European Securities and Markets Authority

Response form for the Consultation Paper on the EU Money Market Fund Regulation – legislative review

29 March 2021

European Securities and Markets Authority

Date: 29 March 2021

Responding to this paper

ESMA invites responses to the questions set out throughout this Consultation Paper and summarised in Annex 3. Responses are most helpful if they:

- respond to the question stated and indicate the specific question to which they relate;
- contain a clear rationale; and
- describe any alternatives ESMA should consider.

ESMA will consider all comments received by **Wednesday 30th June 2021.**

All contributions should be submitted online at www.esma.europa.eu under the heading 'Your input - Consultations'.

Instructions

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the steps below when preparing and submitting their response:

- Insert your responses to the consultation questions in this form.
- Please do not remove tags of the type <ESMA_QUESTION_MMFR_1>. Your response to each question has to be framed by the two tags corresponding to the question.
- If you do not wish to respond to a given question, please do not delete it but simply leave the text "TYPE YOUR TEXT HERE" between the tags.
- When you have drafted your response, name your response form according to the following convention: ESMA_MMFR_nameofrespondent_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESMA_MMFR_ABCD_RESPONSEFORM.
- Upload the form containing your responses, in Word format, to ESMA's website (www.esma.europa.eu under the heading 'Your input – Open consultations' → 'Consultation on EU Money Market Fund Regulation – legislative review').

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise. If you do not wish for your response to be publicly disclosed, please clearly indicate this by ticking the appropriate box on the website submission page. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. 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 not to disclose the response 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 heading 'Data protection'.

Who should read this paper?

This document will be of interest to (i) MMF managers and their trade associations, as well as (ii) institutional and retail investors (and associations of such investors) investing in MMF.

General information about respondent

Name of the company / organisation	BNP PARIBAS
Activity	Other
Are you representing an association?	☐
Country/Region	FRANCE

Introduction

Please make your introductory comments below, if any:

<ESMA_COMMENT_MMFR_1>
We (BNP Paribas Group) answer to this consultation mainly as a major asset manager for French MMFs of VNAV type. BNP Paribas Asset Management has € 72 bn of MMFs under management as of 31 December 2020 with the following breakdown:

- € 46 bn in French MMFs all of VNAV type,
- € 26 bn in Luxembourg MMFs of which GBP 2.2 bn and USD 3.5 bn for the LVNAV MMF type.

Accordingly, our responses mainly focus on VNAV funds. We are of the opinion that all along this review process, existence of different types of MMFs should be properly taken into consideration. Potential new reforms should be calibrated according to the specificities of each category. Measures that could be relevant for one type of MMFs could be totally counterproductive for another one.

As a general comment, we believe that the current MMF Regulation (MMFR) has been well designed following the 2008 crisis and has provided the right tools and safeguards to strengthen the resilience of EU MMFs. Would the MMFR framework not been in place during the March-April 2020 crisis, the impacts of the liquidity crisis experienced by market participants would have been much more fierce and damaging. It is important to maintain some mechanisms which have been introduced and have proven to address most of difficulties encountered during the crisis.

Indeed we are of the opinion that MMFs did not contribute to the financial stress that followed the eruption of the pandemic crisis: a symptom rather than a cause *as* they were involved in the general disruption observed in the financial markets. Initial difficulties were due to the "dash for cash" resulting from the need of many clients – corporates and institutional ones - to access to fresh cash due to the sudden interruption of the economic activities. As MMFs are seen as some of most liquid instruments, they were redeemed in priority and recorded significant outflows. In a second stage (or in parallel), MMFs encountered some difficulties for both (1) selling some of their assets as many counterparties were not in capacity to extend their balance sheets to absorb the assets for sale in absence of any bid in the secondary market and (2) rolling over their investment in new CDs / CPs, hence the sudden slump of the primary market over a few weeks.

