFR imposes a series of new requirements on VNAV MMFs; in the EU these funds have proven their resilience and stability on several occasion like the US subprime or the 'Club Med' peripheral EU countries and € crises; we stress that regulators should be attentive not to endanger the stability of this segment of asset management through a disproportionate application of MMFR; the financial stability issue at hand is not only the rebalancing of existing CNAV MMFs but also and, when considering assets denominated in € more importantly, the continuation of solid VNAV MMFs.

Lastly, Amundi wishes that ESMA engage with the Commission and other ESAs in order to ask for a review of the status of MMFs in the banking regulation, and we particularly think of LCR and NSFR. This is in our view the last but very important step of the total accomplishment of the benefits of MMFR.
<ESMA_COMMENT_MMF_1>

1. **: Do you agree that the abovementioned references to EU/US standards are relevant in the context of the issuance by ESMA of technical advice on quantitative and qualitative liquidity and credit quality requirements applicable to assets received as part of a reverse repurchase agreement in the context of the MMF Regulation? Do you identify other pieces of national/EU/International law that would be relevant in view of the work on this part of the advice?**

<ESMA_QUESTION_MMF_1>
Amundi is very appreciative of the extensive work conducted by ESMA when investigating texts that refer to liquidity of assets in different legislations. We suggest to add to the references the CESR MMFs guidelines published in 2010 that are still applicable today. We think that they are more relevant than regulations on other sectors which should not be considered as fit for the specific context of MMFR..
For example, as rightly pointed out in §§84 to 86, MMFR includes specific requirements for assets received as part of a reverse Repo. These are stringent in terms of concentration/diversification, avoidance of wrong way risk, credit quality that mitigate liquidity risk.
If we consider liquidity in the context of banking, the approach of LCR as well as NSFR addresses the risk of liquidity mismatch (and in that respect we urge ESMA to ask EBA to reconsider its position on the HQLA character of MMFs following the introduction of MMFR) which is not the central point in MMFR article 15, that considers the liquidity of assets received in a reverse Repo when the counterparty fails. We believe that ESMA and Commission may build on the analysis undertaken by EBA but should not copy-paste what it not directly comparable.
The same applies with references to SEC regulation. The MMF industries in the US and in Europe strongly differ, even if the recent development of CNAV MMFs in Ireland particularly has blurred the lines between the quasi deposit approach of the US and the European definition of MMFs as funds with a risk in the daily valuation that is borne by the investor. Liquidity has not the same importance if you can adjust the price to liquidate a position as for VNAV funds or you have to “break the buck” to get cash and risk to start a run as is the case with CNAV MMFs.
Furthermore, we agree that EMIR and MIFID references are market oriented and are only interesting examples for the discussion and not models to duplicate in MMFR.
<ESMA_QUESTION_MMF_1>

2. **: Which of the options described above regarding credit quality and liquidity requirements would you favour?**

<ESMA_QUESTION_MMF_2>
Amundi clearly supports option a. Option a) is intellectually strong and practically efficient.
First, it rightly considers that the primary risk in a Reverse Repo lies with the counterparty and that collateral comes only after; as bankers use to say “good guarantees do not produce good credits”. Option a) is correct when it focuses on the capacity for the MMF to enforce its rights in case of default of the counterparty.
Second, it is consistent with the global architecture of the financial regulation as it acknowledges that regulated financial institutions present a less risky profile than entities that are not constantly under the supervision of regulators, be they NCAs, central banks or regional bodies. We consider that not only banks and investment firms but also insurance companies and pension funds should be included of in the list of regulated financial entities.
Third, it reinforces the internal consistency of MMFR since it considers that the criteria that make an asset eligible as an investment in a MMF are satisfactory for the eligibility as a receivable in a reverse repo.
Fourth, option a) foresees that reverse repo transacted with other entities than regulated financial ones should be subject to overcollateralization through a proportionate haircut policy. It refers to the minimum haircut figures determined by the Basel Committee that are standard market practice ; thus, it reinforces the legal certainty of the regulation.
<ESMA_QUESTION_MMF_2>

3. **: With respect to option a), do you think the haircut policy should be determined as suggested, or should there be more flexibility given to the manager on this determination? Do you think**

that the decision of equivalence vis a vis third countries mentioned in this option should relate to the one mentioned in Article 114 (107 in the case of credit institutions) of CRR?

