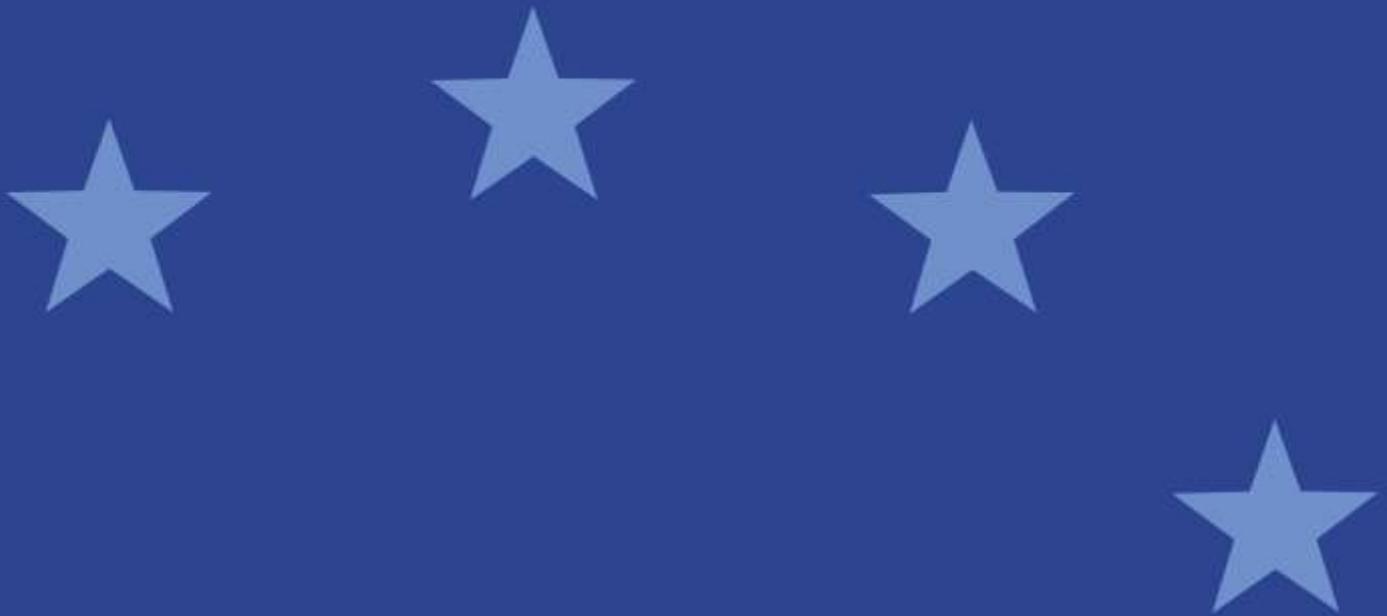




European Securities and  
Markets Authority

# Final Report

**Guidelines on the reporting to competent authorities under Article 37  
of the MMF Regulation**





European Securities and  
Markets Authority

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# 1 Executive Summary

## Reasons for publication

Article 37 of the MMF Regulation provides that ESMA shall develop draft implementing technical standards (ITS) to establish a reporting template containing all the information managers of MMFs are required to send to the competent authority of the MMF.

The draft ITS were finalized by ESMA in November 2017 and endorsed and published by the Commission in April 2018.<sup>1</sup>

With respect to these ITS on the establishment of a reporting template and the timing of implementation of the corresponding database, ESMA confirms that managers would need to send their first quarterly reports mentioned in Article 37 to NCAs in Q1 2020. In addition, there will be no requirement to retroactively provide historical data for any period prior to this starting date of the reporting.

Following the publication of these ITS, ESMA worked on the Guidelines and IT guidance that will complement the information included in the ITS so that managers of MMFs have all the necessary information to fill in the reporting template they will send to the competent authority of their MMF, as specified in article 37 of the MMF Regulation.

This final report contains the guidelines on MMF reporting that ESMA has developed.

## Contents

Section 2 summarises the feedback received to the consultation that ESMA carried out and explains how ESMA has taken it into account.

Annex I contains the legislative reference in the MMF Regulation in relation to the abovementioned reporting template.

Annex II sets out the cost-benefit analysis related to the guidelines.

Annex III contains the full text of the guidelines.

## Next Steps

With the publication of the ESMA Guidelines on MMF reporting and the ESMA Guidelines on MMF Stress tests (Guidelines on stress test scenarios under the MMF Regulation), the next steps on the establishment of the MMF reporting process and database include the finalization of the corresponding IT specifications.

The format of the MMF reports will use the ISO 20022 Standard currently used in the context of the MiFIR and EMIR reporting requirements. In order to establish a homogeneous reporting, this technical format defines in particular the format of each element, the order in which these elements should appear, and which of these elements are mandatory or

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optional. It should also ensure that the reported data are compliant with the defined syntax rules. The Guidelines on MMF Reporting are therefore supplemented by related technical reporting instructions.

These technical documents include: (i) the reporting validation rules specifying the criteria of acceptance of MMF reports by the NCAs and conditions under which fields are not applicable and should not be populated and (ii) the XML schemas of the candidate ISO 20022 messages. These documents are referred to in the Guidelines and have also been published by ESMA<sup>2</sup>.

The Guidelines on MMF Reporting will now be translated into all the EU official languages.

**The first report from managers of MMFs to National Competent Authorities is expected at the end of Q1 2020.**

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<sup>1</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R0708&from=EN>

<sup>2</sup> [https://www.esma.europa.eu/sites/default/files/library/esma65-8-6480\\_money\\_market\\_fund\\_reporting\\_technical\\_reporting\\_instructions.zip](https://www.esma.europa.eu/sites/default/files/library/esma65-8-6480_money_market_fund_reporting_technical_reporting_instructions.zip)

## 2 Feedback on the consultation

1.ESMA received 11 responses to the consultation paper (CP) on ESMA's draft guidelines on the reporting to competent authorities under Article 37 of the MMF Regulation. Responses were received from asset managers (and their associations) and investor representatives. ESMA had also requested the advice of the Securities and Markets Stakeholders Group, which has chosen not to respond. The responses to the public consultation are summarised below.

**Q1: Are you of the view that there could be merits for managers of MMFs subject to yearly reporting in accordance with article 37(1) of the MMF Regulation to report on a quarterly basis so that their corresponding operational process is less burdensome?**

2.Respondents agree that there could be merits for managers of MMFs subject to yearly reporting to report on a quarterly basis. But most of them highlighted the fact that reporting on a quarterly basis should remain an option at the sole discretion of the managers and that in any case, it should become mandatory. One of the respondents argued that the merits of reporting on a quarterly basis will depend on the firm, their wider fund range, the specificities of the fund and the operational procedures of the firm and it should not become a burden for managers of MMFs. Moreover, a respondent mentioned that quarterly reporting should not become the “gold standard” of reporting for small MMFs. It should just remain a choice that managers of small MMFS have to make based on operational reasons.

3.One respondent does not agree with the proposal for the first reporting date which should be similar to the authorization date as stated in paragraph 24 of the draft guidelines. According to the respondent, it is not in line with the AIFMD reporting approach and should therefore be amended. Another respondent expressed its concerns regarding the example presented in case 1 on pages 16 and 17 of the Consultation Paper. According to this respondent, it is not convenient to immediately switch to the quarterly reporting for the quarter during which the status change occurs. This respondent suggests starting the quarterly reporting from the quarter following the change onwards.

**Q2: Do you identify potential situations in which managers of MMFs do not have any information to report on MMFs other than those listed above (e.g. certain types of situations of liquidation of the MMF)?**

4.Five respondents do not foresee any situations in which managers of MMFs do not have any information to report on MMFs other than those listed. However, other respondents pointed out a few scenarios in which managers would not have any other information to report:

- a. If a manager of a small MMF that has been reporting quarterly chooses instead to report annually, it would have no information to report.
- b. In the transitory period between the authorisation and the effective launch of an MMF, the fund would have no information to report.

- c. If a fund manager decides to change the reporting frequency from a quarterly reporting to a yearly reporting in line with Article 37. This includes MMFs passing below the threshold of €100M but also MMFs whose assets were already below €100 M but had opted for quarterly reporting.
- d. Some MMFs subject to the last reporting flag might have limited information to report. For instance, if the fund has already been liquidated or its assets have been merged into another pool of assets.

5. Three respondents also underlined the importance of aligning requirements for reporting under Article 37 of MMFR with the clarifications provided in the context of the AIFMD reporting.

### **ESMA response (Q1 and Q2)**

Given the feedback received from stakeholders, ESMA has confirmed its approach which will allow managers to report quarterly, even if they would be subject to yearly reporting in accordance with article 37(1) of the MMF Regulation.

With respect to the first reporting date, ESMA has specified that the first reporting should cover the period from the authorization date of the MMF (exact date) until the end of the reporting period.

ESMA has also specified that managers of MMFs should report information to their national competent authorities only once per reporting period covering all the reporting period. For example, managers of MMFs subject to yearly reporting obligations should only provide one report to their NCAs for each year period (yearly period that always end on 31 December of that specific year). Managers of MMFs subject to quarterly reporting obligations should only provide one report to their NCAs for each quarterly period.

**Q3: Do you agree that the MMF Guidelines could specify which sources should be used by managers of MMFs if the base currency is not included in the list of currencies for which the ECB provides an exchange rate? If yes, which sources should be used in your view?**

6. On the one hand, several respondents oppose the idea that the Guidelines on MMF Reporting could specify which sources should be used by managers of MMFs if the base currency is not included in the list of currencies for which the ECB provides an exchange rate. Three of those respondents underline that the AIFMD reporting Guidelines do not specify the sources to be used in such a situation and asset managers have developed their own practices. They emphasize that managers of MMFs are willing to keep the freedom of choosing their data provider without being dependent on a given Authority. Another respondent stresses the importance to align the reporting requirements with the practices of NAV calculation.

7. On the other hand, four respondents agree that it is important to ensure consistency in the reporting framework and that a list of specified sources would therefore be desired. Among them, two argue that other central banks from major economies could be of a good use whilst one respondent mentions the most widely used data providers as

credible alternative. Additionally, respondents also indicated that the solution adopted should be consistent but should not entail additional costs for asset managers.

## **ESMA response**

Given the feedback received from stakeholders, ESMA has updated its proposal currencies related issues. In particular, ESMA has clarified that fields A.4.1, A.6.12, A.6.16, A.6.30, A.6.34, A.6.52, A.6.54, A.6.56, A.6.67, A.6.70, A.6.80, A.6.91, A.6.93, A.6.97, B.1.11, and B.1.13 of the Implementing Regulation on reporting specify that if the base currency is not EUR the exchange ratio used shall be the ECB one.

ESMA has also confirmed that Euro foreign exchange reference rates are quoted by the ECB as base currency against euro (e.g. expressed as 1 EUR = 129.04 JPY as of 29 June 2018). Thus, the value in the fields in base currency should be divided by this rate. For example, if, as of end of Q2 2018 (last business day 29 June 2018), the NAV of the fund is expressed in JPY and worth 150 billion of Japanese yen (value reported in field A.4.2), the value to report in field A.4.1 would be 150 billion / 129.04 = 1.162 billion of EUR (rounded here at  $10^{-3}$ ).

### **Q4: Do you identify any other issue that would need to be specified in relation to the above section on “general principles” of the reporting template?**

8. Several respondents insist on the need to align practices between MMF Regulation and other reporting requirements. For example, one respondent points out that Article 110 1) of the Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 states that where the AIF is a fund of funds the reporting period is extended by the AIFM by 15 days and invites ESMA to extend the reporting period for MMF fund of funds. Another respondent argues that for the sake of consistency, the same title should apply across all regulations and that similar fields should be used when they have a common goal. The Legal Entity Identifier should for instance be made mandatory whilst all other references to national registers or data providers' codes should be optional. With a view to smoothen the reporting exercise, one respondent argues that it would be beneficial to set up a central hub, where all data required by the different regulations would be deposited and made available to relevant Authorities. One respondent also suggests dividing all reporting into two parts, a first part for common identification data and global characteristics of funds and a second part covering data specific to each regulation.

9. Furthermore, one of the respondents urges ESMA to ensure that only one version of the XML schema is in use at one time and that a sensible transition timetable is agreed for implementing updates to the XML schema – to avoid facing similar issues than the ones encountered with AIFMD Annex IV reporting. This respondent also stresses the importance for both regulators and the industry to have enough time to prepare for the reporting requirements. The experience of AIFMD showed that a 3-month implementation period is not sufficient, which therefore means that validation rules and conditions will need to be published very soon if ESMA wants the reporting date objective (Q1 2020) to be met. In any other cases, the respondent suggests ESMA postpone the first reporting period.

10. One respondent recommends that small tolerances are built into the report where percentages are used, firstly allowing percentages to be reported to several decimal places – to avoid rounding errors - and secondly allowing tolerances when the total percentages marginally under or overshoot the 100%. Another stakeholder highlights the need to limit as much as possible comments on reported elements and advocate for the alignment with the reporting methodologies used in the context of AIFMD framework where, instead of a drop-down approach, two specific fields (ID 14 – Question number for which assumption is provided and ID 15 – Assumption description – free text) are provided.
11. Finally, two respondents are of the view that the new definition of “optional field” is not in line with the AIFMD. In ESMA Q&A on the application of the AIFMD, fields flagged as optional had to be filled only if the AIFM has information to report. In the AIFMD approach, information marked as optional needs to be reported in any case as long as they apply to MMFs. Such a definition could lead to the situation where the MMF would be required to report these fields even if the information is not available. Both respondents ask ESMA to clarify that optional fields makes a reporting item truly optional for managers of MMFs.

### **ESMA response**

With respect to the timing and contents of IT format to be used by managers, please refer to the “executive summary” of this report.

With respect to “optional fields”, taking into account the feedback received from stakeholders, but also the experience of the AIFMD reporting, ESMA has specified that information marked:

- a. mandatory should be reported by all managers of MMFs.
- b. optional should be reported by the manager of the MMF except if this regulatory information does not apply to this specific MMF at this specific point of time.
- c. conditional is linked to other information (flags) in the reporting template. If those flags are answered with “Yes”, the corresponding conditional information has to be reported. However, if those flags are answered with “No”, the corresponding conditional information should not be reported.

**Q5: Do you agree that if an MMF is composed of different share classes that differ in relation to their base currency the base currency that should be included in field A.1.12 should be the base currency as specified in the accounting documents of the MMF or are you of the view that in that case the base currency of the largest share class should be included in field A.1.12? Would you see merit in aligning the inception date mentioned above in section X with the first reporting date, as defined in section II?**

12. All the respondents agree that the base currency should be the base currency as specified in the accounting documents. For one respondent, Field A.1.12 only requires reporting the currency of the MMF as stated by the Delegated Regulation (EU) 2018/708. This is especially true because Field A.3.7 of the reporting template already

requires information about the currencies of the different share classes, meaning that ESMA would be able to get an overview of the relationship between the base currencies of large share classes and the base currency of the MMF anyway.

13. The large majority of respondents does not see merits in aligning the inception date mentioned in section X with the first reporting date. Some of them even propose that the first reporting date should be the authorization date (even if the MMF has not been launched) and not the date of first NAV calculation.

14. Two respondents see merits in aligning the inception date with the first reporting date because the investor activity and operational activity of the fund starts from the inception date.

### **ESMA response**

Given the feedback received from stakeholders, ESMA has confirmed that with respect to the base currency of the MMF (field A.1.12), the base currency of the MMF reported in field A.1.12 should be the same as indicated in the prospectus of the MMF. If an MMF is composed of different share classes that differ in relation to their base currency the base currency that should be included in field A.1.12 is the base currency as specified in the reference accounting documents of the MMF.