Against this background, any consideration of amending the existing MMFR requirements must be properly evaluated before any final decision. We welcome the approach retained in the consultation paper consisting in taking into consideration the four criteria listed in the second section, i.e. impacts on the resilience of MMFs, effects on investor behaviour, effects on funds managers and finally broader impacts on the stability and functioning of short term funding markets. Some measures that could seem efficient for strengthening the resilience of MMFs could have some unintended consequences on other parts of the ecosystem and not improve the overall situation.

Other levers of actions should also be investigated to address specific issues that emerged during the pandemic crisis and that cannot be solved through the revision of the MMFR itself. We believe in particular that the functioning and resiliency of underlying markets (such as CP and CD markets) should be further analysed to assess if some measures should be envisaged to enhance this functioning, having in mind that, given their short term maturities, the "buy and hold" nature of these markets and the liquidity provided by the banks to the issuers upon the drawing of the credit facilities under such circumstances, the enhancement of the secondary market on these financial instruments would continue to rely mainly on the support provided by the Central banks through their dedicated purchase programs.

It is also essential to make fully clear to end-investors that MMFs are not risk-free investment products and that risks embedded in MMFs (in particular market risk, credit risk and liquidity risk) are to be supported in the end by investors: MMF value risk can be a function of both credit and liquidity premium. All relative information must be clearly disclosed in the relevant documentation, with detailed information on the nature and features of these risks.

As a very last comment, we believe that putting as a preliminary condition of this review that intervention of central banks should be excluded in the future is not a reasonable statement. In our view, intervention of central banks as a last resort solution is not to be seen as beneficial for MMFs only, it plays a significant role for the markets as a whole, notably to restore confidence of market participants.

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<ESMA_COMMENT_MMFR_1>

- **i) Do you agree with the above assessment of the difficulties faced by MMFs during the COVID-19 March crisis? Do you agree with the identification of vulnerabilities? ii) What are your views in particular on the use of MMF ratings by investors? Are you of the view that the use of such ratings has affected the behaviors of investors during the March crisis?**

<ESMA_QUESTION_MMFR_1>
Globally we agree with the analysis conducted by public institutions and authorities on the Covid-19 market turmoil. However, there are a number of aspects on which the analysis is not fully accurate and could lead to misinterpretation. In particular, we have some comments on the following aspects:

- Financial markets experienced unprecedented stressed conditions in March 2020 and this crisis was a liquidity crisis (not a credit crisis).
- During this period, EU MMFs continued to meet redemptions and continued to provide a high-quality, well-diversified and liquid investment option at a time were markets underwent considerable stress.
- At the same time, volumes of outflows significantly increased in March as a result of an unprecedented demand for cash from EU MMF investors who had to deal with contingencies and the uncertainties ahead. It is also important to have in mind that volumes of outflows were amplified for structural reasons as the end of the first quarter is by essence a period where significant redemptions are recorded. In a second stage, some large institutional investors (insurers and pension funds) also needed to liquidate some of their MMF holdings in order to raise cash to meet increasing margin calls from their derivative counterparties.
- BNP Paribas is not of the view that weaknesses observed on short term funding markets in March and April was due in particular to reliance on MMFs. Similarly, the shock caused by redemption request to MMF liabilities did not translate into severe pressure to reduce assets, reduce the maturity of invest-ments and sell debt securities. The crisis happened first in the underlying short-term money markets and then MMFs were impacted as a consequence.