<ESMA_QUESTION_MMF_3>
We share the view that the proposed reference to Basel Committee minimum haircut figures is appropriate. Since they are determined by an independent regulatory body that cannot be influenced by any of the counterparties, these haircuts will be easier to impose on the counterparty. We should keep in mind that the MMF's manager wishes to protect its client investors' interests when it asks for over-collateralisation: we are asking for something that counterparties do not particularly like. We feel in a much stronger position if there is no possibility to negotiate a lower level of collateralisation than an official regulatory figure. Furthermore, eligible assets are easy to classify in the Basel committee's table and we do not feel that flexibility is needed for straight forward instruments.
Not being experts on CRR equivalence criteria, we would limit ourselves to a few general comments. Our experience is that ESAs and the Commission have understood that they have to be prudent when advising or taking an equivalence decision. We have welcomed the call for a regular review of the equivalence regime in order to assess whether regulatory evolutions in the EU and in the third country concerned have not introduced discrepancies that would justify to reconsider and withdraw the equivalence. We also believe that reciprocity is part of the equivalence recognition process: the EU should limit equivalence to those countries that accept reciprocity and mutual recognition of equivalence.
<ESMA_QUESTION_MMF_3>

4. : With respect to option b) on liquidity requirements, do you think that requiring assets convertible to cash in one business day or less is appropriate? Do you think this requirement should be more detailed and refer to trade date or settlement date, for example? With respect to that same option b), how do you think that the criteria mentioned in this option could be defined in more detail, and how could quantitative indicators be introduced? Do you think all the criteria mentioned in Article 2(3) of this option b) are relevant? Under this option, when the liquidity assessment of the manager is that the assets would no longer be liquid assets, the manager shall take immediately any appropriate action including the replacement of the collateral with another asset that would be qualified as liquid assets. Do you think that the replacement of the collateral could be carried out overnight?

<ESMA_QUESTION_MMF_4>
Amundi does not support Option b which appears to be insufficiently clear to provide legal certainty and raises major practical issues. Among those the "one business day" requirement is difficult to assess. In the specific case of default of a counterparty which is foreseen it must be expected that market conditions will not be totally stable. We believe that it is too short a period to take hold of and liquidate collateral. The determination of the date and time at which the default is confirmed and the MMF's manager is allowed to liquidate the position without opposition by the depositor is unclear. Thus, the starting point of the 1 day delay is uncertain. Furthermore, since asset managers choose counterparties of high quality, one must expect some turmoil at the announcement of the default of one of the leading market participants. Immediate fire-sale may not be in the best interests of investors. In our experience the first step when the rumour of defaults circulates is to exercise the call to receive the cash of the reverse Repo back, without waiting for a judge to declare default. If after 24 or 48 hours it is apparent that the counterparty defaults, then the depository will not be able to oppose the sale by the MMF. The proposed 1 day requirement is in our view counterproductive since it is unclear from when the delay starts and it can hurt the interest of the investors. We even believe that it will not be possible to fulfil the further requirement of "marginal impact on the market value" of the assets. For the settlement date, it can be expected that market usage will be complied with and that most transactions will settle on T+2 or more rapidly.
The difficulty with market based data that would evidence liquidity, is that they can move very quickly and must be monitored regularly, not to say continuously. We do believe that the cost involved by option b in that respect will be very high.

The requirement to replace collateral overnight is not appropriate for all types of reverse Repos. If we use direct bilateral reverse Repo contracts between a MMF and a financial counterparty (and it is our most common route), the standard practice will be to call and reset deals with a change in the list of eligible collateral. It implies that the call delay will be respected and the replacement will effectively take place 2 or 3 days after the classification as non-liquid asset. If we use tripartite arrangements, the collateral will be confirmed at the close of each business day and the idea to modify it overnight is not meaningful.
<ESMA_QUESTION_MMF_4>

5. : What would be in your view the consequences in terms of costs of the chosen option, and of the other options mentioned above? Do you agree with reasoning mention in the CBA (annex III) in relation to the possible costs and benefits of the options as regards the abovementioned credit quality and liquidity requirements? Which other costs or benefits would you consider in this context?