With respect to the inception date, ESMA has confirmed that the inception date of an MMF as referred to in field A.1.11 is the date when the first NAV of the MMF is calculated. If the MMF was a pre-existing fund which has been granted the MMF Authorisation under the MMF Regulation, this inception date should be the date when the first NAV of this fund as a *MMF* (under the MMF Regulation) is calculated.

### **Q6: Do you identify any other issue that would need to be specified in relation to the above section on the block 1 of the reporting template?**

15. Two respondents share the idea that in paragraphs 64, 67 and 72 of the Consultation Paper respectively related to merged MMFs, liquidated MMFs or MMFs for which the authorization has been withdrawn, the word “quarter” should be replaced by “period”. Since merged or liquidated MMFs are more likely to be smaller, more flexibility would be useful, in particular if the liquidation takes place in the second half of the year or if the liquidation is delayed. One of the respondents also suggests that in those particular cases, it would make sense to make it optional to report no later than 30 days after the end of the period after the end of the reporting period, since those events (i.e. liquidation, merger, authorization withdrawal) may occur shortly before the end of the reporting period, leaving very little time for a correct reporting preparation. Another respondent invites ESMA to clarify if in case of a merger that reports annually, it is correct to apply the rules of paragraph 34 describing the procedures in case of a change of reporting frequency.

16. Additionally, other concerns were expressed with regards to field A.1.16 in which the ECB code - MFI ID code - of the manager of the MMF is required. One respondent asks ESMA to bring some clarifications on what is expected to be reported in this field

since in his understanding, only the MMF has an MFI code, not the MMF manager. In his response to the CP, one respondent also requests ESMA to mark this field as optional considering that the code is insufficient and not used in practice and that the LEI or the national code is sufficient for ESMA to identify the manager of the MMF. This respondent inquires ESMA for more information on how this code could be requested – to avoid additional costs for managers.

17. One respondent is of the view that Part 2 “Type of the MMF” of the block 1 of the reporting template is not consistent with the MMF regulation and entails a risk of misunderstanding. Indeed, the MMF regulation distinguishes the MMF types (VNAV, public debt CNAV and LVNAV) and the MMF categories (short-term vs. standard). Nevertheless, field A.2.1 of the reporting template uses “MMF type” to ask for both the type and the category of the MMF, which is undoubtedly a source of confusion for MMF manager. The respondent stresses the need to avoid such inaccuracies that could go against long-established market practices.

18. Regarding the section II.23 of the consultation paper that refers to including the “Last reporting flag” into the reporting template, one respondent would welcome additional clarification on how to apply this flag to recently launched funds. In addition, according to him, the section II.29 that refers to “MMF Reporting Change Frequency Code” needs to be clarified to know if it is a mandatory field or not and whether the values would be yearly quarterly.

## **ESMA response**

Taking into account the feedback received from stakeholders, ESMA has updated its proposals in different ways, improved the drafting of the requirements, as suggested by certain stakeholders.

With respect to the Member State where the MMF is authorised, ESMA has specified that Field A.1.9 relates to a singular form (“Member State”) whereas field A.1.10 relates to a plural form (“Member States”). The singular form reflects the case of an EU MMF but not the case of a non-EU MMF for which the same MMF may have several competent authorities (for example, a non-EU AIF MMF marketed in the EU in several Member States without a passport, cf. article 2(17)(c)(i) of the MMF Regulation). The Member State to be reported in that case under field A.1.9 is the Member State of the competent authority to which the report is submitted.

ESMA has also specified that with respect to the Member State where the MMF is authorised (field. A.1.9), in the specific case of a non-EU MMF for which there could be several such competent authorities, all these several Member States should be reported under field A.1.9. It is to be noted that the same information on a specific MMF reported to different national competent authorities should be the same.

**Q7: Are you of the view that the abovementioned specification leaves too much room for interpretation and would lead to data that is not comparable? Are you of the view that settlement periods should be taken into account and that, as a consequence,**

**the last part of the abovementioned specification (“if it has as a non-negligible impact on the liquidity profile of the MMF”) should be removed?**

19. Two respondents agree that the abovementioned specification is sufficient as it is and in line with the AIFMD approach. But for the sake of clarity, one of them suggests that ESMA uses the same terminology as the European Commission and therefore, avoid the term “buffer” in the MMF reporting template.
20. Numerous comments were made regarding the liquidity profile fields (A.4.7). Firstly, one respondent underlined the importance to have a common understanding of what liquidity effectively means across the EU and invites ESMA to ensure that interpretations are neither too lenient, nor too restrictive. This respondent indicates that liquidity refers to cash available for payments and that it is necessary to assess the liquidation time of an asset as the period between the decision to sell and the effective reception of cash. Secondly, according to two respondents, the paragraph 81 of the Consultation Paper implies that each investment should be assigned to one liquidity period only even if MMFs can liquidate part of their position earlier. For these respondents, it would lead to too conservative results in the context of MMFs, particularly those holding large holdings in government or supranational instruments in line with the derogation in article 17(7) of the MMF Regulation. In practice, if assets need to be liquidated to meet redemptions, only a proportion of each asset would be sold, rather than an entire position liquidated. Considering the importance of liquidity for MMFs, it is key that liquidity reported reflects the underlying liquidity of the MMFs. Two of the respondents suggest avoiding specific Guidelines on MMF reporting on how field A.4.7 should be fulfilled and suggest adding to the Guidelines on MMF reporting that the bucketing of assets in different periods should reflect the self-assessment made by the MMF manager.
21. Moreover, on the one hand, several respondents support the idea that settlement periods should not be taken into account and that the last part should not be removed, as it allows to exclude marginal impact, which are not meaningful for the calculation of the liquidity profile. On the other hand, only one respondent is expressly of the view that settlement periods should be taken into account. Another respondent believes that it is the asset manager’s responsibility to decide whether the settlement period needs to be considered or not. It is worth reminding that if a manager of an MMF decides to take it into account, even for the most liquid assets, the bucket allocated will be at least 2-7 days as the assets would be paid in two days (t+2).
22. Finally, one respondent invites NCAs to seize the opportunity offered by the full disclosure of all portfolio under MMF reporting. In fact, a huge amount of data is gathered and could be used to estimate and compare the liquidity profile of MMFs.

**ESMA response**

Taking into account the feedback received from stakeholders, ESMA has updated its proposals.

With respect to field A.4.7, ESMA has specified that managers of MMFs should report the percentage of the fund's portfolio that is capable of being liquidated under normal market conditions within each of the liquidity periods specified. The total should equal 100%.

ESMA has also specified that if individual positions are important contingent parts of the same trade, managers of MMFs should group all of these positions under the liquidity period of the least liquid part.

Finally, ESMA has confirmed that managers of MMFs should adopt a conservative approach when they report information on the portfolio liquidity. As a consequence, managers of MMFs should take into account the time delay for having the proceeds of the sale available on a cash account if it has as a non-negligible impact on the liquidity profile of the MMF.

**Q8: Do you have any views in relation to the abovementioned formula on how to measure the monthly portfolio volatility or are you of the view that another formula would be welcome?**

23. Three respondents agree with the suggested formula on how to measure the monthly portfolio. According to one respondent, more clarity on the computation methodology would be useful, for example whether distributions should also be factored in while computing the returns or should it be based on just the movement in shadow NAV of the fund over two periods. Another respondent specifies that the formula requires at least 36 months to be applicable and therefore, suggests making this field conditional depending on the age of the MMF.

24. One respondent believes that the abovementioned formula represents the volatility of monthly portfolio returns rescaled to a yearly basis, typically called "annualized portfolio volatility" and not "monthly portfolio volatility". He recommends ESMA to clarify in order to avoid any misinterpretation of the term. In addition to that, one respondent defends the idea that a formula on the measure of the weekly portfolio volatility would be more appropriate given that MMF are short-term funds per se and have to calculate their NAV at least on a daily basis. On the contrary, one stakeholder believes that the monthly volatility is not very reliable and that the formula should take at least 1 or 2 years into account.

25. Furthermore, according to one respondent, in the absence of a definition for the term "return", it is complicated to comment on the formula. He advocates for adopting an approach similar to the one adopted by the US regulation 2a7 that requires the reporting of both a hypothetical yield and a NAV. The portfolio volatility could then be based on the variation of the NAV. He points out that reporting the portfolio volatility is particularly relevant for VNAV funds whose investors have to attribute "performance" to capital and revenue impacts.

## **ESMA response**

Taking into account the feedback received from stakeholders, ESMA has further specified the formula to calculate the monthly portfolio volatility. ESMA has specified that for VNAV, the returns of the fund are monthly returns of the NAV per unit or share calculated over the T last

periods, while for CNAV and LVNAV, the returns of the fund are monthly returns of the shadow NAV per unit or share. ESMA has also specified that depending on the range, the T last periods to be taken into account in the formula are T=12 for the 1 year range, T = 24 for the two years range and T=36 for the three years range. Finally, ESMA has specified that in the cases where the available data on returns are not sufficient to cover a given range, the manager shall not report any data for this range (e.g. a fund that exists since 18 months only should not report the 2 years nor the 3 years monthly portfolio volatility).

**Q9: Do you identify any other issue that would need to be specified in relation to the above section on the block 2 of the reporting template?**

26. Three respondents do not agree with the idea that the most representative share class should be understood as the share class associated with the highest NAV proportion or so at the end of the reporting period. To avoid any misleading inconsistencies, they suggest that the choice of most representative share class should be the manager's responsibility based on principles of representativeness and consistency.

27. Additionally, two respondents also expressed their concerns regarding the field A.4.5 (% of assets qualifying for the daily liquidity buffer). In their view, it should represent the underlying funds daily liquidity ratio in the case of feeder funds or funds of funds. As these MMFs only invest in other MMFs that comply with MMF regulation, they are of the view that the daily liquidity buffer of MMFs marketed only through employee savings schemes should be read by transparency of their underlying funds.

28. With regards to paragraph 85 and to ensure consistency, two respondents asked for more clarification regarding the method used for calculating cumulative returns. On the opposite side, one respondent understands that the method used for the calculation of the cumulative returns is the same calculation method used for the report of the returns to investors and is of the view that there is no merit in further guidance to calculate the net return – efficient standards being already in place.

29. Finally, according to one respondent, the paragraph 79 contains an inconsistency as it states that "the total value of assets equals the NAV" whilst articles 30 (1), 31(1) and 32(1) of the MMF regulation specify that the NAV corresponds to the sum of the value of all assets of the MMF and the sum of all the liabilities of the MMF, then divided by the number of outstanding units or shares of the MMF. This respondent underlines the need to ensure that the reporting requirements are in line with the MMF regulation and therefore, suggests relabelling fields A.4.1 and A.4.2 if the objective was to capture only the total value of the assets of the MMF.

**ESMA response**

Taking into account the feedback received from stakeholders, ESMA has further specified a number of points in relation to the fields included in Block 2.

With respect to field A.4.8 of the Implementing Regulation on reporting, ESMA has specified that the figure of cumulative returns to be reported should be net returns. The manager of an MMF shall report the cumulative returns of the most representative share class, as defined

under field A.4.9. The basis for defining the range of cumulative returns to be reported should be the reporting end date.

According to the field A.4.9 of the Implementing Regulation on reporting, the manager of an MMF shall report the calendar year performance of the most representative share class. ESMA has specified that the basis for defining the range is the calendar year. That means that the same value will be reported for all the quarters of the year for N-1, N-2 and N-3.

With respect to field A.4.9 of the Implementing Regulation on reporting on the calendar year performance of the most representative share class, ESMA has also specified that the most representative share class should be understood as the share class associated with the highest NAV proportion at the end of the reporting period unless specific circumstances warrant to select another share class.

**Q10: Do you identify any other issue that would need to be specified in relation to the above section on the block 3 of the reporting template?**

30. A majority of the respondents is of the view that the Guidelines on MMF reporting should not specify that stress testing should be conducted on the last day of the year since the MMF regulation only requires that stress test testing should be carried out at least twice a year. Respondents indicate that it should rather be left to the manager of the MMF to identify which dates are most suitable to conduct the stress testing.
31. With regards to stress test reporting, four respondents agree with ESMA that it should be clarified how the stress test fields (A.5.1 to A.5.10) should be filled in the reporting period when no stress tests have been undertaken. One of the four respondents highlights that in such a situation, filling those fields would be burdensome and thus, suggest to leave it blank whilst another one expressly disagrees with the proposal that requires reporting the results of the last stress test, with information on their reference date, in the reporting periods where no stress test are conducted.
32. Three respondents share the idea that if the manager of an MMF decides to carry out stress testing more frequently than the minimum requirement (twice a year under article 28(3)), the Guidelines on MMF reporting should clarify if the manager of the MMF can only provide the results of the most recent stress test where these differ from those previously reported. In addition to that, one of the respondents believes that the same approach should be applied for MMFs which report on a quarterly basis but conduct stress tests on a half-yearly basis. He warns against the fact that MMF managers should not be required to carry out quarterly stress testing for reporting reasons.
33. One respondent also urges ESMA to bring some clarifications on whether the reporting of the results of the stress testing and action plan required under Article 37 of the MMF regulation is intended to satisfy the requirement in article 28(5) which requires managers of MMF to provide the extensive report on its stress test and action to its national competent authority.

34. As regards to employees' schemes where MMFs can be feeder funds or funds of funds, one respondent asks for the possibility to report the results of the stress tests of either the underlying funds or of master funds, on a case-by-case basis. He justifies this by the fact that stress tests aim at stressing instruments directly linked to the market and not MMFs which are per se designed to find the right balance between risk and performance even in stressed market conditions. Another respondent believes that to avoid duplications, managers of MMF should simply be entitled to rely on the results of the stress tests performed on each underlying MMFs. Regarding the specific case of employee schemes' MMF, this respondent suggests adapting their reporting time schedule and to grant them 45 days - instead of 30- after the end of each reporting period. He justifies it by the fact that fund of funds needs more time to receive and process data of its underlying MMF.
35. One respondent believes that it would make sense to include an additional field in the reporting template to describe the stress test parameters used as they might not all be useful for all the MMFs. For example, there is no FX risk for an MMF investing only in assets denominated in the same currency.
36. ESMA is also invited by one stakeholder to address the question of transversal stress testing for financial stability purpose. The respondent points out the merits of such stress tests but reminds that in his view, stress tests are a risk management tool that should be applied at the fund level and used according to the risk profile of the fund.

### **ESMA response**

Taking into account the feedback from stakeholders, but also the interaction with the ESMA Guidelines on MMF stress tests, ESMA has updated its proposals specifying the details of the reporting of the results of each stress scenario defined in the ESMA Guidelines on MMF stress tests. ESMA has also included various examples in order to help managers to fill in the MMF reporting template on the results of stress test scenarios.

ESMA has also specified that with respect to fields A.5.1 to A.5.10, managers of MMFs should fill in these fields quarterly (even within the quarters when no stress tests have been carried) and indicate the date when the stress tests the results of which they report was carried. One of these dates should be the last day of the year and another one should be the last day of Q2. When several stress tests were performed during the reporting period, only the last one should be reported.

### **Q11: With the respect to the CFI codes to be provided, do you identify any eligible asset not included in the table in the Annex of the Guidelines?**

37. Most of the respondents do not identify any eligible assets not included in the table in the Annex of the Guidelines. One of them just proposes to include the term "deposits" in the Annex to the Guidelines.
38. Nonetheless, according to two respondents, the generation of the CFI code should be done by the issuer of the instrument and in no case, by the asset manager. Such a

system would ensure that the same instrument has only one code CFI code which would facilitate the data aggregation task of ESMA.