Main difficulties encountered by the MMFs can be summarized as follows:

- When the MMFs attempted to have short term papers buy back by banks in what was a “one-way market”, the latter were constrained by a limited storing capacity on their own balance sheets in view of their own credit limits in terms of both concentration and absolute levels, all the more so as some liquidity lines were drawn from the banks by CP issuers at the time. In addition, the crisis happened at the end of a quarter when constraints for banks on ratios may be more demanding.
- BNP Paribas Asset Management observed that the availability of some dealer banks to act as market makers - often by buying back CP and CD from MMFs – could not be a recourse in the face of balance sheet rising constraints. This did not apply to BNP Paribas which used its balance sheet to provide some bids for both external issuers (CD included) along with its own paper (up to a certain volume).
- Some operational difficulties were also observed with counterparties due to the sudden widespread introduction of a mandatory “work from home” set up. It took a minimum of time before brokers could be operational again. When MMFs wanted to invest again in Short Term money markets, there was no pricing and these investments could not be performed. The lack of activity observed in the secondary markets of corporate Neu CP in normal times was exacerbated during the crisis period and resulted in difficulties to get the right pricing.

On the intervention by central banks, we also acknowledge that they had a fundamental role in the recovery of the financial system as a whole. In our view the US Federal Reserve’s Own Money Market Mutual Fund Liquidity Facility (MMLF) was all the more relevant that (1) the March 2020 ‘dash for cash’ started on the US dollar market and (2) the stakes for the US MMF market was magnified by the large print of “constant net asset value” (CNAV) funds, the assets of which are all in public sector (US Treasury for the most part). Thus, it is important not to have a single approach for all types of MMFs. Distinction must be done between different MMFs categories and jurisdictions, first in the analysis of trends observed during the crisis and second in the policy options that could be envisaged in the future.

Beyond these clarifications, it is also important to recall that MMFs play a major role in the short term financing of numerous corporates, financial participants and public institutions. If MMFs were to close because of too strict regulation, this would raise several types of difficulties for the functioning of the financial system as a whole:

- It would imply less diversification of funding sources away from banks, with increased reliance on comparatively more expensive bank credit. In addition this would not be consistent with the CMU objective to reduce the proportion of funding by banking institutions.
- In addition, banks would not see this increasing short term funding as a positive development, as they already have significant pools of liquidity (with LCR highly above the regulatory thresholds) and providing this type of funding could translate into additional capital requirements.
- Lastly it is important to remind that new transparency and reporting requirements introduced by the MMFR in Europe provide supervisors with quite extensive and quality information on asset managers' MMFs, which would probably not be available if such funding were performed in another way.

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<ESMA_QUESTION_MMFR_1>

Q2 i) Do you agree with the above assessment on the potential MMF reforms related to the review of the MMF Regulation? ii) What are your views on the abovementioned assessment of the interaction between potential MMF reforms and the behaviour of investors during the MMF March 2020 crisis?

<ESMA_QUESTION_MMFR_2>

We consider that the global approach adopted by ESMA is a good one, especially the assessment of each potential reform on the four criteria / parameters presented in the consultation paper, i.e. impact on the MMF resilience, effects on the investors' behaviour, effects on the asset managers and broader impacts on the stability and functioning of short term funding markets. This approach has the merit to have a holistic view on the ecosystem of MMFs and to highlight all potential impacts of each specific reform.

It should also help to demonstrate that the crisis experienced in March/April 2020 was not caused by MMFs and was not due to inefficiencies of the existing regulatory framework they already comply with. As explained in response to Q.1, we insist on the fact that the March events was a global pandemic issue that led to a liquidity crisis of the underlying markets. The short-term end of the financing was also caught into the crisis as there was a general "dash for cash" with little leeway on banking dealers to override their own ratios on a same issuer. As a result, it is of upmost importance that a functioning money markets is also scrutinised to see how it could be improved, especially under stressed market conditions. Some existing regulatory rules in the banking sector should also be reviewed to assess if they have also contributed to the spread of the general crisis and have impeded the interaction between MMF managers and their brokers-dealers in that specific context. In conclusion this exercise should not be restricted to MMFs and be used as an opportunity to make an exhaustive review of the current ecosystem to ensure that relevant policy options to avoid another crisis similar to the one experienced in March/April 2020.