<ESMA_QUESTION_MMF_5>
If we share the assessment of the limited cost, mainly set up costs, of option a) expressed in the costs benefits analysis conducted by ESMA (see page 90), we do not agree with the statement that option b) would also have a limited cost. The fact to classify assets depending on their liquidity features as mentioned in option b) is not a simple task and requires a constant monitoring that adds further costs. In terms of benefits, we further think that option b) offers a poor protection to investors compared to option a) which focuses on the central question of the quality of the counterparty and incentivises the choice of regulated entities.
<ESMA_QUESTION_MMF_5>

6. : Do you agree that the abovementioned references to EU and US standards are relevant in the context of the issuance by ESMA of technical advice on credit quality assessment under the requirements of the MMF Regulation? Do you identify other pieces of national/EU/International law that would be relevant in view of the work on ESMA technical advice on credit quality assessment under the requirements of the MMF Regulation?

<ESMA_QUESTION_MMF_6>
Amundi thinks that the proposed references are interesting to consider but are not directly applicable in the case of MMFR. The most relevant regulation is to be found in our view in the technical advice published by ESMA on reducing sole and mechanistic reliance on external credit ratings (2015/1471). Actually, we consider that referring to CRA to estimate the quality of the methodology of the internal credit assessment process of a MMF would be disproportionate, since asset managers are assessing credit quality for an internal use only. Furthermore, the requirement in CRA regulation is that the methodology be rigorous, systematic and continuous when in MMFR “prudent” replaces “rigorous”: it evidences that the purpose is different. In CRD, we think that the flexibility that ‘overrides’ allow is an interesting feature. When considering SEC requirements, we do not find them explicit enough to be helpful.
<ESMA_QUESTION_MMF_6>

7. : Do you agree with the proposed option on each of the requirements mentioned in Article 22 of the MMF Regulation? If not, could you specify which existing regulatory framework would you suggest as a basis for the work on the technical advice related to Article 22 of the MMF Regulation?

<ESMA_QUESTION_MMF_7>
Article 22 (a) on the methodology: we demand proportionality to be included when addressing the validation of the methodology under MMFR. As mentioned, MMFR has a less stringent requirement than CRA, since we believe that “prudent” is less demanding than “rigorous”. We agree to refer to CRA if and only if

proportionality is introduced. Typically, where CRA imposes rules, MMFR should express suggestions and the same criteria should not be mandatory but illustrative.
Article 22 (b) and (c) on quantitative and qualitative criteria: the reference to SEC regulation is not necessary and should be deleted. The ESMA guidelines do offer a valid framework.
Article 22 (d) on material change : we find merits in the proposed link with stress test guidelines that introduces consistency in MMFR.
Please see detailed comments in our answer to the following question.
<ESMA_QUESTION_MMF_7>

8. : In your view, what would be the consequences (including operational ones) of the level of detail and prescription suggested above in the proposed technical advice on credit quality assessment under the MMF Regulation (which would be broadly similar as in the delegated Regulation on the assessment of compliance of credit rating methodologies (447/2012), and in the technical advice on reducing sole and mechanistic reliance on external credit ratings (2015/1471))?

<ESMA_QUESTION_MMF_8>
Amundi totally agrees with ESMA's remark that standardised prescriptive regulation leads to uniformity of behaviour, since there are not many ways to optimise. It will ultimately lead to herding and increased systemic risk. We consider that diversity must be preserved as it enlarges the offer of services to investors and creates different types of interests on the markets. In our view, MMF level 2 texts should not be prescriptive on the credit assessment methodology required from MMF's managers. We believe that what is a requirement under CRA should be a recommendation or the illustration of a good practice under MMFR.
When considering the wording of the technical advice under article 22 proposed in Annex 4, Amundi has the following comments to produce:

- Article 22 (a) : the structure of article 1 could be improved by deleting article 1(4) and including criteria in the preceding parts of article 1; the absence of quantitative data is not a prerequisiste to (a) apply procedures in a consistent manner, (b) to ensure that methodology is supported by sufficient quantitative and qualitative criteria, or (c) that the assessment is a sensible indicator of credit worthiness; the last criterion (d) on the consequences of review could be added to article 1(2) (d); criteria (b) and (c) could also join article 1 (2) and (a) would find its place in article 3 on the systematic character.
  In article 2 (b), we suggest to suppress "all" to read "incorporate factors deemed relevant…"
  In article 3 (3) Amundi finds that the words "scale of credit rating" are inappropriate, since MMFR requires asset managers to assess credit quality and decide whether each asset meets the test of a favourable assessment. Analysts produce opinions that lead to the judgement on favourable or not, there is no and there should not be any reference to credit rating on one hand nor on a scale of ratings on the other. Those are too direct links to CRA activities that seem inconsistent with the objective to reduce reliance on CRAs. We suggest to rewrite this § as follows: "the manager of a MMF shall use a credit quality assessment methodology which identifies the situations where the assessment is deemed to be favourable".
- Article 22 (b), (c) and (d): we feel that the usage of "shall" in articles 1, 2 and 3 is too prescriptive, even if the list of criteria is introduced by "such as" or "to the extent possible" . §143 is more definite when it mentions "it is possible to suggest a non-exhaustive list of criteria that could be included…" We ask for the replacement of "shall" by "could" in the draft.
  In article 5 (2) we do not believe that it is helpful to list all the criteria which might produce a material change; we suggest to delete this list and maintain the reference to the articles 1 to 3 with a view to facilitate the reading of the guidelines. Furthermore, article 5 (2) in its last sentence should not use the word "including" and read "such as those which are referred to in Articles 1 to 3", the list being deleted.
  Article 5 (4) and article 2 (d) implicitly create an obligation for an asset manager to subscribe to a rating service of one or several CRA. It is not consistent with the crusade against the overreliance on CRAs and it is not necessary to meet the requirement of MMFR level 1 text. An asset manager is able to follow downgrading decisions through other means than the subscription of a rating service since there is a free access to published ratings without cost nor comment nor possibility to

load and archive. But it is sufficient to spot downgrades and be compliant with MMFR at a lower cost and for the final benefit of investors. We ask for a clarification that “selection” does not mean “subscription” and a redrafting of these two articles.
<ESMA_QUESTION_MMF_8>

9. : What would be in your view the consequences in terms of costs of the chosen options described above in relation to the requirements included in the technical advice under Article 22 of the MMF Regulation? Do you agree with the assessment of costs and benefits mentioned in the CBA (annex III) on the technical advice under Article 22 of the MMF Regulation? If not, please explain why and provide any available quantitative data that the proposal would imply.

<ESMA_QUESTION_MMF_9>
Except for the potentially disproportionate cost of the subscription to a rating service, which should not be mandatory in our view, we do not anticipate major costs to be incurred by firms like Amundi who have developed internal expertise on credit analysis. Regulators have to be aware that any attempt to copy paste requirements of CRA for the methodology and the production of a pre-estabished scale of credit quality steps would have dramatic and useless impact on costs. Cost is very limited when reference to present market practices is made and we encourage ESMA to capitalise on them.
<ESMA_QUESTION_MMF_9>

10. : Do you think other type of information should be considered as “characteristics” of the MMF?

<ESMA_QUESTION_MMF_10>
Amundi considers that ESMA refers to Annex I sections A1, A2 and A3 when addressing “the type and characteristics of the MMF” as mentioned in article 37-2 (a). We understand that question 10 relates to these 3 sections only.
Amundi thinks that there should be only one code reported and in priority LEI when it exists. The LEI is at the level of the sub-fund, what appears to us to be the proper granularity when talking of a fund. We suggest to withdraw A.1.2 and A.1.4 , national and ECB codes, since it is not the purpose of MMF reporting to, establish concordance tables. Alternative code should be possible to use as a substitute with a specific field allowing for the description of the relevant code. Under A.1.6 it will be easier to have a yes or no answer to the question : is the MMF a UCITS? Foot note 77 should apply to A.1.13 as well as A.1.14. The mention of the LEI should be the standard for the master of a French FCPE feeder of a MMMaster Fund. Being a second code for the same MMF, A.3.3 should be deleted.
If we oppose the idea to report data about share classes on yield, portfolio or liquidity, we can understand that the number of share classes and their ISIN codes might be considered as characteristics of a MMF. As a consequence we consider that A.3.6 and A.3.7 are the only fields that we should populate. We ask for the deletion of all other fields (A.3.5, and all fields from A.3.8 to A.3.16). As explained in question 11 below, investment decisions that may impact the financial stability or create risk are met at the level of the portfolio not the share class. The portfolio is managed at the sub-fund level, which is the only relevant level for reporting. It is actually the level for AIFMD reporting as well.
Among the items A.3.17 to 3.23 of section c) we think that only the last one, about the procedure of liquidation of the MMF, is relevant in a regular reporting. It is useless to carry quarter after quarter an historical view of the previous mergers or acquisitions of a fund: they have to be reported at the time of the merger on behalf of the merged fund and as its last reporting exercise. We think that there could be a specific format for last reporting of a MMF who will merge with another fund.
<ESMA_QUESTION_MMF_10>