39. One respondent also asks to clarify that the CFI code is neither mandatory nor optional information. The Delegated Regulation (EU) 2018/708 states that this code should only be provided if available and if the ISIN is not available. The respondent therefore, advocates to limit the reporting of the instruments to the identifier (ISIN) and to minimum master data describing the instruments associated with the identifier.

### **ESMA response**

Taking into account the feedback from stakeholders, ESMA has specified that with respect to the CFI code to be provided for the different assets (field A.6.4, A.6.43, A.6.64, A.6.84, B.1.3), in combination with an ISIN, the CFI should be provided, as both are assigned concurrently by the national numbering agencies. If the instrument does not possess an ISIN, a CFI code should also be reported, as per the ISO 10962 standard. In this case, at least the first 2 characters of the CFI code and the character representing asset class (if applicable for a given instrument) shall be provided (ie. these characters cannot be "X", which represents not applicable or undefined value). To guide the reporting entities in the generation of a CFI, ESMA has compiled a mapping of the CFI code, englobing all eligible asset (Annex). With respect to the CFI code for deposit or liquid ancillary assets (field A.6.74), no CFI code shall be provided.

### **Q12: Do you agree with the proposals of ESMA in relation to the domicile of the abovementioned assets?**

40. A vast majority of the respondents agrees and stresses the need to have consistency with the AIFMD approach. They support the idea that for cleared OTC financial derivative instruments, the country of the financial derivative instrument (field A.6.50 in the MMF reporting template) shall be the country of the CCP.

41. However, one respondent opposes this proposal. He believes that the country of the issuer of the underlying should be used instead. And for listed index derivatives covering more than one country, he suggests the use "supranational/multiple regions" category.

### **Q13: Do you agree that a category "supranational/multiple regions" should be included in the potential geographical areas to be chosen? If yes, could you provide examples of assets for which you would choose that category?**

42. Seven respondents clearly agree with the category "supranational/multiple regions" as a potential geographical area to be chosen. It allows to have a consistent geographical breakdown with AIFMD. One of the respondents specifies that derivatives instruments with an underlying that has no clear geographical assignment (e.g. international index) should be classified thereunder.

43. Yet, one respondent is of the view that unlike supranational which is self-explanatory, the term "multiple regions" does not offer a clear view and should instead be replaced with "multiple countries". This would allow to restrict "supranational" to entities based

on an international treaty and to cover with “multiple countries” multinational entities that do not rely on a recognized international treaty.

44.Regarding the examples of assets for which they would choose that category, one of the respondents provides this non-exhaustive list: Bonds, Medium Term Notes, Floating Rate Notes, Commercial Paper.

### **ESMA response (Q12 and Q13)**

Taking into account the feedback received from stakeholders, ESMA has confirmed its approach in relation to the domicile of assets, but has also specified that for cleared OTC financial derivative instruments, the country of the financial derivative instrument (field A.6.50) should be the country of the CCP.

**Q14: Do you agree that the clean price of the money market instrument (A.6.12), this field should always be reported in absolute terms (in monetary values, not in percentages)? Which of the 2 abovementioned options on the “base currency” mentioned in field A.6.13 would you favour: currency of the asset or the currency of the MMF?**

45.Respondents unanimously agree that the clean price of the money market instrument (A.6.12) should always be reported in absolute terms. For the “base currency”, they also favour the currency of the MMF. Using the same currency across all individual sub-funds undoubtedly facilitates comparisons and completeness checks. It also facilitates comparison with GAV/NAV and financial statements of the fund. Nonetheless, one respondent draws attention to the fact that the conversion rate used for the reporting purpose should be aligned with the one used for the calculation of the NAV and that a single definition of “base currency” should be used in the guidelines.

### **ESMA response**

Taking into account the feedback received from stakeholders, ESMA has confirmed its approach in relation to relation to the clean price of the money market instruments

**Q15: With respect to fields A.6.23 to A.6.25, would you identify any cases where there is no sponsor of an eligible securitisation or asset backed commercial paper?**

46.None of the respondents provide cases where there is no sponsor of an eligible securitisation or ABCP. However, three respondents agree that to avoid any reporting from being rejected to lack of date, those fields should be left optional.

47.One respondent also points out that in some term-sheets or final terms, the sponsor is the arranger of the securitisation or ABCP is not mentioned and therefore, advocates for the possibility to fill fields A.6.23 to A.6.25 with “N/A”.

### **ESMA response**

Taking into account the feedback received from stakeholders, ESMA has specified that if the eligible securitisation or asset backed commercial paper does not possess a sponsor, fields

A.6.24 (LEI of the sponsor) and A.6.25 (Name of the sponsor) should be filled in using respectively the LEI and name of the originator.

**Q16: Do you identify other potential contract types that would need to be included in the list above in relation to field A.6.39?**

48.No other potential contract types that would need to be included in the list is explicitly given. Nonetheless, a few respondents ask ESMA in which category fall cross-currency swap and FX forward.

49.Concerns were also expressed regarding the categories per se. One respondent wonders why there are separate categories for futures and futures on swap and no category for other types of future contracts like futures on options for instance. The same observation holds for forwards and forwards on swaps. Three respondents suggest that the classification used should be aligned with the AIFMD.

**ESMA response**

Taking into account the feedback received from stakeholders, ESMA has confirmed its approach in relation to the contract types included in the list related to field A.6.39.

**Q17: Do you see merits in clarifying what should be the name of the underlying as referred to in Field A.6.45? If yes, which specifications would you expect?**

50.Most of the respondents do not see any merits or enhancements of transparency by having to include the names of the underlying into the reporting. Two of them are of the view that there is sufficient information on the underlying since their security identifier code is required. Another respondent asks ESMA to ensure that in any cases, Field A.6.45 could be filled with “N/A” as bespoke index does not always have a name.

51.Nevertheless, two respondents see merits in clarifying what should be the name of the underlying. The first one is of the view that full name should be required to make the underlying more identifiable for the reader. The second believes that enough detail should be provided in order to be able to be clear about the risk to investors and to be able to interpret the relevant stress testing results.

**ESMA response**

Taking into account the feedback received from stakeholders, ESMA has confirmed its approach in relation to the name of the underlying as referred to in Field A.6.45, but ESMA has also specified that If the financial derivative instrument possess an ISIN or is an Index, as per field A.6.46, field A.6.45 does not need to be filled in.

**Q18: Are you of the view that ESMA should further specify what is meant by “exposure” in fields A.6.91 and A.6.92? If yes, which types of specifications would you suggest?**

52.Five respondents are of the view that there is no need for ESMA to further specify what is meant by exposure since they agree with the definition. Still, two respondents are in favour of further specification on the exposure of repurchase agreement and reverse

repurchase agreement. According to these respondents, the exposure of the MMF in a repurchase agreement/reverse repurchase agreement does not appear in the reporting even though repos and reverse repos impact the risk the MMF is exposed to. Reverse repos allow MMFs to reduce their risk of counterparty in comparison to a deposit or a subscription of CP, not considering them might give an erroneous perception of the risk. One of the respondents therefore suggests that NCAs receive per type of transactions: a gross exposure, the collateral received and the resulting net exposure. Such a system would according to him, enhance the risk assessment.

**Q19: Do you identify any other issue that would need to be specified in relation to the above section on the block 4 of the reporting template? In particular, in your view, how would the NAV of the MMF compare to the sum of the values of the fields on total market values (and quantity) of money market instruments, securitisation and ABCP, financial derivative instrument, unit or share of other MMF, deposit or ancillary liquid asset, repurchase agreement and reverse repurchase agreement (A.6.16 and A.6.11, A.6.34 and A.6.29, A.6.54, A.6.67 and A.6.69, A.6.80, A.6.91)? Do you have any comments on the table “CFI codes for eligible securities” included in the annex of the Guidelines?**

53. Four respondents point out that the NAV of the MMF will not equal the sum of the values of the fields A.6.16 and A.6.11, A.6.34 and A.6.29, A.6.54, A.6.67 and A.6.69, A.6.80. According to two of the respondents, this is due to accounting adjustments which may be related to fees, postponed coupons, margin calls or other operations that imply a modification in the accounting system. One respondent justifies the mismatch by the fact that accrual for expenses, payables and receivables do not seem to be taken into consideration.

54. Two respondents ask ESMA to clarify a point on the field A.6.19 “Indicate whether the outcome of the internal credit assessment procedure is favourable/unfavourable”. Indeed, Article 10(1), point (c) states that “the issuer of the money market instrument and the quality of the money market instrument have received a favourable assessment pursuant to Articles 19 to 22”. But as stated in article 10(3), this does not apply to “money market instruments issued or guaranteed by the Union, a central authority or central bank of a Member State, the European Central Bank, the European Investment Bank, the European”. Therefore, both respondents wonder how field A.6.19 should be filled by asset managers falling under Article 10(3). They suggest making this field conditional - optional when funds apply Article 10 (3) and mandatory in any other cases.

55. Additionally, two respondents expressed their concerns and their misunderstanding with regards to fields A.6.56 and A.6.57 (Market value of the Collateral received in relation to the financial derivative instruments) and to fields A.6.91 and A.6.92 (Market value of the Collateral received in relation to the repurchase agreement or to the reverse repurchase agreement). As explained by the respondents, when more than one OTC derivative is used, the collateral is not attributable to each individual OTC derivative. This is the case as well for repos and reverse repos, since collateral might not be collected at transaction level. To that extent, respondents ask ESMA for guidance on how these fields should be fulfilled when collateral does not take place at

the transaction level but at the level of the net exposures between two counterparties instead. They support the idea to report “no information is available” in these precise cases or they propose to report the market value of any collateral that may refer to the same counterparty. However, it is to be mentioned that in the second option, all transactions with the same counterparty would have the same value in the fields A.6.56 and A.6.57 (and similarly for A.6.91 and A.6.92).

56. A few respondents also indicate that they do not have guidance on how to report asset description of other securities as they have for STS securitization. They invite to issue further guidance, if ESMA is of the view that the asset description field should be filled in a specific way.

57. Regarding the table “CFI codes for eligible securities” included in the annex of the Guidelines, three respondents indicate that there might be situations in which no ISIN code, and therefore no CFI code are issued or situations in which the CFI codes allocated are not consistently reported in the databases of external providers. To address this issue, two respondents suggest that those fields should be designated as optional in the reporting template. Another stakeholder believes that to ensure that one instrument has only one code, it is the issuer of the instrument that should generate the CFI code and not manager.

#### **ESMA response (Q18 and 19)**

Taking into account the feedback received from stakeholders, ESMA has further specified the contents of the fields of block 4.

ESMA has specified that with respect to the credit assessment referred in fields A.6.19, A.6.37 and A.6.95, if there is no internal credit assessment for a specific asset, it should be included in the corresponding field “not applicable” (for EU Sovereign issuers) or “not performed”.

ESMA has also specified that with respect to exposure of the repurchase agreement or a reverse repurchase agreement (Field A.6.91 and A.6.92), the exposure referred to in these fields is gross exposure. With respect to repurchase agreement, the gross exposure should be understood as the market value of the securities sold to the counterparties of the repo transactions (in exchange of the cash received) should be reported, without taking into account any netting effects and without considering the collateral received in order to mitigate the counterparty risk arising from these transactions. With respect to reverse repurchase agreement, the gross exposure should be understood as the value of the cash paid to the counterparties of reverse repo transactions (in exchange of securities bought) should be reported, without taking into account any netting effects and without considering the collateral received in order to mitigate the counterparty risk arising from these transactions.

With respect to CFI related issues, please refer to Q11.

**Q20: Do you identify any other issue that would need to be specified in relation to the above section on the block 5 of the reporting template?**

58. Two respondents highlight the merits of allowing managers of MMFs to provide estimated figures on the split between professional and retail investors. But, one specifies that if NCAs were willing to get more specific information on the underlying holdings, it would be necessary to impose intermediaries to provide information to managers of MMFs.

59. One respondent requests ESMA to clarify in paragraph 133 of the Consultation Paper that the “payments to investors” as mentioned in field A.7.11 only include dividends when dividends are actual part of the payment to the investor. He also believes that it should be clarified as it is case in the AIMFD Q&A that managers of MMFs should not consider distribution of dividends to investors as redemptions. Another respondent is of the view that it is important that income reinvested in the fund should not be taken into account in field A.7.11.

60. Regarding the exchange rate mentioned in the field A.7.12, one respondent believes that ESMA should expressly specify in the MMF guidelines on reporting that the reported exchange rate should be the exchange rate at the end of the month corresponding to the reporting of fields A.7.8, A.7.9 and A.7.11 or if not available at that date, the preceding last available exchange rate. The respondent adds that the same exchange rate should be used when filling in EUR A.7.8, A.7.9 and A.7.11.

61. As regards the issuers’ group taxonomy and the investors group breakdown, one respondent is worried that these categories are not universally used and that it may be difficult to properly populate these fields. Since investors are classified from a marketing point of view, introducing a new classification is an important progress. Therefore, the respondent recommends the optionality of these fields. Additionally, one respondent believes that it is not very clear why an issuers’ taxonomy should be applied for holders of MMFs in parallel of an investor group breakdown that seems more relevant. According to the respondent, it is puzzling to have these two fields in the same Block 5. To avoid any misunderstanding, ESMA is asked to clarify on this very last point.

62. With respect to field A.7.3, one respondent would like ESMA to bring clarifications on whether another framework than the European System of Accounts (ESA) 2010 would be allowed as well. The respondent also asks ESMA to determine what the criteria for determining which group an investor belongs to are.

63. Finally, two respondents remind that knowing his customers may be efficiently performed without having to treat every cent invested through tracking down the ultimate beneficiary that invests through several channels. Therefore, they emphasize the importance of maintaining some proportionality means, as long as intermediaries are reluctant to give the detailed information on the liabilities of the fund.

**Q21: Do you identify any other issue that would need to be specified in relation to the above section on the block 6 of the reporting template?**

64. Most of the respondents did not identify any other issue. Nonetheless, two respondents believe that the prices should not be reported in EUR as it is stated by paragraph 135

of the Consultation Paper. One of them is of the view that it should be expressed in the base currency of the fund whilst the other one is of the view that currency of the assets would be more appropriate.

### **ESMA response (Q20 and 21)**

Taking into account the feedback received from stakeholders, ESMA has specified a number of issues in relation to Block 5 and 6.

With respect to Investor group breakdown (field A.7.3) and Geographical breakdown of investors by country (field A.7.4), ESMA has specified that i) the sum of percentages referred to in field A.7.3 should equal 100% ii) the sum of percentages referred to in field A.7.4 should equal also 100%, and the manager of an MMF should specify the percentage of the NAV for which no country may be specified.

With respect to redemptions, ESMA has specified that the date of redemption to be taken into account when filling in the MMF reporting template (field A7.10) should be the date when the share of the MMF is redeemed, and not the day when the corresponding amount of the share is actually paid by the MMF. Moreover, dividends paid to investors should not be considered as redemptions for the purpose of the field A.7.10.

With respect to payments to investors, payments to investors as referred to in field A.7.11 include dividends. For the avoidance of doubt, in the case of accumulating share classes, income generated in the course of the year should not be considered as payments to investors for the purpose of field A.7.11.

With respect to the difference referred to in fields B.1.7 and B.1.8., the figures should be expressed in basis points. In addition, where the manager of the MMF decides to switch definitively the asset from the amortised cost method to the mark to market cost method, the period mentioned in field B.1.6 stops.