On the objectives of this review (as presented in paragraph 72), we would like to note that asserting at this stage, before the effective conduct of this general assessment, that a number of amendments could be considered to "make MMFs more resilient to stressed market conditions without the need of (implicit) central banks' support" is first premature and second not consistent with the role that central banks have to play as last resort option. We agree that intervention by central banks should be limited as much as possible. However the "no intervention at all" principle should not be considered as "granted" as it is probably not realistic to anticipate one market environment where intervention of central banks could be totally excluded. An analogy would be that in the real life we could live without the need of fireman brigades, as should we only rely on multiple security alarm systems which we all know, will never cover the tail/unseen or unprecedented events. The Covid-19 crisis perfectly illustrates this.

On the 5 types of reforms envisaged, we acknowledge that the approach is quite comprehensive and let the door open to different options, without restricting the scope of policy options to a limited number without preliminary consultation phase by all stakeholders. This being said, we are of the opinion that the last category (Others) should clearly specify that amendments could also be made to other regulatory frameworks and to the functioning of the underlying funding markets in which a number of difficulties were encountered and contributed to the amplification of the crisis. A proof that the MMFs are quite efficient is shown by the large increase post March/April 2020 where total AUM jumped sharply above levels seen pre-crisis. We believe in the end that the MMFR as currently defined is sufficient and that no major reform is required at this stage.

We will comment on the various policy options in more details through our responses to the next questions. We will mainly focus from a VNAV MMF perspective as almost all our funds are French MMFs of VNAV type. We want to insist on the need to have a differentiated approach depending on the specificities of each MMF and to avoid adoption of “one-size-fits-all approach” which could make sense for a given type of MMFs but would be totally unsuitable otherwise, especially for the very types of funds that proved to be resilient during the pandemic. As a reminder, despite important redemptions, especially in March 2020 (-52.4 bn euros), French VNAV money market funds managed the outflows and proved resilient during the COVID crisis, as explained in the French AMF’s 2020 Markets and Risk Outlook. Despite the significant net outflows in March, inflows resumed as soon as May. Overall, over the first 8 months of 2020, inflows amounted to +48.6 bn euros. Unlike the 2008 episode, no complaint has been expressed with regard to the composition of the portfolios, especially in terms of the quality of assets; funds are safe and resilient in their construction and composition.

As a last comment, we believe that it is crucial to preserve the MMF spirit, i.e. investments designed to address immediate liquidity needs and need for funding diversification. MMFs are also instrumental for the funding of some institutional investors and corporates whose issuances are invested in significantly by MMFs. For this reason, we fully agree that investors’ behaviour during the pandemic need to be taken into consideration and properly assessed. More broadly usage and benefits of MMFs for investors need to be reviewed and included in the general assessment of policy reforms. Borrowers, like treasurers or corporates, seem puzzled by the question regarding the alternative sources of short-term funding data available to them. They appreciate the continuous detention of short term paper (CDs and CPs) by MMFs, which constitute historically a very stable, reliable, diversified and less costly (vs. banks) financing source. Replacing MMFs would simply transfer the activity and related risks mainly towards banks without retaining the benefits of the current diversification of sources. This hypothesis would prove to be suboptimal from a systemic point of view. One should not assume that banks may have the balance-sheet capacity to subrogate MMF like-for-like.

<ESMA_QUESTION_MMFR_2>

Q3 Do you agree with the above assessment of the i) potential need to decouple regulatory thresholds from suspensions/gates and the corresponding proposals of amendment of the MMF Regulation ii) potential reforms of the conditions for the use of redemption gates? When you answer this question, please also take into account the grid of criteria listed in paragraphs 76 to 80.

<ESMA_QUESTION_MMFR_3>

These questions refer more specifically to the MMFs with CNAV and LVNAV. As mentioned in the introduction, our responses mainly refer to the specific case of VNAV MMFs which represent the vast majority of our AUM in MMFs for €-denominated funds.