11. : Do you agree with the proposed way of reporting the yield of the MMF? If not, could you indicate what would be the more appropriate way to report yield in your views? Do you think

the 7-days gross yield should be reported for each week of the reporting period? If not, what should be the appropriate frequency of reporting on this item?[1] Do you think that the calendar year performance and yield could be calculated at (sub)fund level and at share class level? Which difficulties do you identify while doing so? At which frequency should it be reported?

<ESMA_QUESTION_MMF_11>
Amundi does not agree with the inflated number of yield measurements that are suggested from A.4.11 to A.4.17. One single set of figures for different time periods is sufficient. It is the responsibility of the regulator to choose and not duplicate requirements. Our opinion is very clear that the current standard is the succession of returns YTD, 1 month, 3 months and 1 year. Their calculation is not subject to difficulties nor debatable assumptions, they are informative. In any case large investors as well as regulators do monitor performance on a very frequent, not to say daily, basis. We suggest to report those figures only, as a matter of record.
The appropriate granularity is the sub fund level where investment decisions that determine the performance are made and implemented. Share classes benefit from the common pool of assets which is the only that needs to be monitored in terms of financial stability. For MMFs, share classes will not develop specific investment strategies they will cover different types of distribution channels (and various share prices and fees for example); they may as well have different base currencies. There is no specific additional risk nor performance engine at the level of the share class. Finally, MMF reporting is due quarterly and annually for smaller funds. There is no point in the last interrogation in question 11.
<ESMA_QUESTION_MMF_11>

12. : Which type of measure would you suggest using to report the quantified outcome of the credit assessment procedure?

<ESMA_QUESTION_MMF_12>
Amundi strongly opposes the addition by ESMA to level 1 requirement. Article 37 (2)(d)(i) reads: “the characteristics of each asset, such as name, country, issuer category, risk or maturity and the outcome of the internal credit quality assessment procedure”. The clear requirement is to report the outcome, not the “quantified” outcome of the internal credit quality assessment procedure. It is up to the asset manager to organise its procedure with quantified, qualitative or mixed assessment criteria and the final result is what is relevant. There is no need to articulate a partial result based only on quantitative analysis that would be part of the process and meaningless.
<ESMA_QUESTION_MMF_12>

13. **: With respect to reverse repurchase agreement, do you agree that the information requested is appropriate? With respect to repurchase agreements, do you think the value of cash received should be reported as a breakdown per investment purposes, i.e. liquidity management or investment in assets referred to in Article 15(6)? (given the information on the amount of cash received as part of repurchase agreements that is also requested). What should be the appropriate frequency of reporting on this information? Do you think the value of unencumbered cash should be reported as a breakdown per country where the bank account is located and currency? (given the information on deposits that is also requested)**

<ESMA_QUESTION_MMF_13>
With consideration to reverse repo requirements (A.6.51 t o A 6.68) we understand the need to control that MMFs benefit of an overcollateralization, act with first quality counterparties and respect the limits, quality and diversification requirements of the regulation. We think that the proposed list of fields should

[1] in order in particular to build meaningful time series to be used for understanding the activity of a fund and for analysis purposes.

be simplified and we ask ESMA to avoid duplication of fields that are already required under other legislation, typically SFTR. We would also like to bear to regulator's attention the fact that collateral is generally global with counterparty and can be individualised at the level of the portfolio but not on a line by line basis. Furthermore when using tripartite arrangements, the globalisation is even wider and the identification of individual deals might not be accessible.
MMF reporting is due quarterly and annually for smaller funds. There is no point in the third interrogation in question 13.
We do not agree with the introduction of a notion that is not defined in MMFR, that of unencumbered assets. The concept may be relevant in the banking industry but is not with MMFs where re-hypothecation and re-use are strictly limited or forbidden. We oppose the reporting of unencumbered assets as such and the breakdown of liquidity by country and currency which is not foreseen in MMFR
<ESMA_QUESTION_MMF_13>

14. : Do you think the information on the investor 'lock-up' period in days (report asset weighted notice period if multiple classes or shares or units) is relevant in the case of MMFs (this information is included in the AIFMD reporting template)?)? Do you agree with the proposed way to report stress tests?

