

IMMFA Update: MMFs in Europe

Crane European Money Fund Symposium, Dublin
Monday 23rd September 2019

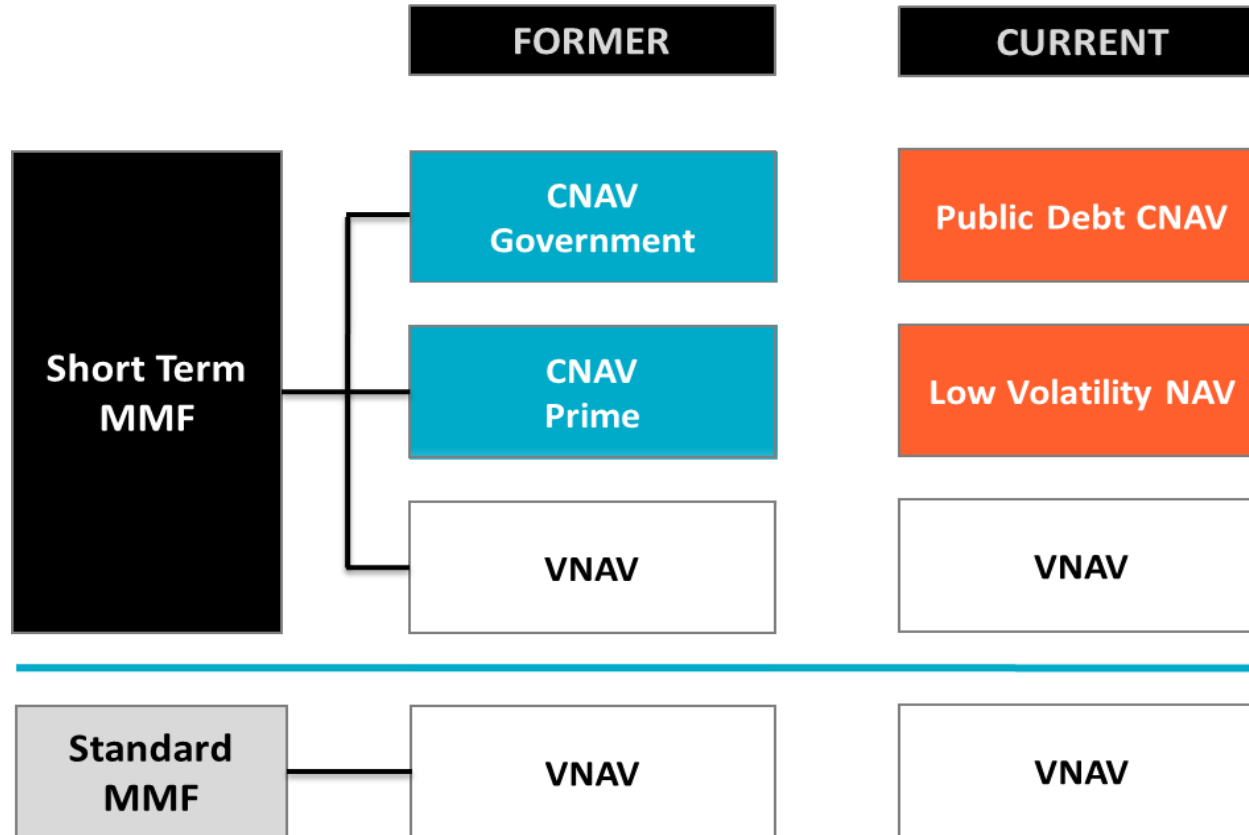
Kim Hochfeld, Chair
Veronica Iommi, Secretary General

IMMFA Update - Agenda

- European money fund landscape today
- SWOT analysis: taking the industry's temperature
- What next for IMMFA?