## 3 Annexes

### 3.1 Annex I

#### Legislative reference in the MMF Regulation in relation to the MMF reporting template

Under the requirements of Article 37(4) of the MMF Regulation ESMA is required to develop draft Implementing Regulation on reporting to establish a reporting template.

Article 37 of the MMF regulation provides that:

##### *Reporting to competent authorities*

1. For each MMF that it manages, the manager of the MMF shall report information to the competent authority of the MMF on at least a quarterly basis.

By way of derogation from the first subparagraph, for an MMF whose assets under management in total do not exceed EUR 100 000 000, the manager of the MMF shall report to the competent authority of the MMF on at least an annual basis.

The manager of an MMF shall upon request provide the information reported pursuant to the first and second subparagraphs also to the competent authority of the manager of an MMF, if different from the competent authority of the MMF.

2. The information reported pursuant to paragraph 1 shall comprise the following points:

(a) the type and characteristics of the MMF;

(b) portfolio indicators such as the total value of assets, NAV, WAM, WAL, maturity breakdown, liquidity and yield;

(c) the results of stress tests and, where applicable, the proposed action plan;

(d) information on the assets held in the portfolio of the MMF, including:

(i) the characteristics of each asset, such as name, country, issuer category, risk or maturity, and the outcome of the internal credit quality assessment procedure

(ii) the type of asset, including details of the counterparty in the case of derivatives, repurchase agreements or reverse repurchase agreements;

(e) information on the liabilities of the MMF, including:

(i) the country where the investor is established;

(ii) the investor category;

(iii) subscription and redemption activity.

If necessary and duly justified, competent authorities may solicit additional information.

3. In addition to the information referred to in paragraph 2, for each LVNAV MMF that it manages, the manager of an MMF shall report the following:

(a) every event in which the price of an asset valued by using the amortised cost method in accordance with the first subparagraph of Article 29(7) deviates from the price of that asset calculated in accordance with Article 29(2), (3) and (4) by more than 10 basis points;

(b) every event in which the constant NAV per unit or share calculated in accordance with Article 32(1) and (2) deviates from the NAV per unit or share calculated in accordance with Article 30 by more than 20 basis points;

*(c) every event in which a situation mentioned in Article 34(3) occurs and the measures taken by the board in accordance with points (a) and (b) of Article 34(1).*

*4. ESMA shall develop draft implementing technical standards to establish a reporting template that shall contain all the information referred to in paragraphs 2 and 3.*

*ESMA shall submit those draft implementing technical standards to the Commission by ...[six months after the date of entry into force of this Regulation].*

*Power is conferred on the Commission to adopt the implementing technical standards referred to in the first subparagraph in accordance with Article 15 of Regulation (EU) No 1095/2010.*

*5. Competent authorities shall transmit to ESMA all information received pursuant to this Article. Such information shall be transmitted to ESMA no later than 30 days after the end of the reporting quarter.*

*ESMA shall collect the information to create a central database of all MMFs established, managed or marketed in the Union. The European Central Bank shall have a right of access to that database, for statistical purposes only.*

## 3.2 Annex II

### Cost-benefit analysis

#### 1. Introduction

65. The MMF Regulation sets out a comprehensive framework for the regulation of MMFs within Europe. MMFs are AIFs or UCITS that are managed by alternative investment fund managers (AIFMs) or UCITS management companies or investment companies

66. The MMF Regulation establishes uniform rules regarding MMFs. It mandates ESMA to develop a reporting template related to the reporting of information on MMFs to competent authorities.

#### 2. Technical options

67. The following options were identified and analysed by ESMA to address the policy objectives of the guidelines aimed at clarifying the corresponding Implementing Regulation on reporting required under the MMF Regulation.

68. In identifying the options set out below and choosing the preferred ones, ESMA was guided by the relevant MMF Regulation rules.

<b>Policy Objective</b>	<p>The MMF Regulation (<b>Article 37</b>) obliges, for each MMF managed, the manager of the MMF to report information to the competent authority of the MMF, at least on a quarterly basis. The frequency of reporting is annual in the case of a MMF whose assets under management in total do not exceed EUR 100 million.</p> <p>These reports need to include a number of elements listed in the Regulation, and ESMA is required to develop draft implementing technical standards (ITS) to establish a reporting template that contains the relevant information. ESMA has to submit those draft ITS to the Commission by 6 months after the entry into force of the Regulation.</p> <p>Under the requirements of Article 37(4) of the MMF Regulation ESMA is required to develop draft ITS to establish a reporting template that contains for each MMF the following information:</p> <p>(a) the type and characteristics of the MMF;</p> <p>(b) portfolio indicators such as the total value of assets, NAV, WAM, WAL, maturity breakdown, liquidity and yield;</p>
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(c) the results of stress tests and where applicable the proposed action plan;

(d) information on the assets held in the portfolio of the MMF:

(i) the characteristics of each asset, such as name, country, issuer category, risk or maturity, and the outcome of the internal credit assessment procedure;

(ii) the type of asset, including details of the counterparty in the case of derivatives, repurchase agreements or reverse repurchase agreements;

(e) information on the liabilities of the MMF that includes the following points:

(i) the country where the investor is established;

(ii) the investor category;

(iii) subscription and redemption activity.

Under the requirements of Article 37(4) of the MMF Regulation ESMA is also required to develop draft ITS to establish a reporting template that contains for each LVNAV MMF (in addition to the information mentioned in the previous paragraph) the following information:

(a) every event in which the price of an asset valued by using the amortised cost method in accordance with the first subparagraph of Article 29(7) deviates from the price of that asset calculated in accordance with Article 29(2), (3) and (4) by more than 10 basis points;

(b) every event in which the constant NAV per unit or share calculated in accordance with Article 32(1) and (2) deviates from the NAV per unit or share calculated in accordance with Article 30 by more than 20 basis points;

(c) every event in which a situation mentioned in Article 34(3) occurs and the measures taken by the board in accordance with points (a) and (b) of Article 34(1).

The Guidelines discussed in the present report aim at specifying the different fields of this reporting template.

**Baseline scenario**

The baseline scenario should be understood for this CBA as the application of the requirements in the Level 1 Regulation (i.e. the provisions of Article 37 of the MMF Regulation) and the level 2 (i.e. the abovementioned published ITS) without any further

	<p>specification. This would leave discretion to managers of MMF to determine the abovementioned contents and format of the reporting template. This could clearly lead to a significant lack of harmonisation in the application of the provisions of the MMF Regulation across the MMF industry on this issue.</p> <p>Indeed, uncertainty on the abovementioned requirement could lead to a situation where some Member States would adopt stricter rules than others on the choice of the abovementioned contents and format of the reporting template. For instance, some Member States could consider that only specific types of information might be included in the abovementioned reporting template. This would be particularly problematic in the context of the EU passport of the AIFMD/UCITS Directive.</p>
<b>Option 1</b>	<p>The Guidelines on the ITS would provide a detailed list of information that should be included in all fields of the reporting template included in the ITS. This option would not consider the reuse of the data submitted in the context of the AIFMD reporting template.</p>
<b>Option 2</b>	<p>The Guidelines on the ITS would provide a list of information that should be included in the reporting template. However, this option would also consider the reuse of the data submitted in the context of the AIFMD reporting template.</p>
<b>Preferred Option</b>	<p>Given the feedback received from stakeholders, ESMA decided to retain option 1 and discarded option 2. The baseline scenario (application of the requirements in the Level 1 Regulation and level 2 without any further specification) was also discarded.</p> <p>The main difference between options 1 and 2 is the extent to which the reporting template under the MMF Regulation would rely on the existing reporting template under the AIFMD. Having regard to the abovementioned similarities between the AIFMD database and the envisaged MMF one, one of the first key principles underlying the establishment of the required reporting template could indeed be to rely as much as possible on the work already done on the establishment of a reporting template in the case of the AIFMD database.</p> <p>This would mean, in particular, that:</p> <ul style="list-style-type: none"> <li>i) to the extent that this is possible from a legal standpoint, the same type of information should not be requested and expressed in two different ways in the two contexts of the</li> </ul>

	<p>AIFMD and MMF reporting requirements (e.g. the same types of indicators should be defined the same way); and</p> <p>ii) a situation when the same manager would have to provide the same information both in the AIFMD and in the MMF database should be avoided, to the extent that this is possible from a purely IT/technical point of view.</p> <p>However, there are a number of limitations to this exercise. First, the list of information to be provided by managers explicitly mentioned in the MMF Regulation differs to a large extent from the one included in the AIFMD database. Secondly, in some instances (e.g. the typology of assets) the typology of information, that is, the way the information has to be categorized, also differs as compared to the one included in the AIFMD database. Thirdly, the competent authority that will receive the reports under the MMF framework is the competent authority of the MMF (Article 37(1)) while for the same MMF (when this is an AIF) the competent authority that will receive the reports under the AIFMD framework is the competent authority of the AIFM (the manager of the MMF). In addition, the LEI, which could allow ESMA to identify the MMF(AIF) in such a situation, is not a mandatory requirement under the AIFMD reporting framework. Finally, the frequency of reporting may differ for a given MMF between the AIFMD and the MMF reporting requirements.</p> <p>On the one hand, it is therefore suggested to apply as strictly as possible the principle expressed above (the same type of information should not be requested and expressed in two different ways in the AIFMD and MMF reporting requirements), even though it might be in some cases necessary to depart from this principle because of the different nature of the AIFMD and MMF databases. On the other hand, given the limitations described above, it is suggested to depart from the other principle included above, so that the two AIFMD and MMF databases would be dealt with separately</p> <p>ESMA therefore preferred option 1.</p>
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### 3. Assessment of the impact of the various options

Option 1	Qualitative description
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<b>Benefits</b>	<p>i) Standardise the information that should be included in the reporting template under the Article 37 of the MMF Regulation;</p> <p>ii) Prevent the manager of MMF from determining on his own the information that should be included in the reporting template under the Article 37 of the MMF Regulation (which would lead to uncertainty for investors and regulators, and less protection of the investors).</p> <p>ESMA seeks the views of stakeholders on the costs of imposing such criteria as suggested above.</p>
<b>Costs to regulator and compliance costs</b>	<p>The costs linked to the implementation of this option seem to be limited to the costs for both regulators and managers of MMFs of setting up procedures to submit (and receive in the case of regulators) the abovementioned information.</p>

<b>Option 2</b>	<b>Qualitative description</b>
<b>Benefits</b>	<p>i) Standardise the information that should be included in the reporting template under the Article 37 of the MMF Regulation;</p> <p>ii) Prevent the manager of MMF from determining on his own the information that should be included in the reporting template under the Article 37 of the MMF Regulation (which would lead to uncertainty for investors and regulators, and less protection of the investors);</p> <p>iii) Allow for a full reuse of the information already submitted in the context of the AIFMD reporting template.</p>
<b>Costs to regulator and compliance costs</b>	<p>The costs linked to the implementation of this option seem to be limited to the costs for both regulators and managers of MMFs of setting up procedures to submit (and receive in the case of regulators) the abovementioned information. As compared to the option 1, these costs would be higher for regulators since, as mentioned above, regulators would not be able to directly connect the MMF and the AIFMD databases.</p>

### **3.3 Annex III**

## **Guidelines on the reporting to competent authorities under Article 37 of the MMF Regulation**

### **I. Scope**

#### **Who?**

1. These guidelines apply to competent authorities and MMFs and managers of MMFs within the meaning of the MMF Regulation.

#### **What?**

2. These guidelines apply in relation to Article 37 of the MMF Regulation and the reporting template in the Annex of the Implementing Regulation on reporting.

#### **When?**

- 3.

These guidelines apply from two months after the date of publication of the guidelines on ESMA's website in all EU official languages.

## II. Legislative references and abbreviations

### Legislative references

*ESMA Regulation* Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC<sup>3</sup>

*MMF Regulation* Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds<sup>4</sup>

*Implementing Regulation on reporting* Commission Implementing Regulation (EU) 2018/708 of 17 April 2018 laying down implementing technical standards with regard to the template to be used by managers of money market funds when reporting to competent authorities as stipulated by Article 37 of Regulation (EU) 2017/1131 of the European Parliament and of the Council<sup>5</sup>

### Abbreviations

*ESMA* European Securities and Markets Authority

*EU* European Union

*MMF* Money Market Fund

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<sup>3</sup> OJ L 331, 15.12.2010, p. 84.

<sup>4</sup> OJ L 169, 30.6.2017, p. 8.

<sup>5</sup> OJ L 119, 15.5.2018, p. 5.

### **III. Purpose**

4. These guidelines are based on Article 16(1) of the ESMA Regulation. The objectives of these guidelines are to establish consistent, efficient and effective supervisory practices and to ensure the common, uniform and consistent application of Article 37 of the MMF Regulation and the Implementing Regulation on reporting. In particular, they aim to provide guidance on the contents of the fields of the reporting template included in the Annex of the Implementing Regulation on reporting.

## IV. Compliance and reporting obligations

### Status of the guidelines

5. In accordance with Article 16(3) of the ESMA Regulation, competent authorities and financial market participants must make every effort to comply with these guidelines. Competent authorities to which these guidelines apply should comply by incorporating them into their national legal and/or supervisory frameworks as appropriate, including where particular guidelines are directed primarily at financial market participants. In this case, competent authorities should ensure through their supervision that financial market participants comply with the guidelines.

### Reporting requirements (specific to competent authorities)

6. Within two months of the date of publication of the guidelines on ESMA's website in all EU official languages, competent authorities to which these guidelines apply must notify ESMA whether they (i) comply, (ii) do not comply, but intend to comply, or (iii) do not comply and do not intend to comply with the guidelines. In case of non-compliance, competent authorities must also notify ESMA within two months of the date of publication of the guidelines on ESMA's website in all EU official languages of their reasons for not complying with the guidelines. A template for notifications is available on ESMA's website. Once the template has been filled in, it shall be transmitted to ESMA.

## V. Specifications on the reporting template under Article 37 of the MMF Regulation

### 5.1 General principles

7. This section includes general principles that apply to the entire MMF reporting. It provides further guidance on reporting and reporting periods as well as the procedure for the first report.

#### 5.1.1 Reporting and submission periods

8. The reporting periods are aligned with the Trans-European Automated Real-time gross settlement (TARGET).
9. **Express Transfer (TARGET) calendar and reporting periods should end on the last day of March, June, September and December of each year.** This means that MMFs subject to yearly reporting obligations should report once a year as of the last day of December. MMFs subject to quarterly reporting obligations should report on a quarterly basis as of the last day of March, June, September and December.
10. If the last day of a reporting period in a jurisdiction of a reporting MMF is a bank holiday and no data is available for that date, the MMF should use information from the immediately

last previous day when the information is available, but the reporting date should remain the last day of the reporting period according to the TARGET calendar. In all these cases, managers of MMF could send the report to the competent authority of the MMF until 30 days after the end of the corresponding quarter/year.

### **5.1.2 Procedure for first reporting**

**11. There may be cases in which managers of MMFs do not have any information to report on MMFs. In such a scenario, managers of MMFs should still provide a report to their NCAs by indicating that no information is available by using a specific field.**

**12. The first reporting should cover the period from the authorization date of the MMF (exact date) until the end of the reporting period.**

13. Managers of MMFs should report information to their national competent authorities only once per reporting period covering all the reporting period. For example, managers of MMFs subject to yearly reporting obligations should only provide one report to their NCAs for each year period (yearly period that always end on 31 December of that specific year). Managers of MMFs subject to quarterly reporting obligations should only provide one report to their NCAs for each quarterly period.