<ESMA_QUESTION_MMF_14>
Amundi has no knowledge of lock up being provided for in MMFs prospectuses. We have the view that such a restriction on liquidity would be inconsistent with the objective of a MMF and would disqualify a fund to be labelled MMF.
Issues about reporting stress tests results as foreseen under article 372 (c) are addressed under section 5 in the annex to the reporting template ITS. Our view is that the reporting requirement should be strictly limited to what is expressly foreseen in the level 1 text. MMFR does provide in article 28 for stress tests to be regularly conducted by the MMF or the management company and, in case of vulnerability, require an extensive report to be produced, submitted to the board of directors and, after amendments, submitted to the NCA who will in turn send it to ESMA. The quarterly report should not compete with this demanding risk management process. We agree that items A.5.1 to A.5.4 should remain narrative and provide an overview. The most important content is to point out whether the stress tests conducted in the reporting period have evidenced any vulnerability that had to be reported and had led to the elaboration of an action plan.
<ESMA_QUESTION_MMF_14>

15. : Do you identify other type of information that should be included in the requested information in the reported template? What would be in your view the consequences in terms of costs of the proposed options for the reporting template? Do you agree with the assessment of costs and benefits above for the proposal mentioned in the CBA (Annex III) on the reporting template? If not, please explain why and provide any available quantitative data on the one-off and ongoing costs (if any) that the proposal would imply. Do you have specific views on the potential use of the ISO 20022 standard?

<ESMA_QUESTION_MMF_15>
. In general, we agree with the approach that the reporting exercise under MMFR should as much as possible be consistent with AIFMD's. We would welcome harmonisation that could rapidly lead to a single reporting procedure as foreseen in §178, even if most of our MMFs are UCITS and not AIFs. We want to stress as well that duplication of reporting obligation should be avoided and in that respect we suggest to assess the overlap between the foreseen MMFR and SFTR reporting requirements.

Please, find below our comments on the sections of the reporting other than the ones addressed in our answers to the previous questions, 10 to 14, above.

Provisions of article 37 2 (b) are covered by section (4) in the annex. Amundi thinks that the proper level for the calculation of WAL and WAM is the sub-fund as identified by a LEI. About liquidity the only relevant data that are required by level 1 text are the daily and weekly liquidity ratios covered by A.4.7 and A.4.8 as well as the 75 day limit for LVNAV. This limit should be considered in the reporting specific to LVNAV MMFs. Any other measurement has no reason to be reported and we recommend ESMA to delete A.4.9 and A.4.10; the latter refers to encumbered assets, a concept that is not defined in MMFR. We remark that regulators have a global view with the WAL and WAM measures and a proper focus to the immediate and short term liquidity which, together, provide the necessary tools to monitor financial stability issues.

With regards to yield, we find that the proposed RTS adds unnecessary and redundant requirements. We have a strong view that NCAs will not rely on quarterly reporting to monitor performance and are already equipped to follow MMFs performances on a daily basis with a high level of reactivity. MMF reporting on this point will not be an efficient tool for supervision of financial stability, but the indication of performance will most likely be used for benchmarking purpose and ex post identification of MMFs with an abnormal comportment. For MMFs, we think that the YTD, 1 month, 3 months and 1 year performances are adequate indicators. They are suggested in A.4.15 and should be calculated at the level of the sub-fund. Furthermore, we do not think that a monthly volatility measure is of any interest for MMFs. Besides the calculation clarifications that would be needed and the size of the samples necessary for a significant measure, there is already a reference to low volatility in the definition of MMF who aim to be cash equivalent under IAS 7. Once more, the daily monitoring of MMF valuations conducted by regulators, and our experience with AMF is that they are very reactive, provides a far more efficient control on the MMFs volatility in terms of financial stability. Therefore Amundi asks for the deletion of A.4.16 to A.4.18.