European Money Fund Landscape Today

European Money Market Fund Product Range

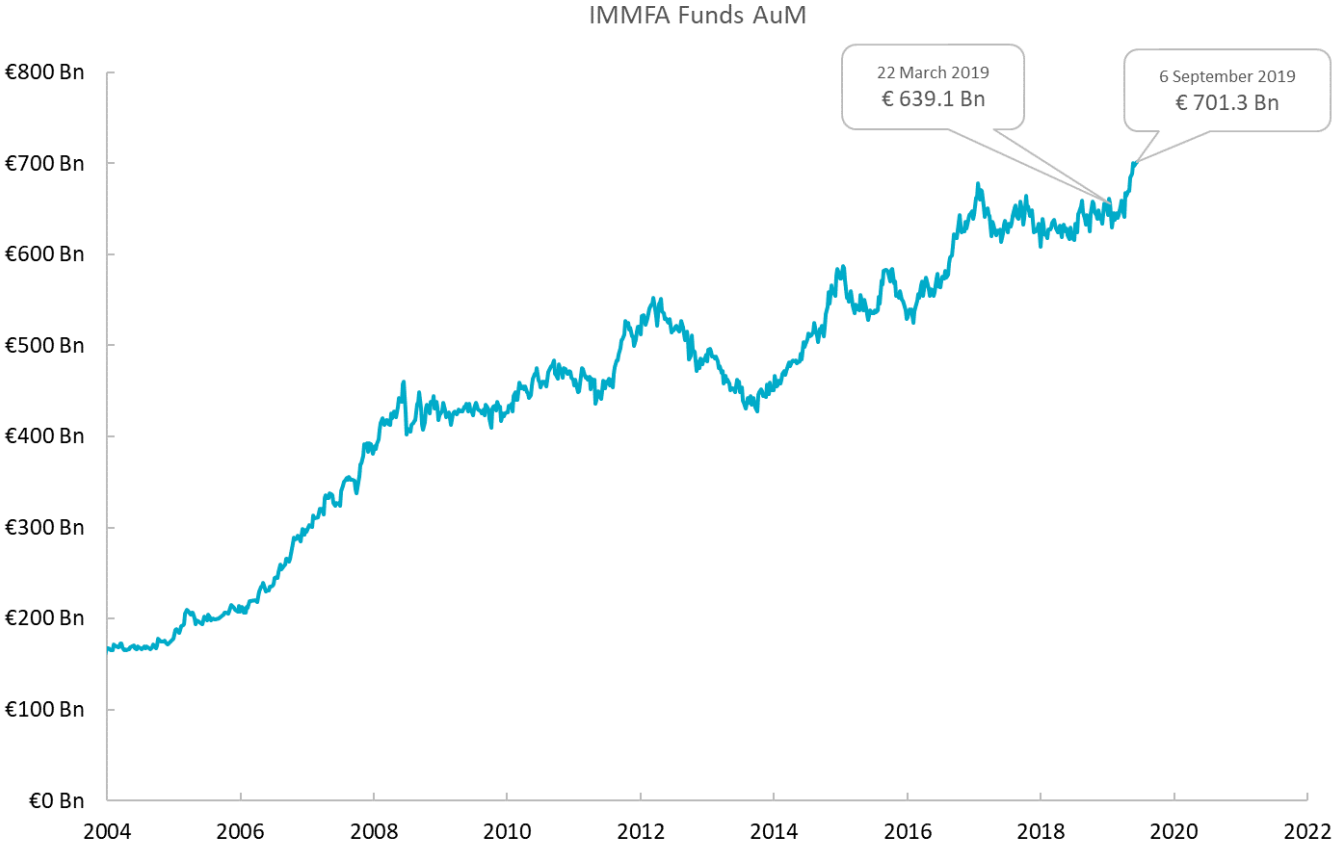