### **5.1.3 Procedures when managers of MMFs are subject to new reporting frequency or changes to their reporting**

**14. With respect to the thresholds referred to in Article 37(1) of the MMF Regulation, the total value of assets under management is considered for the purpose of the reporting template to equal the NAV, as per field A.4 (A.4.1 and A.4.2). Furthermore, the NAV should be measured when the corresponding data is made available on a quarterly basis (last day of the quarter).**

15. According to Article 37(1) of the MMF Regulation, for an MMF whose assets under management (equal NAV, as per the previous paragraph) in total do not exceed EUR 100 000 000, the manager of the MMF shall report to the competent authority of the MMF on at least an annual basis. In that case, the manager of the MMF is however also allowed to report on a quarterly basis.

16. In order to determine their reporting obligation, managers of MMF need to check quarterly the NAV of the MMF on the last day of each three first quarters:

- (i) If at the end of the considered quarter the NAV of the MMF is below the EUR 100 000 000 threshold, the manager has no obligation to report;
- (ii) If at the end of the considered quarter the NAV of the MMF is above or equals the EUR 100 000 000 threshold, the manager has the obligation to provide a report for the period covering all the last non-reported quarters;

- (iii) The manager has the obligation to report at the end of the year for the period covering all the last non-reported quarters.

Together with the reporting year, the manager of the MMF should report the reporting period for which the reporting template is submitted. The reporting period is defined by the quarter from which the reporting period starts and by the quarter to which the reporting period ends. These principles are implemented according to the various possibilities as described in the following table:

NAV end of quarter 100 000 000EUR threshold test				
	Q1	Q2	Q3	Q4
<i>Scenario 1</i>	<i>above</i>	<i>above</i>	<i>above</i>	<i>above/below</i>
Reporting obligation	from Q1 to Q1	from Q2 to Q2	from Q3 to Q3	from Q4 to Q4
<i>Scenario 2</i>	<i>above</i>	<i>above</i>	<i>below</i>	<i>above/below</i>
Reporting obligation	from Q1 to Q1	from Q2 to Q2	from Q3 to Q4	
<i>Scenario 3</i>	<i>above</i>	<i>below</i>	<i>above</i>	<i>above/below</i>
Reporting obligation	from Q1 to Q1	from Q2 to Q3		from Q4 to Q4
<i>Scenario 4</i>	<i>above</i>	<i>below</i>	<i>below</i>	<i>above/below</i>
Reporting obligation	from Q1 to Q1	from Q2 to Q4		
<i>Scenario 5</i>	<i>below</i>	<i>above</i>	<i>above</i>	<i>above/below</i>
Reporting obligation	from Q1 to Q2		from Q3 to Q3	from Q4 to Q4
<i>Scenario 6</i>	<i>below</i>	<i>above</i>	<i>below</i>	<i>above/below</i>
Reporting obligation	from Q1 to Q2		from Q3 to Q4	
<i>Scenario 7</i>	<i>below</i>	<i>below</i>	<i>above</i>	<i>above/below</i>
Reporting obligation	from Q1 to Q3			from Q4 to Q4
<i>Scenario 8</i>	<i>below</i>	<i>below</i>	<i>below</i>	<i>above/below</i>
Reporting obligation	From Q1 to Q4			

#### 5.1.4 ECB exchange rate (referred to in fields A.4.1, A.6.12, A.6.16, A.6.30, A.6.34, A.6.52, A.6.54, A.6.56, A.6.67, A.6.70, A.6.80, A.6.91, A.6.93, A.6.97, B.1.11, B.1.13)

17. Fields A.4.1, A.6.12, A.6.16, A.6.30, A.6.34, A.6.52, A.6.54, A.6.56, A.6.67, A.6.70, A.6.80, A.6.91, A.6.93, A.6.97, B.1.11, and B.1.13 of the Implementing Regulation on reporting specify that if the base currency is not EUR the exchange ratio to be used shall be the ECB one (at the end of the quarter).

18. Euro foreign exchange reference rates are quoted by the ECB as base currency against euro (e.g. expressed as 1 EUR = 129.04 JPY as of 29 June 2018). Thus, the value in the fields in base currency should be divided by this rate. For example, if, as of end of Q2 2018 (last business day 29 June 2018), the NAV of the fund is expressed in JPY and worth 150 billion of Japanese yen (value reported in field A.4.2), the value to report in field A.4.1 would be 150 billion / 129.04 = 1.162 billion of EUR (rounded here at 10<sup>-3</sup>).

## 5.1. 5 Optional vs mandatory fields

### 19. Information marked as

- a. **mandatory should be reported by all managers of MMFs.**
- b. **optional should be reported by the manager of the MMF, except if this regulatory information does not apply to this specific MMF at this specific point of time.**
- c. **conditional is linked to other information (flags) in the reporting template. If those flags are answered with “Yes”, the corresponding conditional information has to be reported. However, if those flags are answered with “No”, the corresponding conditional information should not be reported.**

## 5.1. 6 Comment on a reported element

20. **In the context of the MMF database is defined a drop down list of the fields for which the manager of the MMF is allowed to provide any useful comment. This list will be included in IT template to be filled in by managers.** Managers should use this drop down list of fields to include these comments.

## 5.1. 7 Meaning of the format “%” (fields A.4.5, A.4.6, A.4.7, A.4.8, A.4.9, A.4.10, A.5.1 to A.5.9, A.7.1, A.7.2, A.7.3, A.7.4, A.7.7), and use of the figure “0” in filling the reporting template

21. **With respect to the different fields (fields A.4.7, A.7.2, A.7.3, A.7.4) where percentages need to be reported that sum up to 100%, managers should ensure that the sum of the reported percentages (where relevant) equals 100%. Percentages should be reported as numbers between 0 and 100. For example, 53% should be reported as 53 (and not 0.53). This is also true for field A.4.7 which does not include the term “%” in the column “reported data” of the Implementing Regulation on reporting.**

22. **Competent authorities should reject any report where the sum of reported percentages (where relevant) does not equal 100%.**

23. **In addition, when a manager of a MMF uses the figure “0” to fill in one of the fields of the MMF reporting template, this should only mean the value of the figure (0) and nothing else (such as “non-submission”, “not relevant”, or “does not apply” or “no information is available”).**

## **5.2 Blocks (collection of fields)**

24. This section includes specifications in relation to each block of fields of the reporting template and addresses the relevant fields in relation to a particular topic, with accompanying guidance on how to populate them. The blocks are structured to be independent of each other.

### **Block 1 – MMF characteristics**

#### **5.2.1 Member State where the MMF is authorised (field A.1.9)**

25. **Field A.1.9 relates to a singular form (“Member State”) whereas field A.1.10 relates to a plural form (“Member States”). The singular form reflects the case of an EU MMF but not the case of a non-EU MMF for which the same MMF may have several competent authorities (for example, a non-EU AIF MMF marketed in the EU in several Member States without a passport, cf. article 2(17)(c)(i) of the MMF Regulation). The Member State to be reported in that case under field A.1.9 is the Member State of the competent authority to which the report is submitted.**

26. With respect to the Member State where the MMF is authorised (field. A.1.9), in the specific case of a non-EU MMF for which there could be several such competent authorities, all these several Member States should be reported under field A.1.9. It is to be noted that the same information on a specific MMF reported to different national competent authorities should be identical.

#### **5.2.2 Member States where the MMF is marketed (field A.1.10)**

27. With respect to the Member States where the MMF is marketed (field. A.1.10), all the concerned Member States should be reported under field A.1.10. (where applicable) and in the specific case of a MMF which is not marketed in any Member State, it should be indicated “Non-European”.

#### **5.2.3 Inception date (field A.1.11)**

28. **The inception date of an MMF as referred to in field A.1.11 is the date when the first NAV of the MMF is calculated. If the MMF was a pre-existing fund which has been granted the MMF authorisation under the MMF Regulation, this inception date should be the date when the first NAV of this fund as a *MMF* (under the MMF Regulation) is calculated.**

#### **5.2.4 Base currency of the MMF (field A.1.12)**

29. **The base currency of the MMF reported in field A.1.12 should be the same as indicated in the prospectus of the MMF. If an MMF is composed of different share classes that differ in relation to their base currency, the base currency that should**

**be included in field A.1.12 is the base currency as specified in the reference accounting documents of the MMF.**

30. In addition, with respect to the base currency of the MMF (field A.1.12), for the particular case of currencies with several codes (e.g. onshore/offshore currencies such as Chinese renminbi with CNY/CNH), it should be noted that the instruments are to be reported with a single currency code (onshore one, here CNY - codes in the official ISO list) and to be converted into EUR at the applicable rate (e.g. instruments denominated in CNH to be reported with the CNY currency code and converted into EUR at the applicable EUR/CNY rate).

31. Finally, if the base currency of the MMF is Euro, the fields A.4.2, A.6.13, A.6.15, A.6.17, A.6.31, A.6.33, A.6.35, A.6.53, A.6.55, A.6.57, A.6.68, A.6.71, A.6.81, A.6.92, A.6.94, A.6.98, B.1.12, and B.1.14 should not be filled in.

### **5.2.5 Feeder MMFs for MMF marketed solely through employee savings scheme (fields A.3.1 to A.3.4)**

**32. Managers of MMF should treat feeder MMFs of the same master fund individually. They should not aggregate all the information on feeder MMFs of the same master(s) in a single report. (i.e. one report gathering all the information on feeder MMFs and their master MMF(s)).**

**33. When reporting information on feeder MMFs, managers of MMFs should identify the master MMF in which each feeder invests but should not look through the master MMF(s) to its(their) holdings. If applicable, managers of MMFs should also report detailed information on investments that are made at feeder MMF level, such as investments in financial derivative instruments.**

34. In addition, in relation to field A.3.1 - If the MMF complies with the requirements of Article 16(5) of the MMF Regulation, indicate whether the MMF is a master or a feeder fund [Select one] – a NONE value should be added when the fund is not a feeder or a master. This will be added in the reporting template managers of MMF will have to fill in.

### **5.2.6 Share classes (fields A.3.5 to A.3.7)**

**35. With respect to MMF with different share classes denominated in different currencies (field A.3.7), the manager of the MMF should report all different currencies of the different share classes, indicating which currency is related to which share class.**

**36. In addition, with respect to the ISIN of the different share classes (field A.3.6), given the interaction with field A.7.5, managers of MMF should identify which share or unit class of the MMF is the largest within the list mentioned under field A.3.6.**

### **5.2.7 Merge of an MMF (field A.3.8)**

**37. Managers of merged MMFs should provide the last report of the MMF to their NCA not later than 30 days after the end of the quarter in which the MMF has been merged.**

### **5.2.8 Liquidation of an MMF (field A.3.9)**

**38. Liquidation processes may vary according to the type of MMFs managed and the jurisdiction of the MMF. Depending on the situations, the last report might not contain any information (where all the positions of the MMF have been unwound), or else the report might be complete. Indeed, in some cases, an MMF that enters into a liquidation procedure (administrative procedure) is no longer managed by the manager and the liquidation is instead carried out by a liquidator. In that case, the manager of the MMF should provide a report to the NCAs of the MMF for the MMF before the liquidator takes over the responsibility for the liquidation of the MMF.**

**39. Managers of MMFs should submit the last MMF report not later than 30 days after the end of the quarter in which the MMF has been liquidated or put into liquidation.**

### **5.2.9 Change of the manager of an MMF**

**40. When the manager of an MMF changes between two reporting dates, the former manager of the MMF should not report any information at the end of the reporting period. Rather, the information should be reported by the new manager of the MMF at the end of the reporting period covering the whole period based on information provided by the former manager of the MMF.**

### **5.2.10 Withdrawal of the authorization of an MMF**

**41. Managers of MMFs should submit the last MMF report not later than 30 days after the end of the quarter in which the MMF has been withdrawn its authorization.**

### **5.2.11 Granting of the authorisation of an MMF due to a change of strategy of an existing non-MMF fund**

**42. When the manager of a fund is granted the authorization of an MMF under the MMF Regulation for the purpose of that specific fund, due to a change of its strategy, the information should be reported starting from the date the fund get its MMF authorisation by the manager of this new MMF at the end of the reporting period covering that whole period.**

### **5.2.12 Umbrella MMFs**

**43. If an MMF takes the form of an umbrella AIF with several compartments, MMF-specific information should be reported at the level of the compartments.**

44. The reporting frequency of an MMF is not affected by the legal structure of the MMF. Each MMF, being compartments of the same umbrella MMFs or not, has to be treated separately for the purpose of the reporting obligations (including for the reporting frequency).

## Block 2 – Portfolio indicators

### 5.2.13 Portfolio liquidity profile (field A.4.7)

45. **Managers of MMFs should report the percentage of the fund’s portfolio that is capable of being liquidated under normal market conditions within each of the liquidity periods specified. The total should equal 100%.**
46. **If individual positions are important contingent parts of the same trade, managers of MMFs should group all of these positions under the liquidity period of the least liquid part.**
47. Managers of MMFs should adopt a conservative approach when they report information on the portfolio liquidity. Managers of MMFs should take into account the time delay for having the proceeds of the sale available on a cash account if it has as a non-negligible impact on the liquidity profile of the MMF.

### 5.2.14 Cumulative returns (field A.4.8)

48. **With respect to field A.4.8 of the Implementing Regulation on reporting, the figure of cumulative returns to be reported should be net returns. The manager of an MMF shall report the cumulative returns of the most representative share class, as defined under field A.4.9. The basis for defining the range of cumulative returns to be reported should be the reporting end date.**

### 5.2.15 Performance of the most representative share class (field A.4.9)

49. According to the field A.4.9 of the Implementing Regulation on reporting, the manager of an MMF shall report the calendar year performance of the most representative share class. The basis for defining the range is the calendar year. That means that the same value should be reported for all the quarters of the year for N-1, N-2 and N-3.
50. With respect to field A.4.9 of the Implementing Regulation on reporting on the calendar year performance of the most representative share class, **the most representative share class should be understood as the share class associated with the highest NAV proportion at the end of the reporting period unless specific circumstances warrant to select another share class.** In addition, no data should be reported when the inception date of the MMF was less than 12 months before the reporting end date.

### 5.2.16 Monthly portfolio volatility and Monthly portfolio volatility of the shadow NAV (when applicable) (field A.4.10)

51. **First with respect to (field A.4.10) , the shadow NAV should be understood as the “NAV per unit or share in accordance with Article 30” as referred to in articles 31(4) and 32(4) of the MMF Regulation. The reporting of the monthly portfolio volatility of the shadow NAV is not relevant for VNAV MMFs, the managers of which should only report the monthly volatility of the NAV per unit or share. The managers of**

**CNAV/LVNAV MMF should only report the monthly portfolio volatility of the shadow NAV of the CNAV/LVNAV MMF.**

**52. In addition, with respect to monthly portfolio volatility and monthly portfolio volatility of the shadow NAV, the following specifications should also be applied:**

The following formula of the monthly volatility, which is expressed on an annualized basis, should be used:

$$\sigma_f = \sqrt{\frac{m}{T-1} \sum_{t=1}^T (r_t - \bar{r})^2}$$

Where:

For VNAV, the returns of the fund ( $r_t$ ) are monthly returns of the NAV per unit or share calculated over the T last periods (not considering subscription and redemption fees). For CNAV and LVNAV, ( $r_t$ ) are monthly returns of the shadow NAV per unit or share.

$m = 12$

Depending on the range,  $T=12$  for the 1 year range,  $T = 24$  for the two years range and  $T=36$  for the three years range

$\bar{r}$  is the arithmetic mean of the monthly return rates, as applicable, of the fund over T periods according to the following formula:

$$\bar{r} = \frac{1}{T} \sum_{t=1}^T r_t$$

In the cases where the available data on returns are not sufficient to cover a given range, the manager shall not report any data for this range (e.g. a fund that exists since 18 months only should not report the 2 years nor the 3 years monthly portfolio volatility).