This being said, even if we understand the need to review whether this type of automatic link should be further investigated in order to assess if it could generate side effects, it is important to ensure that CNAV and LVNAV funds guarantee sufficient safeguards to their investors in case of market stressed conditions.

<ESMA_QUESTION_MMFR_3>

Q4 i) Do you agree with the above assessment of the potential need to require MMFs to use swing pricing and / or ADL / liquidity fees and the corresponding proposal of amendment of the MMF Regulation (including the above list of corresponding potential benefits and drawbacks)? ii) If you are of the view that swing pricing might not be workable for certain types of MMFs, which instruments would you suggest as an alternative for these types of MMFs going forward? When you answer this question, please also take into account the grid of criteria listed in paragraphs 76 to 80.

<ESMA_QUESTION_MMFR_4>

We agree that Anti-Dilution Levey (ADL) and swing pricing can be efficient liquidity management tools for some types of investment funds and have been used in a beneficial way by several investment funds during the Covid-19 crisis. They allow in particular to ensure fair treatment of all investors in the fund and to avoid much more damaging effects than suspension of the fund.

However they are not workable in the case of MMFs, mainly due to the highly liquid nature of MMFs for which subscription and redemption orders are executed with the NAV of the same date. Due to this feature, following aspects need to be properly reviewed:

- Operational ones: the benefit of these tools is indeed dependent on the capacity of the fund administrator and of the post market chain to impact them at least daily (and even real time). Indeed, the vast majority of French VNAV funds are settled at T+0, which is a pillar feature for investors. At this stage, swing pricing has been implemented in several jurisdictions and has been beneficial for some types of funds other than MMFs during the Covid-19 crisis. In case of ADL, feasibility conditions for effective implementation are still problematic as the asset manager would have to communicate the new percentage for the redemption/exit fee at least one hour before the start of the order collection to all financial intermediaries that receive subscription and redemption orders. Operational processes have not yet been adapted to this type of flows, especially if significant volumes would have to be processed accordingly.
- In addition, MMFs in particular have cyclical and anticipated redemptions (which might amount to as much as 20%). If a tool is set at a more micro level, it should be conceived to be an efficient complement to the KYC anticipated redemptions (for which the manager is preparing the necessary liquidity in advance).
- It is key that information to the market / end-investors should be limited to indication in the prospectus of the fund on the existence of such a mechanism. In case of activation, it should be avoided at all price that this information is disclosed before effective entry into force. Otherwise it could lead to pre-emptive redemptions and have pro-cyclical effects.

In the end, we consider that it would be more relevant to put in place an ADL – with a predefined percentage- or a liquidity/redemption fee (an action on redeemers is sought), provided that operational processes are effective. In order to work a solution based on the principle of the best interest of all investors of a fund, this defined % should be in relation to the probable liquidity cost that might be incurred on money markets and not a punitive figure. Indeed, this would mean a maximum of 20 to 50bp. This ADL or this redemption fee would be activate only under certain market conditions, (i.e. liquidity shortage/crisis and/or for redemptions above a certain threshold that may impact fund's liquidity) and be based on the decision of the local regulator. Under this assumption, investors that need cash desperately can access their monies with a fair price with regards to the markets conditions and those that can afford to wait for markets to go back to normal do not pay for the redeemers.

<ESMA_QUESTION_MMFR_4>

Q5 i) Do you agree with the above assessment of the potential need to increase liquidity buffers and/or make them usable/countercyclical and the corresponding potential proposal of amendment of the MMF Regulation? ii) With respect to option 1 above, views are sought in particular on the relevant threshold (on the size of redemptions) from which WLA would need to be automatically adjusted. When you answer this question, please also take into account the grid of criteria listed in paragraphs 76 to 80.

<ESMA_QUESTION_MMFR_5>
We are of the opinion that existing liquidity buffers as determined under the MMR are properly calibrated and do not need to be increased, especially in case of short term MMFs. During the pandemic crisis, existing thresholds were breached in very limited cases and MMFs came back to normal situation very promptly (i.e. on the same day) without negative effects on end-investors.