IMMFA MMFs - MMFR Conversions



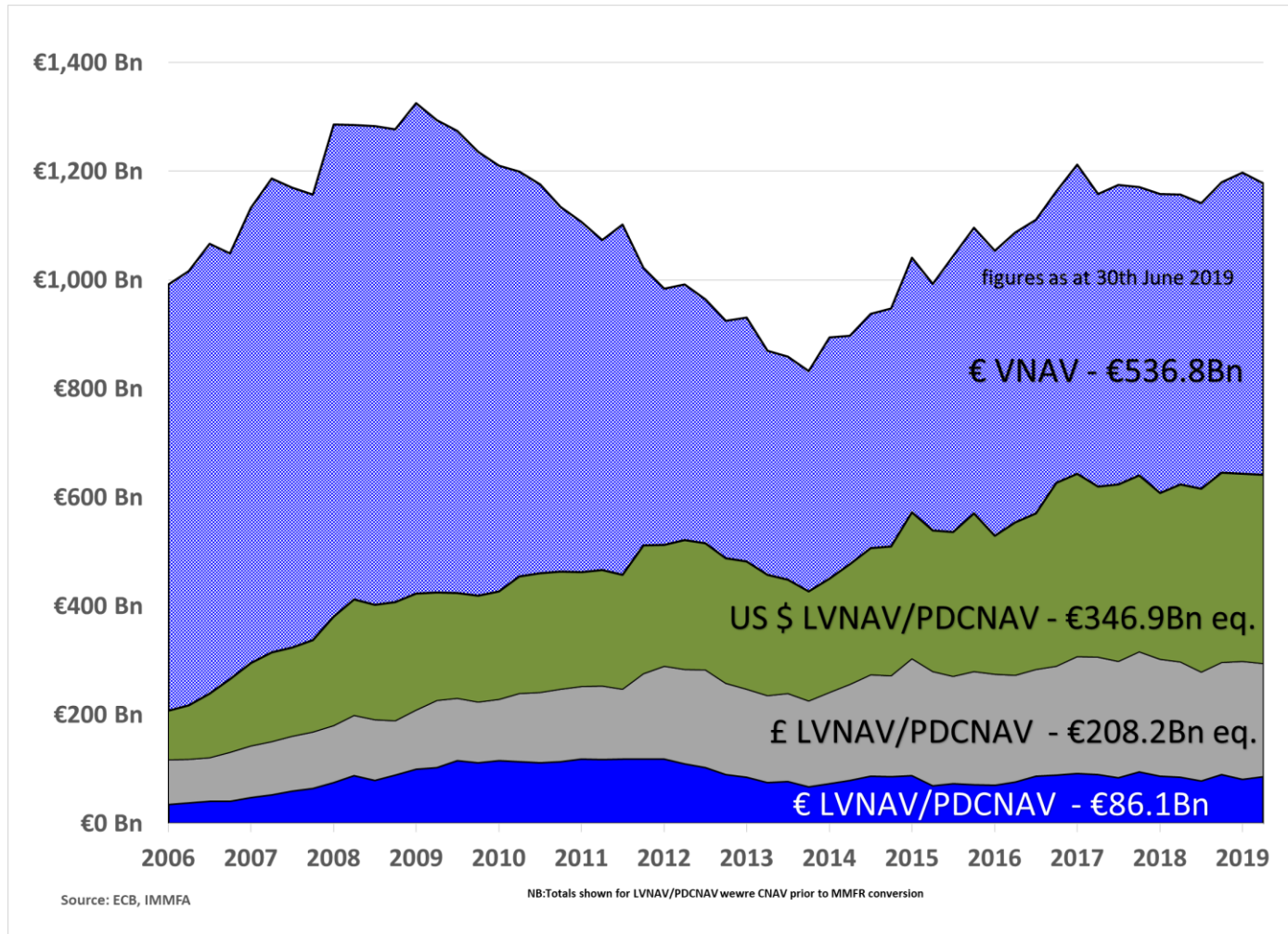
Source: IMMFA

Product Appetite - Increased