## Block 3 – Stress tests

### 5.2.17 Results of stress tests (fields A.5.1 to A.5.10)

53. Apart from field A.5.10 on the proposed action plan in relation to stress tests, where free text is allowed, the rest of the information to be reported should consist of figures, predetermined values or names. For field A.5.10, ESMA recommends that the national competent authority allow managers of MMFs to report the information in English, which would allow multinational groups to centralise and harmonise their MMF reporting.

54. **In addition, with respect to fields A.5.1 to A.5.10, managers of MMFs should fill in these fields quarterly (even within the quarters when no stress tests have been carried) and indicate the date when the stress tests the results of which they report was carried. One of these dates should be the last day of Q2 and another one should be the last day of the year. When several stress tests were performed during the reporting period, only the last one should be reported.**

55. The format of the results of the stress tests to be reported in fields A.5.1 to A.5.10 are further specified in the ESMA Guidelines on stress tests scenarios under the MMF Regulation<sup>6</sup>.

*Instructions to fill the template*

56. **MMF managers should report the results of the stress tests according to the scenarios displayed in Annex 2 of these guidelines – Table 1 and then report the corresponding values. Table 1 in Annex 2 sets out all the different stress test scenarios defined in the ESMA Guidelines on stress tests scenarios under the MMF Regulation and provides clarification on the scope of information to be provided.** This mechanism is based on the assumption that the reporting template for reporting the results of the stress tests needs to cover the stress test scenarios established in the ESMA Guidelines on stress tests scenarios that will be reviewed on a yearly basis in order to take into account the latest market development. Where ESMA Guidelines on stress tests scenarios are updated with new stress test scenario, one new scenario code should be added in that table indicating which elements have to be reported.

57. **Unless otherwise specified, managers should report positive values.**

58. Some examples of the above are described below:

- **Case LST-01 on the impact in relation with the hypothetical changes in the level of liquidity of the assets held in the portfolio of the MMF**

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<sup>6</sup> [ESMA's Guidelines on stress test scenarios under the MMR Regulation](#)

With respect to the hypothetical changes in the level of liquidity of the assets held in the portfolio of the MMF, the MMF manager should report the impact as a percentage of the reporting NAV.

- **Case CST-01 on the impact in relation with the hypothetical changes in the level of credit risk of the assets held in the portfolio of the MMF based on credit spread stress test**

With respect to the hypothetical changes in the level of credit risk of the assets held in the portfolio of the MMF, the MMF manager should report the impact as a percentage of the reporting NAV.

- **Case CST-02 on the impact in relation with the hypothetical changes in the level of credit risk of the assets held in the portfolio of the MMF based on concentration stress test**

With respect to the hypothetical changes in the level of credit risk of the assets held in the portfolio of the MMF, the MMF manager should report the impact as a percentage of the reporting NAV.

- **Case FST-01 on the impact in relation with the change of the exchange rates based on the scenario “appreciation of the EUR against the USD”**

With respect to the levels of change of the exchange rates for the appreciation of the EUR against the USD scenario, the MMF manager should report the impact as a percentage of the reporting NAV.

- **Case FST-02 on the impact in relation with the change of the exchange rates based on the scenario “depreciation of the EUR against the USD”**

With respect to the levels of change of the exchange rates for the depreciation of the EUR against the USD scenario, the MMF manager should report the impact as a percentage of the reporting NAV.

- **Case IST-01 on the impact in relation with the hypothetical changes of the interest rates**

With respect to the levels of change of the interest rates, the MMF manager should report the impact as a percentage of the reporting NAV.

- **Case SST-01 on the impact in relation with the hypothetical changes on the levels of widening or narrowing of spreads among indices to which interest rates of portfolio securities are tied**

With respect to the levels of widening or narrowing of spreads among indices, the MMF manager should report the impact as a percentage of the reporting NAV.

- **Case RST-01 on the impact in relation with the hypothetical levels of redemption measured as the computation of the reverse liquidity stress test**

With respect to the reverse liquidity stress test, the MMF manager should report the impact as a percentage of the reporting NAV.

- **Case RST-02 on the impact in relation with the hypothetical levels of redemption measured as the computation of the weekly liquidity stress test**

With respect to the weekly liquidity stress test, the MMF manager should report the result as a percentage indicating the ratio between the weekly outflows (denominator) and the weekly liquid assets (first bucket and total bucket; numerator).

- **Case RST-03 on the impact in relation with the hypothetical levels of redemption measured as a concentration stress test**

With respect to the concentration stress test, the MMF manager should report the result as a percentage indicating the ratio between the redemptions of its 2 main investors (denominator) and the weekly liquid assets (first bucket and total bucket; numerator).

- **Case MST-01 on the impact in relation with the hypothetical macro systemic shocks affecting the economy as a whole measured as the combined impact of all factors on the net asset value**

With respect to the combined impact of all factors on the net asset value, the MMF manager should report the impact as a percentage of the reporting NAV.

- **Case MST-02 on the impact in relation with the hypothetical macro systemic shocks affecting the economy as a whole measured as the combined impact of all factors on the weekly liquid assets**

With respect to the combined impact of all factors on the weekly liquid assets, the MMF manager should report the result as a percentage indicating the ratio between the weekly outflows (denominator) and the weekly liquid assets (first bucket and total bucket; numerator).

In addition, the MMF manager should report the value of weekly outflows computed for the scenario as “the input factor”.

#### Instructions to measure the impact of the stress test scenarios

##### Liquidity (LST-01)

59. For each relevant transferable security, the discount factors should be applied to the price used for the valuation of the fund at the time of the reporting (**VPrice**) as per art 29(3)(a), according to their type and maturity, to derive an adjusted price (**VPrice<sub>adj</sub>**):

$$\mathbf{VPrice_{adj}} = (1 - \mathbf{liquidity\ discount}) * \mathbf{VPrice}$$

The manager of the MMF should estimate the impact of the potential losses by valuing the investment portfolio at the derived adjusted price, **VPrice<sub>adj</sub>**, to determine the stressed NAV and report the impact as a percentage of the reporting NAV:

$$\text{Asset liquidity risk impact (\%)} = \frac{\text{Reporting NAV} - \text{Stressed NAV}}{\text{Reporting NAV}} * 100$$

Example:

The following paragraph provides an example of how to evaluate securities to estimate the impact of potential losses due to a deterioration in market liquidity. An MMF manager shall consider the securities subject to liquidity stress, their rating profile and their remaining maturity. It must be noted that not all assets are subject to stress test.

For each relevant security, the manager should apply the discount factor provided in the guideline in the formula

$$\text{Valuation}_{adj} = (1 - \text{liquidity discount}) * \text{Valuation price}$$

The following examples apply liquidity discount factors from Guidelines on stress test scenarios of 2019.

- **Consider a German sovereign bond, with a valuation price of 1 euro and a remaining maturity below 3 months. Applying the formula above the adjusted valuation price would be:**

$$\text{Valuation}_{adj} = (1 - 0.6) * 1 = 0.94$$

- **Consider a sovereign bond rated with A, with a valuation price of 3 euro and a remaining maturity below 2 years. Applying a liquidity discount factor to its valuation price, its stressed price would be:**

$$\text{Valuation}_{adj} = (1 - 0.77) * 3 = 0.69$$

- **Consider a AA corporate bond with a remaining maturity below 1 year and price of 2 euros. Applying a liquidity discount factor to its valuation price, its stressed price would be:**

$$\text{Valuation}_{adj} = (1 - 0.49) * 2 = 1.02$$

- **Liquidity stress test does not apply to all assets. For instance, a deposit with a value of 1 euro, would have an adjusted valuation price of 1 euro.**

A manager should then compute and report the stressed NAV based on the adjusted valuation prices of all securities, after applying the liquidity stress.

Finally, based on the stressed NAV, the manager should calculate and report the asset liquidity risk impact, based on the following formula

$$\text{Asset liquidity risk impact (\%)} = \frac{\text{Reporting NAV} - \text{Stressed NAV}}{\text{Reporting NAV}} * 100$$

## Credit

### CST-01

60. For each security, managers of MMFs should apply the increase in spread communicated by ESMA. For each security, managers of MMFs should translate the corresponding change in spread into a haircut. Managers of MMFs should report the impact of the cumulated haircuts in percentage of reporting NAV.

$$\text{Credit risk impact (\%)} = \frac{\text{Reporting NAV} - \text{Stressed NAV}}{\text{Reporting NAV}} * 100$$

Example:

When the yield-to-maturity of a given debt security is the sum of the credit spread of the issuer and the swap rate for the same currency and maturity:

$$\text{Bond yield} = \text{CreditSpreadBond} + \text{Interest RateSWAP}$$

By default, the change in the value of the bond shall be measured as:

$$\% \Delta \text{Price} = -\text{DUR} \times \frac{\Delta \text{CreditSpreadBond}}{1 + \text{Yield}}$$

Where %ΔPrice is the percent change in the price of the security;

DUR is the duration, based on the manager data;

Yield is the yield of the security, based on the manager data;

ΔCreditSpreadBond is the shock communicated by ESMA.

Managers of MMFs are expected to:

- 1) **Find the relevant parameter published by ESMA**
  - **For a government bond with a residual maturity of 1 year, the manager should take the corresponding shocks in the scenario table: in this example, we consider that the 1-year shock to credit spread on this bond is +35bp.**

**2) Find the relevant internal parameter**

- In this example the manager finds that the duration is 1 year and the yield is 1%

$$\% \Delta Price = -1 \times \frac{0.0035}{1.01} = -0.35\%$$

**3) Measure the Stressed NAV**

- In this example the value of the security is 100. The value loss is therefore 0.35.
- The calculation should be repeated for all the securities stressed in the portfolio
- The Stressed NAV is the difference between the reporting NAV and the sum of the value losses:

$$\text{Stressed NAV} = \text{Reporting NAV} - \Sigma \text{ Value Losses}$$

**4) Measure the impact**

- The impact to report is

$$\text{Credit risk impact (\%)} = \frac{\text{Reporting NAV} - \text{Stressed NAV}}{\text{Reporting NAV}}$$

CST-02

61. Managers of MMFs should also simulate the default of their two main exposures. The resulting impact on NAV would then be reported, expressed as a percentage.

$$\text{Concentration risk impact (\%)} = \frac{\text{Reporting NAV} - \text{Stressed NAV}}{\text{Reporting NAV}} * 100$$

Example:

Managers of MMFs are expected to:

- 1) Identify their two main exposures**

- The exposures referred to in CST-02 refer to the sum of all instruments issued by a single body and, when relevant, deposits made with the same credit institution.

**2) Measure the stressed NAV**

- The collateral (or any other mitigant, e.g. credit derivatives) received should be considered. If there is no assumption, the manager assesses the value of the collateral.

After considering the effects of collateral, the following loss given default should apply:

- **Senior exposures: 45 %;**
- **Subordinated exposures: 75 %.**

- In this example the MMF has a reporting NAV of 100 and 2 senior exposures of 10 and 15:

$$\begin{aligned} \text{Stressed NAV} &= \text{Reporting NAV} - (10 * 45\% + 15 * 45\%) \\ \text{Stressed NAV} &= 100 - 11.25 = 88.75 \end{aligned}$$

**5) Measure the impact**

- The impact to report is:

$$\text{Concentration risk impact (\%)} = \frac{\text{Reporting NAV} - \text{Stressed NAV}}{\text{Reporting NAV}}$$

Exchange rates (FST-01; FST-02)

62. Managers of MMFs should use the parameters published by ESMA: FX shocks which corresponds to movements of the exchange rates. Managers of MMFs should revalue their portfolio taking into account the new parameters and express the impact of each risk factor as a percentage of reporting NAV. A “zero” in the reporting template should only be reported if a scenario has no impact.

Example:

For each scenario, managers of MMFs are expected to:

**1) Find the relevant parameter published by ESMA**

- The table gives the relative change of selected currencies.
- A positive (negative) sign of the EUR/USD means an appreciation (depreciation) of the EUR against the USD.

**2) Measure the change in price**

- In this example the manager is holding a USD-denominated security with a value of 100.
- The shock to EURUSD is +25%, therefore the change in the price of the USD-denominated security is

$$\Delta Price = 100 - \frac{100}{1.25} = -20$$

Where  $\Delta Price$  is the change in the price of the security

- **The manager should consider all existing hedging**, based on the manager data. If there is no assumption, the manager assesses the efficiency of the hedging.
- The calculation should be repeated for all the securities stressed in the portfolio.

### 3) Measure the Stressed NAV

- The Stressed NAV is the difference between the reporting NAV and the sum of the value changes (losses and gain):

$$\text{Stressed NAV} = \text{Reporting NAV} + - \Sigma \text{ Value changes}$$

### 4) Measure the impact

- The impact to report is:

$$\text{FX risk impact (\%)} = \frac{\text{Reporting NAV} - \text{Stressed NAV}}{\text{Reporting NAV}}$$

## Interest rates (IST-01)

63. Managers of MMFs should use the parameters published by ESMA: Interest rate yield shocks which corresponds to movements of the interest rates. Managers of MMFs should reevaluate their portfolio taking into account the new parameters and express the impact of each risk factor as a percentage of reporting NAV. A “zero” in the reporting template should only be reported if a scenario has no impact.

Example:

When the yield-to-maturity of a given debt security is the sum of the credit spread of the issuer and the swap rate for the same currency and maturity:

$$\text{Bond yield} = \text{CreditSpreadBond} + \text{Interest RateSWAP}$$

By default, the change in the value of the bond shall be measured as:

$$\% \Delta \text{Price} = -DUR \times \frac{\Delta \text{Interest Rate SWAP}}{1 + \text{Yield}}$$

Where  $\% \Delta \text{Price}$  is the percent change in the price of the security;

DUR is the duration, based on the manager data;

Yield is the yield of the security, based on the manager data;

$\Delta \text{Interest Rate SWAP}$  is the shock communicated by ESMA.

Managers of MMFs are expected to:

- 1) **Find the relevant parameter published by ESMA**
  - **For a Euro-denominated bond with a residual maturity of 1 year, the manager should take the corresponding shocks in the scenario table: in this example, we consider that the 1-year shock to interest rate yield on the EUR is +80bp.**
- 2) **Find the relevant internal parameter**
  - **In this example the manager finds that the duration is 1 year and the yield is 1%**

$$\% \Delta \text{Price} = -1 \times \frac{0.008}{1.01} = -0.79\%$$

- 3) **Measure the Stressed NAV**
  - **In this example the value of the security is 100. The value loss is therefore 0.79.**
  - **The calculation should be repeated for all the securities stressed in the portfolio**
  - **The Stressed NAV is the difference between the reporting NAV and the sum of the value losses:**

$$\text{Stressed NAV} = \text{Reporting NAV} - \Sigma \text{Value Losses}$$

- 4) **Measure the impact**
  - **The impact to report is**

$$\text{Interest rate risk impact (\%)} = \frac{\text{Reporting NAV} - \text{Stressed NAV}}{\text{Reporting NAV}}$$

#### Spread among indices (SST-01)

64. Managers of MMFs should use the parameters published by ESMA: Interest rate yield shocks which corresponds to movements of the interest rates. Managers of MMFs should reevaluate their portfolio taking into account the new parameters and express the impact of each risk factor as a percentage of reporting NAV. If the scenarios of a change of the interest rates and a widening or narrowing of spreads among indices to which interest rates of portfolio securities are tied have the same impact, managers of MMFs shall only report the result once under (IST-01). A “zero” in the reporting template should only be reported if a scenario has no impact.

