

PRESS RELEASE

ESMA finds divergence in national supervision of money market funds

The European Securities and Markets Authority (ESMA) has published a [peer review report examining whether EU securities supervisors correctly apply ESMA's guidelines on money market funds \(MMFs\)](#). The review compared supervisory and enforcement practices for MMFs of 30 supervisory authorities across the European Economic Area (EEA). ESMA reviewed those 20 jurisdictions that had transposed the guidelines into their national rules.

The report found that more than two thirds of the 20 jurisdictions reviewed have implemented the ESMA guidelines on MMFs nationally as mandatory provisions, while a minority have used measures which do not have the force of law. However, the general supervisory and enforcement approaches relating to MMFs vary across Member States to a significant extent.

The report covers the situation up to 30 June 2012, since that date a number of jurisdictions have taken steps to ensure that they are in compliance with the guidelines.

Steven Maijoor, ESMA Chair, said:

“In order to promote the creation of a single European securities market, ESMA must examine whether EU rules are duly applied in a consistent manner. Our mapping on money market funds has identified that there is a need for further convergence in supervisory practices, as ultimately, divergence may hamper the proper protection of investors and may result in an unlevel playing field.

“National supervisors should use the findings of this exercise to identify those areas where their national rules need to be further aligned to ESMA's MMF guidelines.”

ESMA guidelines to improve investor protection

ESMA's MMF guidelines were introduced in 2010 to provide a common definition of European Money Market Funds, with the objective of improving investor protection by asking funds to label themselves as MMFs and implement certain governance rules. They apply to both UCITS

and non-UCITS MMFs and distinguish between *short-term MMFs* and *MMFs*. According to the report, for 2012: 1,256 MMFs were located in the EEA, with 641 in France, 203 in Luxembourg, 102 in Ireland, 71 in Spain and 57 in Hungary.

The key findings are:

- Ten EEA Member States had not transposed the guidelines by the end of the review period (of July 2012); four of them have since transposed the guidelines;
- 20 countries included the guidelines within their national supervisory tasks during the authorisation process and/or the on-going supervision of UCITS and non-UCITS funds and their asset management companies. However, the level of implementation varied in the following areas:
 - **Licensing of funds:** the authorisation process for new MMFs varies significantly between Member States: some authorities pre-approve some or all fund documents, others mostly rely on ex post monitoring;
 - **On-going supervision:** several Member States have not developed a specific supervisory approach for MMFs. These regulators mainly rely on risk-based approaches of monitoring funds. A compliance-based approach is used by those Member States who have a limited number of authorised MMFs;
 - **Risk-based supervision:** national supervisors use a variety of different supervisory approaches resulting in variations regarding: the type and frequency of periodic reporting by funds, the parameters triggering alerts to identify the risks and prioritise actions, the level of reliance on external auditors and depositories in carrying out the monitoring; and
 - **Use of information:** national supervisors usually use both quantitative and qualitative information from several different sources, including periodic reporting by supervised entities, investor complaints, and information from other authorities and other public sources. The annual and half-year financial statements of MMFs are sometimes the sole source of information.

Next steps

Next year ESMA, as part of its regular activities, will consider Member States' application of the guidelines, taking into account any possible legislative proposals by the European Commission regarding MMFs.



Notes for editors

1. ESMA is an independent EU Authority that was established on 1 January 2011 and works closely with the other European Supervisory Authorities responsible for banking (EBA), and insurance and occupational pensions (EIOPA), and the European Systemic Risk Board (ESRB).
2. ESMA's mission is to enhance the protection of investors and promote stable and well-functioning financial markets in the European Union (EU). As an independent institution, ESMA achieves this aim by building a single rule book for EU financial markets and ensuring its consistent application across the EU. ESMA contributes to the regulation of financial services firms with a pan-European reach, either through direct supervision or through the active co-ordination of national supervisory activity.

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