In addition, we have seen during the crisis some alternatives such as an increased communication between issuers and buyers that was quite helpful during these difficult times. The objective here was not leveraging too much on the broker capacity to hold papers, but to leverage on ALMT department of banks which could play an intermediary role and manage the regulatory impacts of large buybacks request. Typically this what BNP Paribas, as a bank, did during the March-April turmoil when buying others banks paper rather than its own paper, in order to protect its regulatory liquidity by pledging bought back CDs/CPs to central banks.

In these conditions, we strongly believe that each asset manager should keep the flexibility to increase the liquidity buffers above the minimum threshold required by the MMFR, on a fund by fund basis. This is already done as soon as required and has proven to be the most efficient solution. The current countercyclical features of these buffers for VNAV MMFs (i.e. these buffers can be used in case of significant redemptions) should also be maintained. This rule has proven to be quite efficient and does not require any amendment.

Lastly, another option we would recommend for consideration is adding, in case of VNAV standard MMFs, a layer of government debt to the existing buffers (which would be investment grade public debts in conformity with MMFR requirements). While aware of further need of investigation on right level of calibration and selection, we think that this option would allow to have a pool of liquid assets that could be liquidated immediately in case of high outflows.

On this point, we would like to refer to Recital 38 under the MMFR in which it is mentioned that: "In the case of public debt CNAV MMFs and low volatility net asset value MMFs (LVNAV MMFs), a limited percentage of government paper with a residual maturity of 190 days that can be settled within one working day should also be able to be counted towards the weekly liquidity requirements. In the case of variable net asset value MMFs (VNAV MMFs), a limited percentage of money market instruments or units or shares of eligible MMFs should also be able to be counted towards the weekly liquidity requirements provided they can be settled within five working days". In our view, this recommendation "on a limited percentage of government paper with a residual maturity of 190 days" should be made mandatory for all types of MMFs.

In our view, the impact on fund performance would be very limited especially knowing that interest rates are currently very low.

<ESMA_QUESTION_MMFR_5>

Q6 What are your views on the potential need to eliminate CNAV and LVNAV funds, in light of the recent market developments, and the corresponding potential proposal of amendment of the MMF Regulation? When you answer this question, please also take into account the grid of criteria listed in paragraphs 76 to 80.

<ESMA_QUESTION_MMFR_6>
As mentioned in the introduction, vast majority of our MMFs are of VNAV types so we do not have specific comment on this question.
<ESMA_QUESTION_MMFR_6>

Q7 What are your views on the extent to which Article 35 of the MMF Regulation should be i) clarified ii) amended? When you answer this question, please also take into account the grid of criteria listed in paragraphs 76 to 80.

<ESMA_QUESTION_MMFR_7>
In principle we agree that current Article 35 of the MMFR does not need to be amended, even if we note that there are diverging approaches today in the US and in the EU on this topic as the US legislation authorises this type of support.

In any case, it must be clearly specified that central banks' intervention should not qualify as external support. Any new wording of Article 35 should not result in excluding any central banks' intervention. The main reason why we consider that support by the parent company or any other form of external support is not relevant is that central banks should intervene when funding markets do not function any more. Indeed this type of intervention is not to relieve MMFs themselves but the underlying markets in which they invest. No intervention by central banks would have first quite damaging impact on these markets and would seriously affect the functioning of the whole ecosystem.

Lastly, we are not in favour of an external support framework through the set-up of liquidity exchange bank or another third party mechanism with similar functions. This solution would be quite complex to develop both from an operational and business perspective. It would take several years before it is effectively activated and would require the participation of numerous players to reach the right level of funding. In the end it might end up being quite costly for the industry with limited benefits.