Example:

See IST-01

#### **Level of redemption**

##### RST-01

65. The reverse liquidity stress test takes the following steps:

- For each asset, managers of MMFs are required to measure the weekly tradable amount (including maturing assets).
- Managers of MMFs are required to measure the maximum weekly tradable amount that can be with the portfolio allocation still being in line with all regulatory requirements (see examples below) of the MMF (“without distorting the portfolio allocation”).
- The result is reported in % of the NAV.

$$\text{Result (\%)} = \frac{\text{Maximum weekly tradable amount that can be liquidated without distorting the portfolio allocation}}{\text{NAV}} * 100$$

Example:

Managers of MMFs are expected to:

**1) Measure the weekly tradable amount**

- **Managers of MMFs identify the share of the fund’s portfolio that is capable of being liquidated within one week. Such assignment should be based on the shortest period during which such a position could reasonably be liquidated at or near its carrying value<sup>7</sup>.**
- 2) Assess the Maximum weekly tradable amount that can be liquidated without distorting the portfolio allocation**
- The maximum size of outflows the fund can face in one week without distorting the portfolio allocation is determined by (1) the sum of the weekly tradable amounts; and (2) the fund’s capacity to comply with the regulatory requirements.
  - For these purposes, the regulatory requirements are not limited to but should include at least:
    - **Diversification (Article 17 of the MMF Regulation);**
    - **Concentration (Article 18 of the MMF Regulation);**
    - **Portfolio rules for short-term MMFs (Article 24 of the MMF Regulation) and for standard MMFs (Article 25 of the MMF Regulation), in particular, Maximum weighted average maturity (WAM); Maximum weighted average life (WAL), daily maturing assets; and weekly maturing assets.**
  - For example, if 50% of a LVNAV MMF assets are tradable within a week but its WAM becomes higher than 60 days after selling 30%, the manager should report 30%.
- 3) Measure the impact**
- **The result to report is**

$$\text{Result (\%)} = \frac{\text{Maximum weekly tradable amount that can be liquidated without distorting the portfolio allocation}}{\text{NAV}}$$

RST-02

66. Managers of MMFs should apply the following stressed redemption scenario:

- The fund receives net weekly redemption requests from 25% of the professional investors and 15% of the retail investors.
- The fund manager measure available weekly liquid assets to meet the redemption request according to the following table:

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<sup>7</sup> [Guidelines on reporting obligations under Articles 3\(3\)\(d\) and 24\(1\), \(2\) and \(4\) of the AIFMD](#)

<b>Assets</b>	<b>Article</b>	<b>CQS</b>
Assets referred to in Article 17(7) <sup>8</sup> which are highly liquid and can be redeemed and settled within one working day and have a residual maturity of up to 190 days.	24 (e)	1
Cash which is able to be withdrawn by giving prior notice of five working days <u>without penalty</u> .	24 (e) 25 (d)	
Weekly maturing assets	24 (e) 25 (d)	
Reverse repurchase agreements which are able to be terminated by giving prior notice of five working days	24 (e) 25 (d)	
<b>x100% = Weekly liquid assets (bucket 1)</b>		
Assets referred to in Article 17(7) which can be redeemed and settled within one working week.	17(7)	1,2
Money market instruments or units or shares of other MMFs which they are able to be redeemed and settled within five working days.	24 (e) 25 (e)	1,2
Eligible securitisations and asset-backed commercial paper (ABCPs).	9(1)(b)	1
<b>x85% = Weekly liquid assets (bucket 2)</b>		

The result is reported as the coverage of outflows by weekly liquid assets, in %.

$$\text{Result (\%)} = \frac{\text{Weekly liquid assets}}{\text{Weekly outflows}} * 100$$

Example:

Managers of MMFs are expected to:

**1) Measure weekly outflows**

- **The fund receives net weekly redemption requests from 25% of the professional investors and 15% of the retail investors.**

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<sup>8</sup> Money market instruments issued or guaranteed separately or jointly by the Union, the national, regional and local administrations of the Member States or their central banks, the European Central Bank, the European Investment Bank, the European Investment Fund, the European Stability Mechanism, the European Financial Stability Facility, a central authority or central bank of a third country, the International Monetary Fund, the International Bank for Reconstruction and Development, the Council of Europe Development Bank, the European Bank for Reconstruction and Development, the Bank for International Settlements, or any other relevant international financial institution or organisation to which one or more Member States belong.

- If half of the portfolio is held by professional investors and half of the portfolio is held by retail investors, total outflows are equal to:  $50\% * 25\% + 50\% * 15\% = 20\%$

2) Classify assets in bucket 1 and bucket 2:

Assets	Holdings	CQS1	Maturing <5 days	CQS2	Bucket 1	Bucket 2
Assets referred to in Article 17(7) <sup>9</sup> which are highly liquid and can be redeemed and settled within one working day and have a residual maturity of up to 190 days.	15	8	1	2	9	1.7

- **Assets:** description of the asset;
- **Holdings:** the fund holds 15% of its portfolio in “Assets referred to in Article 17(7) which are highly liquid and can be redeemed and settled within one working day and have a residual maturity of up to 190 days”, for example sovereign bonds;
- **CQS 1:** financial instruments rated CQS 1 represent 8% of the fund portfolio;
- **Maturing <5 days:** 7% of the portfolio is rated below CQS 1 (15-8), of which 1% of the portfolio matures within 5 days;
- **CQS 2:** financial instruments rated CQS 2 (and maturing>5 days) represent 2% of the fund portfolio;
- **Bucket 1:** financial instruments rated CQS 1 (8%) and financial instruments maturing within 5 days (1%) are included in the bucket 1 of weekly liquid assets ( $8\%+1\%=9\%$ );
- **Bucket 2:** financial instruments rated CQS 2 (2%) are included in the bucket 2 of weekly liquid assets, with a weight of 85% ( $2\%*85\%=1.7\%$ ).

<sup>9</sup> Money market instruments issued or guaranteed separately or jointly by the Union, the national, regional and local administrations of the Member States or their central banks, the European Central Bank, the European Investment Bank, the European Investment Fund, the European Stability Mechanism, the European Financial Stability Facility, a central authority or central bank of a third country, the International Monetary Fund, the International Bank for Reconstruction and Development, the Council of Europe Development Bank, the European Bank for Reconstruction and Development, the Bank for International Settlements, or any other relevant international financial institution or organisation to which one or more Member States belong.

**3) Measure bucket 1 and bucket 2**

- **Bucket 1** is the sum of all assets classified in bucket 1.
- **Bucket 2** is 85% of the sum of all assets not eligible in bucket 1 but classified in bucket 2.
- Each asset can only be accounted once.

**4) Report the result:**

- **Managers of MMF have to report 2 results:**

$$\text{Result (\%)} = \frac{\text{Bucket 1}}{\text{Weekly outflows}}$$

$$\text{Result (\%)} = \frac{\text{Bucket 1} + \text{Bucket 2}}{\text{Weekly outflows}}$$

RST-03

67. The MMF faces net redemption of its two main investors. The impact of the stress test should be assessed according to weekly liquidity stress test methodology.

$$\text{Result (\%)} = \frac{\text{Weekly liquid assets}}{\text{Invested amount two main investors}} * 100$$

Example:

Managers of MMFs are expected to:

**1) Measure the outflows**

- **The 2 main investors withdraw 100% of their investment**

**2) Measure bucket 1 and bucket 2**

- **See RST-02**

**3) Report the result:**

- **Managers of MMF should report 2 results:**

$$\text{Result (\%)} = \frac{\text{Bucket 1}}{\text{Invested amount two main investors}}$$

$$\text{Result (\%)} = \frac{\text{Bucket 1} + \text{Bucket 2}}{\text{Invested amount two main investors}}$$

Macro (MST-01; MST-02)

68.Managers should:

- First, measure the impact of a market shock combining different risk parameters (see table)
- Assess the impact of a redemption shock following the market shock. Assets sold in response to the redemption shock will result in additional losses, as defined in the liquidity stress test;
- Report the result as a percentage of NAV;
- Report the value of weekly liquid assets after market shock as a percentage of outflows;
- Report the value of outflows as a memo item.

	<b>Risk factors</b>	<b>Parameters used for the calibration</b>
<b>Market shock</b>	<ul style="list-style-type: none"> <li>• <b>FX Rate</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>EUR/USD etc.</b></li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Interest Rate</b></li> <li>• <b>Credit</b></li> <li>• <b>Spread among indices to which interest rates of portfolio securities are tied</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Swap rate</b></li> <li>• <b>Gov. bond yields/ spreads</b></li> <li>• <b>Corp. bond yields/ spreads</b></li> </ul>
<b>Redemption shock</b>	<ul style="list-style-type: none"> <li>• <b>Level of Redemption</b></li> <li>• <b>Asset liquidity</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>% outflows</b></li> <li>• <b>Bid/ask spread (discount factor)</b></li> </ul>
<b>Results</b>	<ul style="list-style-type: none"> <li>• <b>% NAV</b></li> <li>• <b>Weekly liquid assets/ outflows</b></li> </ul>	<b>Q22:</b>
<b>Memo</b>	<ul style="list-style-type: none"> <li>• <b>% outflows</b></li> </ul>	<b>Q23:</b>

Managers of MMFs are expected to:

- 1) **Measure the combined impact of the risk factors (the market shock)**
  - **Managers of MMFs should use their internal models to measure the combined impact of at least: credit risk; interest rate risk, FX risk.**
  - **When the parameters communicated by ESMA are identical to those used for the other scenarios (e.g. CST-01, FST-01, IST-01, SST-01), the results should not be the aggregation as the combined impact of the shocks should have non-linear effects.**

2) Measure the outflows

- Redemption requests should be measured on the NAV after the market shock, following RST-02 methodology.
- In the following example the reporting NAV is 100, the market shock is 10, and the funds experience an outflow rate of 20%:

$$\text{Outflows} = (100 - 10) * 20\% = 18$$

$$\text{NAV after outflows} = 90 - 18 = 72$$

- **Measure the coverage by bucket 1 and bucket 2 assets. See RST-02.**

3) Measure the liquidity impact

- **The fund sells assets in a stressed environment characterized by a widening of bid-ask spread as characterized in the liquidity stress test (LST-01). For each security sold, the manager should apply the discount factor provided in the stress test guidelines.**
- **Only assets sold in response to redemption requests are affected by the liquidity stress. In the previous example the value of assets subject to the liquidity stress is 18 while the value of assets not affected by the liquidity stress is 72.**
- **For the purposes of the Macro scenario, MMFs are assumed to sell assets pro-rata to their portfolio (no distortion).**

- For the purposes of the stress test, the loss is entirely borne by remaining investors (not by redeeming investors).

**4) Measure the stressed NAV**

- The impact on the NAV is the result of the combined impact of the risk factors, the outflows and the liquidity impact.

$$\text{Stressed NAV} = \text{Reporting NAV} - \text{Market shock} - \text{Outflows} - \text{Liquidity impact}$$

**5) Report the result:**

- Managers of MMF should report 3 results:

$$\text{Impact on NAV (\%)} = \frac{\text{Reporting NAV} - \text{Stressed NAV}}{\text{Reporting NAV}}$$

$$\text{Weekly liquidity (\%)} = \frac{\text{Bucket 1}}{\text{Outflows}}$$

$$\text{Weekly liquidity (\%)} = \frac{\text{Bucket 1} + \text{Bucket 2}}{\text{Outflows}}$$

69. The definitions to be used in the present block 3 are the following ones:

*Credit Quality steps:*

The Credit Quality Steps (CQS) map the credit assessments issued by External Credit Assessment Institutions (ECAIs). The correspondence of the relevant credit assessments issued by an ECAI to the credit quality steps is specified in the

<i>Maturity:</i>	Unless otherwise specified, managers of MMFs shall use risk factors corresponding to the residual maturity of the instrument.
<i>Valuation price</i>	Valuation price refers to the valuation of MMFs defined in Article 29(3) of MMFR.
<i>Weekly liquid assets</i>	For MMF stress tests, weekly liquid assets are the sum of highly liquid assets and weekly maturing assets. The methodology to measure highly liquid asset is defined in the Guidelines on stress test scenarios under the MMF Regulation.
<i>Weekly tradable amount:</i>	Managers of MMFs report the share of the fund's portfolio that is capable of being liquidated within one week. Such assignment should be based on the shortest period during which such a position could reasonably be liquidated at or near its carrying value <sup>11</sup> .

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<sup>10</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?toc=OJ%3AL%3A2016%3A275%3ATOC&uri=uriserv%3AOJ.L.2016.275.01.0003.01.ENG>

<sup>11</sup> [Guidelines on reporting obligations under Articles 3\(3\)\(d\) and 24\(1\), \(2\) and \(4\) of the AIFMD](#)

## **Block 4 – Information on the assets**

**5.2.18 Asset description of the money market instrument (field A.6.2), eligible securitisation or ABCP (field A.6.21), unit or share of other MMF (field A.6.61), deposit or ancillary asset (field A.6.72) and repurchase agreement or reverse repurchase agreement (field A.6.82)**

70. Field A.6.2 should be filled in only if there does not exist ISIN (field A.6.3) nor CFI code (field A.6.4) of the money market instrument. Field A.6.21 should be filled in only if there does not exist ISIN (field A.6.22) of the securitisation or asset backed commercial paper. Field A.6.61 should be filled in only if there does not exist ISIN (field A.6.62) nor LEI (field. A.6.63) of the unit or share of other MMF. Field A.6.72 should be filled in only if there does not exist ISIN (field A.6.73) nor CFI code (field A.6.74) of the deposit or ancillary asset. Field A.6.82 should be filled in only if there does not exist ISIN (field A.6.83) of the repurchase agreement or reverse repurchase agreement.

**5.2.19 CFI (if available, and if the ISIN is not available) of the money market instrument (field A.6.4), financial derivative instrument (field A.6.43), unit or share of other MMF (field A.6.64), deposit or ancillary liquid asset (field A.6.74), repurchase agreement or reverse repurchase agreement (field A.6.84), and asset referred to in field B.1.3**

71. With respect to the CFI code to be provided for the different assets (field A.6.4, A.6.43, A.6.64, A.6.84, B.1.3), in combination with an ISIN, the CFI should be provided, as both are assigned concurrently by the national numbering agencies. If the instrument does not possess an ISIN, a CFI code should also be reported, as per the ISO 10962 standard. In this case, at least the first 2 characters of the CFI code and the character representing asset class (if applicable for a given instrument) should be provided (i.e. these characters cannot be "X", which represents not applicable or undefined value). To guide the reporting entities in the generation of a CFI, ESMA has compiled a mapping of the CFI code, englobing all eligible asset (Annex I). With respect to the CFI code for deposit or liquid ancillary assets (field A.6.74), no CFI code should be provided.

**5.2.20 Asset country (fields A.6.8, A.6.23, A.6.50, A.6.66, A.6.75, A.6.85)**

72. When reporting information on the geographical focus of the different types of assets, the information should be reported as of the last day of the reporting period (if the information is not available on that last day, managers of MMFs should use the last information available on this topic). Assets that do not have a predominant geographical focus should be included in the category “supranational/multiple regions.

73. For eligible securitisation and asset backed commercial paper (field A.6.23), if there is no sponsor, the country of the originator should be indicated.

**74. As per field A.6.8, the country of a money market instrument is the country of the issuer of the money market instrument.**

**75. In alignment with the above, for financial derivative instruments (OTC and listed derivatives), the country of the financial derivative instrument (field A.6.50) should be the country of the counterparty of the financial derivative instrument.** However, for cleared OTC financial derivative instruments, the country of the financial derivative instrument (field A.6.50) should be the country of the CCP.