The 68 fields that are listed to describe each and all lines of assets held by the MMF are potentially relevant and require, for practicality, to be checked for consistency with other reporting requirements such as AIFMD or SFTR. Punctually, we do not agree with the following :

- (A.6.5 and A.6.35) CUSIP is not a free data and should not be mentioned in a EU regulation; the ISIN should be the reference and an alternative could be provided if necessary with a field defining the source.
- According to the LEI project, the LEI should give access to the group to which an issuer belongs; there is no need to ask for the identification of the head company (A.6.10 and 11, 6.48)
- Clarifications will be necessary for the determination of maturity date of non-bullet issues (A6.15 and 50)
- ESMA should build on the current works for the identification of products through their UPI (A6.32);

On the liabilities side of a MMF, Amundi is very sensitive to the remark in A.7.1 that information on the real beneficial owners are not always known by the asset manager and the fund. It is in particular the case when distributors and other intermediaries use nominees or omnibus accounts. In France, the technical possibility of "marquage des ordres" (earmarking of the orders) exist to ensure total tracking but it is not mandatory; lacking such regulatory requirement, it is not possible to impose on investors to disclose their positions and transactions through all the chain of intermediaries without their consent. We feel that the proposed reporting format is too ambitious and goes to far in details that even big data will not be able to provide in the near future.
Actually, fund managers have a sufficient knowledge of their largest investors and those are attentively serviced and monitored. In most cases the top 5 will be identified, but in cases of large dissemination there will be no individual monitoring of the largest investors, none of them having any significant share in terms of financial stability. We think that the best effort basis approach implies proportionality in the application of this provision. For the smaller holders, fund managers tend to take a statistical approach where the distinction between professional and non-professional clients is not always possible. We point out that non-professional under MIFID does not amount to retail in the common language and we suggest to modify A.7.2 accordingly.
The breakdown proposed in A.7.3 will not be very precise in many cases and depends on internal clients segmentation that may vary. We are surprised that private banking is not identified as a specific category and suggest to add it (as it is in the example of stress tests pp 65 and 161). A materiality criterion should apply to the breakdown per country and only significant holdings should appear. Furthermore the country

test will not be consistent in all circumstances as the nationality or residence of clients are not always apparent.
A.7.9 needs to be clarified; we read it as meaning that if, and only if, at the day of reporting redeptions gates or suspension… are activated it should be reported.
<ESMA_QUESTION_MMF_15>

16. : Do you agree that the abovementioned references to EU/international standards are relevant in the context of the issuance by ESMA of guidelines on stress testing of MMFs? Do you identify other pieces of EU/International law that would be relevant in view of the work on ESMA guidelines on stress testing of MMFs?

<ESMA_QUESTION_MMF_16>
Amundi agrees that the reference to UCITS and AIFMD should be taken in consideration to build on existing practices developed in the EU. They seem consistent with FSB high level recommendations on the risks of run and fire-sales. They do not oppose the US approach, but we insist that US and EU MMF markets are fundamentally different and reference to US regulation in this field should be limited to general ideas and certainly not encompass detailed implementation rules.
<ESMA_QUESTION_MMF_16>

17. : Do you have specific views on the interpretation of the requirements of Article 25(1) of the MMF Regulation on the meaning of the abovementioned "effects on the MMF"?

<ESMA_QUESTION_MMF_17>
We do not see the concept of liquidity buckets in the EU regulation. Typically, in MMFR there are provisions for a minimum level of daily and weekly liquidity. MMFR deals unambiguously with the issue of liquidity in another way than the bucket approach that has been introduced in the US. We do ask ESMA not to use the word "buckets" in these guidelines. We do not support either the idea (mentioned in §205b) that volatility would be a significant item when stress testing MMFs. We could only agree with ESMA that criteria a, c and/or d of §205 would properly interpret "effects on the MMFs" if the concept of bucket in c) would be replaced by the exact reference to MMFR requirement to comply with minimum ratios of liquidity. Notably §§10, 11 and 13 in the guidelines on stress tests should be modified to change the word "buckets".
<ESMA_QUESTION_MMF_17>

18. : Do you have views on the specifications of the following criteria:

- level of changes of liquidity of the assets with respect to Article 28(1)(a),

- levels of changes of credit risk of the asset with respect to Article 28(1)(b),

- levels of change of the interest rates and exchange rates with respect to Article 28(1)(c),

- levels of redemption with respect to Article 28(1)(d),

- levels of widening or narrowing of spreads among indexes to which interest rates of portfolio securities are tied with respect to Article 28(1)(e),

- identification of macro-systemic shocks affecting the economy as a whole with respect to Article 28(1)(f))? (how would set the calibration of the relevant factors in the case of the Lehman Brothers' event, and the two proposed scenarios A and B? With respect to scenario B mentioned above, do you think the duration of 12 months is appropriate?)