<ESMA_QUESTION_MMFR_7>

Q8 i) Do you agree with the above assessment of the potential need to assess the role of MMF ratings in light of the difficulties faced by MMFs during the March crisis, and the potential need to introduce regulatory requirements for MMF ratings? ii) In your view, based on your experience, what are the benefits of MMF rating from investors' perspective, having in mind that rules applying to MMFs are already very stringent? What would be the likely consequence on investors from the downgrade of one or several MMFs? When you answer this question, please also take into account the grid of criteria listed in paragraphs 76 to 80.

<ESMA_QUESTION_MMFR_8>
As a first comment, we consider that the role of ratings is relevant only for CNAV and LVNAV MMFs. Ratings are not used for VNAV French MMFs as for these funds, asset managers have a very detailed knowledge of the investors' portfolios and therefore do not need to rely on external ratings.

For LVNAV funds, we have seen with our LVNAV MMF domiciled in Luxembourg (BNP Paribas InstiCash – AAA rated) the very positive effect of MMF ratings. This fund has clearly benefited from its high rating with increase of inflows during the crisis period. Such ratings allow to disclose the high quality of these types of funds and ensure high level of protection for end-investors. In our view, the current requirements of the MMFR should be maintained and we do not see any need to change ~~of~~ these provisions.

On the use of the word "credit ratings" in the MMFR, we recommend that there is no confusion between "MMF ratings" and "credit rating". MMF ratings are different from "credit ratings" and therefore should not be subject to the regulatory requirements applicable to credit ratings. As a consequence, we are in favour of modifying the current wording and replacing it by "MMF ratings".

<ESMA_QUESTION_MMFR_8>

Q9 Do you agree with the above assessment of the potential need to amend the requirements on stress tests included in the article 28 of the MMF Regulation? When you answer this question, please also take into account the grid of criteria listed in paragraphs 76 to 80.

<ESMA_QUESTION_MMFR_9>
We have several comments on this question:

- First stress tests requirements under the MMFR have entered into force quite recently and first reporting was to be published at the end of 2020. As a result it is quite difficult to make informed assessment on the need to amend them at this stage.
- However they have already demonstrated in our specific case that our internal risk management framework is well calibrated with strong safeguards in case of tensions in the market. Being said differently we have not identified need for major change in the way we monitor risks for our MMFs
- In addition, it is obvious that stress testing has limited value in case of extreme market conditions as those experienced during the March-April 2020 crisis. Other indicators as spread widening, increasing volatility and high volumes of outflows are much more relevant signs of need for intervention than additional and more uniform stress testing. We are not sure that envisaging a scenario where all MMFs face a shock at the same time would provide real added-value compared to the current framework in place for individual MMFs.
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For all these reasons, we do not see the need to amend the requirements on stress tests as currently provided under the Article 28 of the MMFR.

We have no objection on our side to send directly to ESMA the report mentioned in Article 28.5 of the MMFR.

<ESMA_QUESTION_MMFR_9>

Q10 Do you agree with the above assessment on the potential need to review the reporting requirements under the MMF Regulation? When you answer this question, please also take into account the grid of criteria listed in paragraphs 76 to 80.

<ESMA_QUESTION_MMFR_10>
We are of the opinion that increasing reporting frequency would be more relevant in case of crisis (i.e. up to daily). In such circumstances, it will be also appropriate to select of sub-set of data to be provided by limiting the scope to the ones required in this type of situation.

Regarding the content and the frequency of the reporting, it seems premature to envisage any modification. We think that we lack perspective to assess whether changes should be introduced as reporting has been performed only once since the adoption of the MMFR. It is also important to keep in mind that any reporting revision represents significant operational and IT adaptations and may be quite expensive.

<ESMA_QUESTION_MMFR_10>

Q11 Do you agree with the above assessment of the potential need to include additional requirements in the MMF Regulation, and/or potentially in other types of EU piece of legislation on the disclosure of money market instruments (MMIs) and main categories of investors to regulatory authorities (e.g. detailed information on liabilities)? When you answer this question, please also take into account the grid of criteria listed in paragraphs 76 to 80.