**76. For deposit or ancillary liquid asset, the country (field A.6.75) should be based on the domicile of the entity in which the deposit is deposited. For instance, the domicile of a cash deposit in Euro in a US bank should be the US.**

**77. For repurchase agreement or reverse repurchase agreement, the country (field A.6.85) should be the domicile of the counterparty to the repurchase agreement or reverse repurchase agreement.**

#### **5.2.21 Clean price of the money market instrument (A.6.12 and A.6.13), eligible securitisation or asset backed commercial paper (A.6.30 and A.6.31)**

**78. With respect to the clean price of the money market instrument (A.6.12 and A.6.13), eligible securitisation or asset backed commercial paper (A.6.30 and A.6.31) these fields should always be reported in absolute terms (in monetary values, not in percentages). Accrued interests (A.6.14, A. 6.15, A.6.32, A.6.33) and Total market values (A.6.16, A.6.17, A.6.34, A.6.35) should also always be reported in absolute terms (in monetary values, not in percentages).**

#### **5.2.22 Accrued interests (A.6.14 and A.6.15), Total market value of the money market instrument (A.6.16 and A.6.17), and the method used to price the money market instrument (A.6.18)**

**79. With respect to fields A.6.14 to A.6.18, if the manager indicates that the method used to price the money market instrument (A.6.18) is “mark-to-model”, or “amortised cost”, it should not fill in the fields related to Clean price (A.6.12 and A.6.13) and Accrued interests (A.6.14 and A.6.15), and the total market value of the money market instrument (A.6.16 and A.6.17) should be understood in that case as the Total value of the money market instrument. If the manager indicates that the method used to price the money market instrument (A.6.18) is “mark to market”, the sum of the fields A.6.13 (clean price) and A.6.15 (accrued interests) should equal the field A.6.17 (total market value).**

### **5.2.23 Asset description of the eligible securitisation or asset backed commercial paper (Field A.6.21), LEI (Field A.6.24) and Name of the sponsor (Field A.6.25)**

80. With respect to the asset description of the eligible securitisation or asset backed commercial paper (Field A.6.21), managers should report the securitisation identifier using the format "Securitisation Repository LEI", then a hyphen, and a unique identifier for the securitisation generated and assigned by the securitisation repository. This is a mandatory identifier in particular for assets classified as "STS" as mentioned in Regulation 2017/1131.

81. If the eligible securitisation or asset backed commercial paper does not possess a sponsor, fields A.6.24 (LEI of the sponsor) and A.6.25 (Name of the sponsor) should be filled in using respectively the LEI and name of the originator.

### **5.2.24 Contract type of derivative contract (Field A.6.39)**

82. In order to fill in this field, with respect to the contract type of derivative contract (Field A.6.39), managers should use the following typology of contract types:

- CFDS' for Contracts for difference
- 'FORW' for forwards
- 'FRAS' for Forward Rate Agreements
- 'FWOS' Forwards on a swap
- 'FUTR' for futures
- 'FONS' for Futures on a swap
- 'OPTN' for options
- 'OTHR' for other
- 'SWAP' for swaps
- 'SWPT' for swaption

### **5.2.25 Name of the underlying (Field A.6.45)**

83. With respect to the name of the underlying (Field A.6.45), a number of elements could be specified, in order to complement the requirements included in the Implementing Regulation on reporting and the article 37 of the MMF Regulation. If the financial derivative instrument possess an ISIN or is an Index, as per field A.6.46, field A.6.45 should not be filled in. In the case of an underlying for which there is no ISIN and that are not indexes, MMF managers should indicate that the value of field A.6.46 is not available.

### **5.2.26 Exposure of the repurchase agreement or a reverse repurchase agreement (Field A.6.91 and A.6.92)**

84. With respect to exposure of the repurchase agreement or a reverse repurchase agreement (Field A.6.91 and A.6.92), the exposure referred to in these fields should be gross exposure.

85. With respect to repurchase agreement, the gross exposure should be understood as the market value of the securities sold to the counterparties of the repo transactions (in exchange of the cash received), without taking into account any netting effects and without considering the collateral received in order to mitigate the counterparty risk arising from these transactions.

86. With respect to reverse repurchase agreement, the gross exposure should be understood as the value of the cash paid to the counterparties of reverse repo transactions (in exchange of securities bought), without taking into account any netting effects and without considering the collateral received in order to mitigate the counterparty risk arising from these transactions.

### **5.2.27 Internal credit assessment procedure (fields A.6.19, A.6.37 and A.6.95)**

87. With respect to the credit assessment referred in fields A.6.19, A.6.37 and A.6.95, if there is no internal credit assessment for a specific asset, it should be included in the corresponding field “not applicable” (for EU Sovereign issuers) or “not performed”

## Block 5 – Information on the liabilities

### 5.2.28 Investor concentration (field A.7.2)

88. With respect to investor concentration (field A.7.2), for MMFs with several unit or share classes, managers of MMFs should consider the percentage of these units or shares in relation to the NAV of the MMF in order to be able to aggregate the percentages of professional investors and retail investors in the MMF. The total should equal 100%. The totals in fields A.7.3 and A.7.4 should also equal 100%.

89. With respect to field A.7.2, the manager of an MMF should also specify the percentage of the NAV on both i) professional clients and ii) retail investors, which is an estimate. There would therefore be four fields to be filled in: i) % of NAV of professional clients, which is not an estimate ii) % of NAV of professional clients, which is an estimate iii) % of NAV of retail clients, which is not an estimate iv) % of NAV of retail clients, which is an estimate.

90. Two corresponding additional subfields should be included in the field of the reporting template to be filled in by manager of MMFs corresponding to the field A.7.2 of the Implementing Regulation on reporting.

91. In particular, further specification on which issuer group taxonomy as provided by the European Central Bank is corresponding to the issuer category as referred to in fields A.6.7 and A.6.86 is provided below:

- Issuer categories “Sovereign (EU)” together with “Sovereign (non-EU)” are corresponding to “Central government” under IG2 code;
- Issuer categories “EU Central Bank” together with “non-EU central bank” are corresponding to “Central bank” under IG1 code;
- Issuer categories “National Public Body” together with “EU Public Body (excluding National Public Body)” and “Non-EU public body” are corresponding to “Public Corporation” under IG11 code;
- Issuer categories “Supranational Public Body (EU)” together with “Supranational Public Body (other than EU)” are corresponding to “Supranational issuer” under IG6 code;
- Issuer category “Credit Institution” is corresponding to “Credit institution (excluding agencies)”, “Agency - non credit institutions” and “Agency - credit institution” under IG4, IG7 and IG8 codes;
- Issuer category “Other financial corporations” is corresponding to “Financial corporations other than credit institutions” under IG9 code; and
- Issuer category “Non-financial corporations” is corresponding to “Corporate and other issuers” under IG3 code.

- Issuer categories “EU Central Bank” together with “non-EU central bank” is corresponding to “Central bank” under IG1 code.

### **5.2.29 Investor group breakdown (field A.7.3) and Geographical breakdown of investors by country (field A.7.4)**

92. The sum of percentages referred to in field A.7.3 should equal 100%.

93. The sum of percentages referred to in field A.7.4 should equal also 100%, and the manager of an MMF should specify the percentage of the NAV for which no country may be specified.

94. **Beneficial owners’ as referred to in fields A.7.1 and A.7.3 should be considered at the level of the legal entity and not at the level of the parents company.**

95. **In addition, The following list indicates which institutional sector of the economy in accordance with the European System of accounts (ESA) 2010 manual is corresponding to the investor group as referred to in field A.7.3:**

- Investor group “Non-financial corporations” is corresponding to “Non-financial corporations” under S11 code
- Investor group “Banks” is corresponding to “monetary financial institutions (MFIs)” under S12K code
- Investor group “Insurance corporations” is corresponding to “Insurance corporations” under S128 code
- Investor group “Other financial institutions” is corresponding to “Other financial institutions” under S12O
- Investor group “Pension plans / funds” is corresponding to “Pension funds” under S129 code
- Investor group “General government” is corresponding to “General government” under S13 code
- Investor group “Other collective investment undertakings” is corresponding to “Non-MMF investment funds” under S124 code
- Investor group “Households” is corresponding to “households and non-profit institutions serving households” under S14 and S15 codes
- Investor group “Unknown” is corresponding to “Unspecified” under S1N code
- The “Rest of the world” under S2 code may not be linked directly to the investor group list as referred to in field A.7.3.

### **5.2.30 Notice period required by investors (Field A.7.6)**

96. **With respect to field A.7.6 of the Implementing Regulation on reporting, if there are multiple classes of shares or units, the notice period reported should be the one of the largest share class (associated with the highest NAV proportion or so). In addition, bank working days should be taken into account when filling in the field A.7.6 in “days”.**

### **5.2.31 Liquidity arrangements (Field A.7.7)**

97. **In field A.7.7, the manager of an MMF is to indicate if there are some “Other arrangements for managing illiquid assets” in relation to this MMF. If there are no such other arrangements, the manager of an MMF should include “0” in the field “% of NAV” related to that specific field. In addition, for the purpose of the field A.7.7, the terms “suspension of dealing” may be understood as “suspension of redemption”.**

### **5.2.32 Information on the liabilities of the MMF: subscriptions (A.7.9), redemptions (A.7.10), payments to investors (A.7.11), exchange rate (A.7.12)**

98. **With respect to subscriptions, the date of subscription to be taken into account when filling in the MMF reporting template (field A.7.9) should be the date when the share of the MMF is issued, and not the day when the corresponding amount of the share is actually paid to the MMF”**

99. **With respect to redemptions, the date of redemption to be taken into account when filling in the MMF reporting template (field A7.10) should be the date when the share of the MMF is redeemed, and not the day when the corresponding amount of the share is actually paid by the MMF. Moreover, dividends paid to investors should not be considered as redemptions for the purpose of the field A.7.10.**

100. **With respect to payments to investors, payments to investors as referred to in field A.7.11 include dividends.** For the avoidance of doubt, in the case of accumulating share classes, income generated in the course of the year should not be considered as payments to investors for the purpose of field A.7.11.

101. **With respect to the exchange rate referred to in field A.7.12, this reported exchange rate should be the exchange rate at the end of the month corresponding to the reporting of fields A.7.8, A.7.9 and A.7.11 or, if not available at that date, the last preceding available exchange rate. This same exchange rate should be used when filling in EUR all fields A.7.8, A.7.9 and A.7.11.**

## **Block 6 – Information on LVNAV**

**5.2.33 Information on the price referred to fields B.1.4, B.1.5 (price when the event occurs, using the amortised cost method with respect to B.1.5), B.1.8 (minimum price deviation between two values referred to in field B.1.8), B.1.9 (During the period mentioned in field B.1.6, state the maximum price deviation between the two values) and the average difference between two values referred to in field B.1.7**

**102. With respect to the price referred to fields B.1.4 and B.1.5 (price when the event occurs, using the amortised cost method with respect to B.1.5), the currency in which this price is expressed should be EUR.**

**103. With respect to the difference referred to in fields B.1.7, B.1.8 and B.1.9., the figures should be expressed in basis points. In addition, where the manager of the MMF decides to switch definitively the asset from the amortised cost method to the mark to market cost method, the period mentioned in field B.1.6 should stop.**

## 4 Annex

Annex I<sup>12</sup>

CFI codes for eligible securities

<b>Instrument category</b>	<b>Group</b>	<b>Mandatory letters of the CFI code to be provided</b>
<b>Collective investment vehicles</b>	<b>E Exchange traded funds (ETF)</b>	<b>CE****</b>
<b>Collective investment vehicles</b>	<b>F Funds of funds</b>	<b>CF****</b>
<b>Collective investment vehicles</b>	<b>I Standard (vanilla) investment funds/mutual funds</b>	<b>CI****</b>
<b>Collective investment vehicles</b>	<b>S Pension funds</b>	<b>CS****</b>
<b>Debt instruments</b>	<b>Asset-backed securities</b>	<b>DA****</b>
<b>Debt instruments</b>	<b>Bonds</b>	<b>DB****</b>
<b>Debt instruments</b>	<b>Depository receipts on debt instruments</b>	<b>DD****</b>
<b>Debt instruments</b>	<b>Structured instruments (without capital protection)</b>	<b>DE****</b>
<b>Debt instruments</b>	<b>Mortgage-backed securities</b>	<b>DG****</b>
<b>Debt instruments</b>	<b>Municipal bonds</b>	<b>DN****</b>

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<sup>12</sup>The list of CFI codes may evolve in case of any change at the ISO 10962 standard.

Debt instruments	Structured instruments (capital protection)	DS****
Debt instruments	Medium-term notes	DT****
Debt instruments	Bonds with warrants attached	DW****
Debt instruments	Money market instruments	DY****
Futures	Baskets	FFB***
Futures	Currencies	FFC***
Futures	Debt	FFD***
Futures	Futures	FFF***
Futures	Indices	FFI***
Futures	Interest Rates	FFN***
Futures	Options	FFO***
Futures	Swaps	FFW***
Non-listed and complex listed options	Foreign exchange	HF****
Non-listed and complex listed options	Rates	HR****
Forwards	F Foreign Exchange	JF****
Forwards	R Rates	JR****
Listed options	Baskets (call)	OC*B**
Listed options	Baskets (put)	OP*B**
Listed options	Baskets (other)	OM*B**
Listed options	Currencies (call)	OC*C**
Listed options	Currencies (put)	OP*C**
Listed options	Currencies (other)	OM*C**
Listed options	Debt (call)	OC*D**
Listed options	Debt (put)	OP*D**
Listed options	Debt (other)	OM*D**

Listed options	Futures (call)	OC*F**
Listed options	Futures (put)	OP*F**
Listed options	Futures (other)	OM*F**
Listed options	Indices (call)	OC*I**
Listed options	Indices (put)	OP*I**
Listed options	Indices (other)	OM*I**
Listed options	Interest Rates (call)	OC*N**
Listed options	Interest Rates (put)	OP*N**
Listed options	Interest Rates (other)	OM*N**
Listed options	Options (call)	OC*O**
Listed options	Options (put)	OP*O**
Listed options	Options (other)	OM*O**
Listed options	Swaps (call)	OC*W**
Listed options	Swaps (put)	OP*W**
Listed options	Swaps (other)	OM*W**
Swaps	Foreign exchange	SF****
Swaps	Rates	SR****
Financing transaction	Repos	LR****

## Annex II

Table 1

Risk factor	Scenario code	Position date	Net asset value basis	Impact on NAV	First bucket outflow impact	Total bucket outflow impact	Input factor	Not Available Value	Additional comment	No Vulnerability or action plan proposed
		Date at which the last stress test was performed (as-of date)	Is the constant net asset value used as a basis for the stress test scenario ?	% of the NAV that is corresponding to the effects of a stressed scenario	Weekly outflows derived from the monthly outflows compared with available weekly liquid assets, considered as the highly liquid assets	Weekly outflows derived from the monthly outflows compared with available weekly liquid assets, considered as the sum of highly liquid assets and weekly maturing assets	Value used as an input for computing stress test effects	Specifies that value is not available for that scenario	Any other additional information about the stress test result	Specifies the action plan that is proposed by the board of directors following a stress test that revealed any vulnerability. In case of no vulnerability, "No vulnerability element" is reported.
Liquidity	LST-01									
Credit	CST-01									
Credit	CST-02									
FX rate	FST-01									
FX rate	FST-02									
Interest rate	IST-01									
Level of redemption	RST-01									
Level of redemption	RST-02									
Level of redemption	RST-03									
Spread among indices	SST-01									
Macro	MST-01									
Macro	MST-02									