<ESMA_QUESTION_MMF_18>
Amundi's opinion is globally favourable to the analysis made by ESMA in the guidelines about the stress tests. However we have specific concerns and comments that we want to share.

1. There is not much to test on FX, since MMFs have to be totally hedged when they hold assets in another currency than the reference currency of the fund or share class.

2. We believe that appropriately stress testing interest rate and credit risks include the “widening or narrowing of spreads” and consequently, we do not see what article 28 1 (e) refers to. In practice we do not see what the convergence or divergence between Euribor 3 month or 6 month and EONIA would add to the test of a change in the short term yield curve. Does the legislator mean to compare Libor € and Euribor? But in general there is one and one only relevant reference index.
3. Macro-systemic shocks will have direct and indirect impacts on the already identified risk factors that are to be stress tested, such as credit, liquidity, interest rate… We do not see the reason to link variations of those factors to macro-economic data.

Globally, we welcome non mandatory, illustrative scenarios to be suggested in the guidelines. They greatly facilitate the common understanding of what stress tests should be about, even if they are not explicit on some criteria.
Amundi understands the suggestion to conduct reverse stress tests. They are regularly used in our internal risk management of funds and, based on our experience, they do not need to be conducted systematically, as they measure a degree of liberty that is available. They are helpful to signal to the fund manager that the room for manoeuver is reduced or remains large. They are appropriate on a reduced number of criteria that vary from one stress test to the other. Therefore they should not be mandatory but considered with proportionality.
We would like the same principle of proportionality to apply when considering stress tests on the aggregated universe of MMFs run by the same asset manager. For large families of MMFs with similar characteristics it does make sense to consider their aggregation. In our opinion most smaller firms who run insignificant amounts in macro-economic terms, should be exempted from aggregated stress tests. For larger firms the frequency, the number of MMFs included and the scope of aggregated stress testing should be determined with proportionality by the asset manager and the NCA.
<ESMA_QUESTION_MMF_18>

19. : Are you of the view that ESMA should specify other criteria that should be taken into account? If yes, which ones?

<ESMA_QUESTION_MMF_19>
Amundi does not think that additional criteria should be foreseen. We even believe that some are already redundant.
<ESMA_QUESTION_MMF_19>

20. : Are you of the view that other topic should be covered in the ESMA guidelines under the requirements of Article 28 of the MMF Regulation?

<ESMA_QUESTION_MMF_20>
We insist on the major consideration that stress testing has to apply with proportionality, taking into reference the wording of MMFR and the illustrations provided in the proposed guidelines. We consider that these guidelines fulfil their objective as they stand : they enable asset managers to build their own stress tests at the frequency they find best suited.
<ESMA_QUESTION_MMF_20>

21. : Do you agree with the assessment of costs and benefits mentioned in the CBA (Annex III) on the different options on the Guidelines on stress tests? If not, please explain why and provide any available quantitative data on costs (if any) that the proposal would imply.

<ESMA_QUESTION_MMF_21>
Amundi supports ESMA’s choice of option 3 which mixes (i) high level principles on most criteria and (2) more precise (but not mandatory) provisions on thresholds and limits on a few criteria such as liquidity of the assets, movements on interest rates or levels of redemptions. We think that it gives sense to the foreseen annual revision of the guidelines and enables a progressive improvement of the stress tests. We suggest that for the first years of application more precise provisions be very limited and easy to implement.

Such a progressive application will enable asset managers to spread the cost of new developments on several years and avoid stressed conditions of implementation and extra costs due to very short delays for compliance. Finally, we believe that this option provides a fair balance : costs suffered by regulators will be limited by the requirements on the most sensitive criteria and professionals will not bear excessive cost relating to fully standardised stress tests. Flexibility will enable them to adapt their procedures and master their costs. Nevertheless the time and expertise that will be devoted to the definition, monitoring, oversight and update of the MMF stress tests will not be only a substantial one-off cost but will represent a significant annual cost for those entities where MMFs are of size.
<ESMA_QUESTION_MMF_21>