<ESMA_QUESTION_MMFR_11>
We agree that reporting more detailed information to the regulators on investors in MMFs would be of real value. As explained previously, as manager of VNAV MMFs, we have a detailed knowledge of our investors and are in close relation with them. This knowledge allows us to anticipate any major move in our portfolio and is a major tool to take adapted measures.
It is probably more complex for CNAV and LVNAV funds to have this type of knowledge about end-investors, especially when orders are collected through distribution platforms. However it would be of interest to see how more detailed information on liabilities of these MMFs could be achieved.

On the frequency to be used for this type of reporting, we are not sure that daily reporting is required in normal business conditions. Monthly frequency should be sufficient to deliver the right level of information to regulators.

We are also in favour of improving the information reported on the asset side. The crisis revealed that transparency of information on short-term funding markets was not always optimal and that lack of information on pricing and volumes could impede the right functioning of these markets and consequently had negative impact on MMFs. Additional transparency on Neu CP markets has been beneficial and could be further enhanced. Areas of improvement should be investigated in liaison with the issuers and banking communities. Similarly, some efforts should be engaged to promote the development of a regulated Euro CP market with high level of transparency, by considering how the Neu CP market has been developed in the French market.

All these initiatives should contribute to increase the liquidity in these markets and strengthen the confidence of investors in these products.

<ESMA_QUESTION_MMFR_11>

Q12 i) Do you agree with the above assessment on the potential creation of a LEF? When you answer this question, please also take into account the grid of criteria listed in paragraphs 76 to 80. ii) Several open questions related to the creation of the LEF, on which ESMA would specifically welcome feedback from stakeholders, include:

- **What should be the appropriate size of such a pooling vehicle as the LEF?**
- **In terms of funding, how much MMF would have to pay each year to participate in the pool? How much of the funding would/should be provided by other sources?**
- **How long would it take to establish such a LEF?**
- **Under which conditions would the LEF be activated?**
- **Who would be responsible for activating the LEF**.

<ESMA_QUESTION_MMFR_12>
We are not in favour of the creation of a liquidity Exchange Facility as proposed in the consultation paper. Even if we understand the rationale for such a solution, we do not believe that it would have beneficial effects in the end. It would be quite long and complex to establish this type of facility. We have also some doubt on the acceptability of such a mechanism that would require potential significant amount of own funds. Probably funding by MMFs only would be not sufficient (or prohibitive), it is quite unlikely that other players would accept to be part of such a mechanism. We have seen that the adoption of the resolution fund for credit institutions has raised a wide of range of issues, with some of them as blocking points for effective set-up of this mechanism. Negotiations are still on-going to figure out the right approach and get consensus from all participants.

In the end this solution may be very costly and quite challenging to materialise. More importantly, we are of the view that the risk inherent to MMFs, as for any other investment funds, should be supported by end-investors and not the MMFs themselves. These risks are to be clearly disclosed to end-investors in the relevant documentation with the right level of information on the nature of these risks. MMFs should not be promoted and/or presented by investment products that would be risk free and would guarantee the investors to get back their initial investments, including is some extreme situations.

As mentioned previously in answer to Q.5, we believe that introducing an additional layer of highly secured securities (as govies) would be a much relevant solution. This would allow the MMF to get access to immediate liquidity in case of stressed situations in a quite simple way and without significant impact on the performance of the fund.

<ESMA_QUESTION_MMFR_12>

Q13 Do you agree with the above assessment on the potential need of further clarification of the requirements of articles 1 and 6 of the MMF Regulation? When you answer this question, please also take into account the grid of criteria listed in paragraphs 76 to 80.

<ESMA_QUESTION_MMFR_13>

In our view, existing requirements under Article 1 and Article 6 are sufficiently clear, we do not see the need for any further clarification.

<ESMA_QUESTION_MMFR_13>