Since Conversion

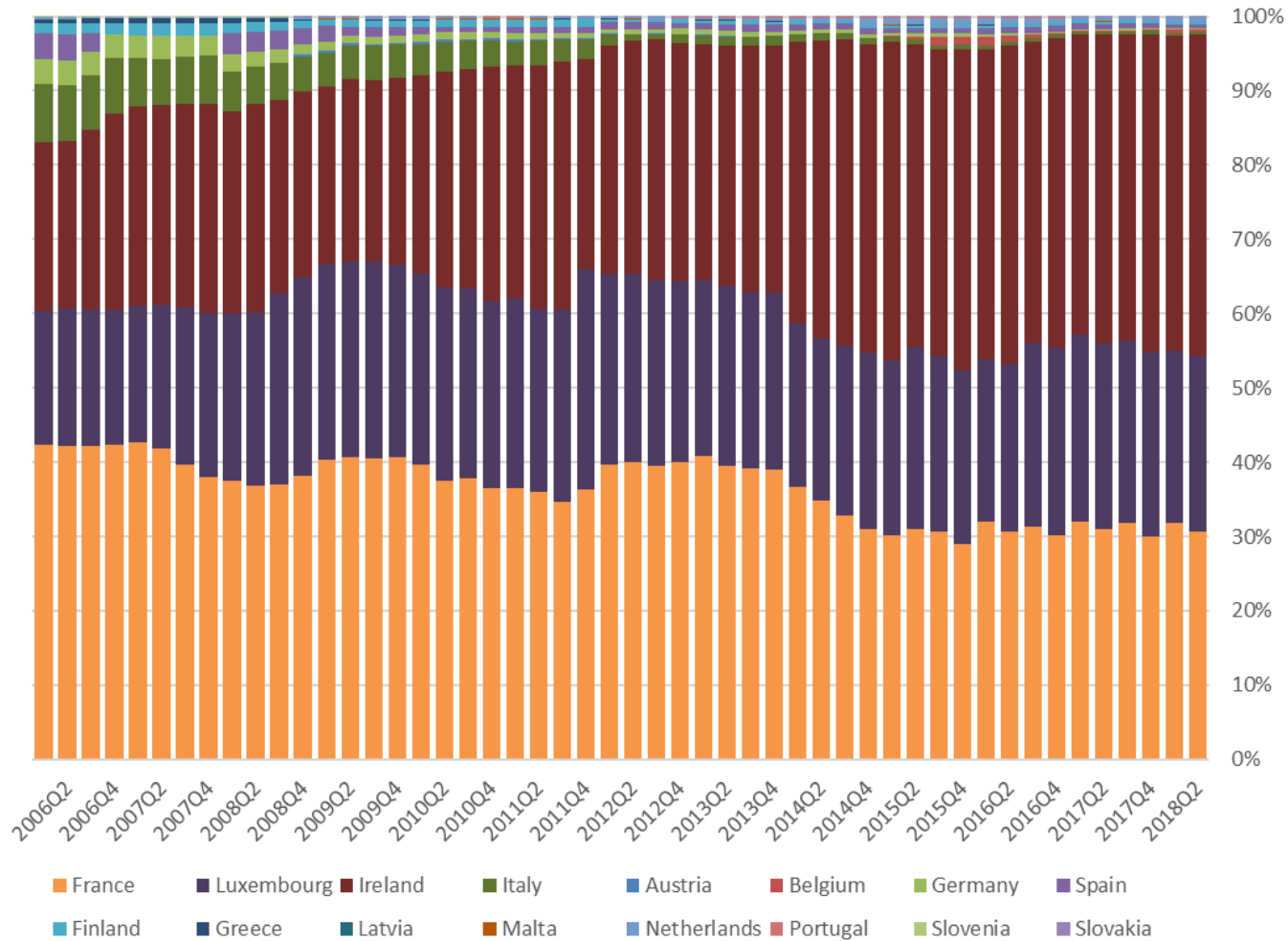


Source: IMMFA

MMFs in Europe – Total Assets Managed

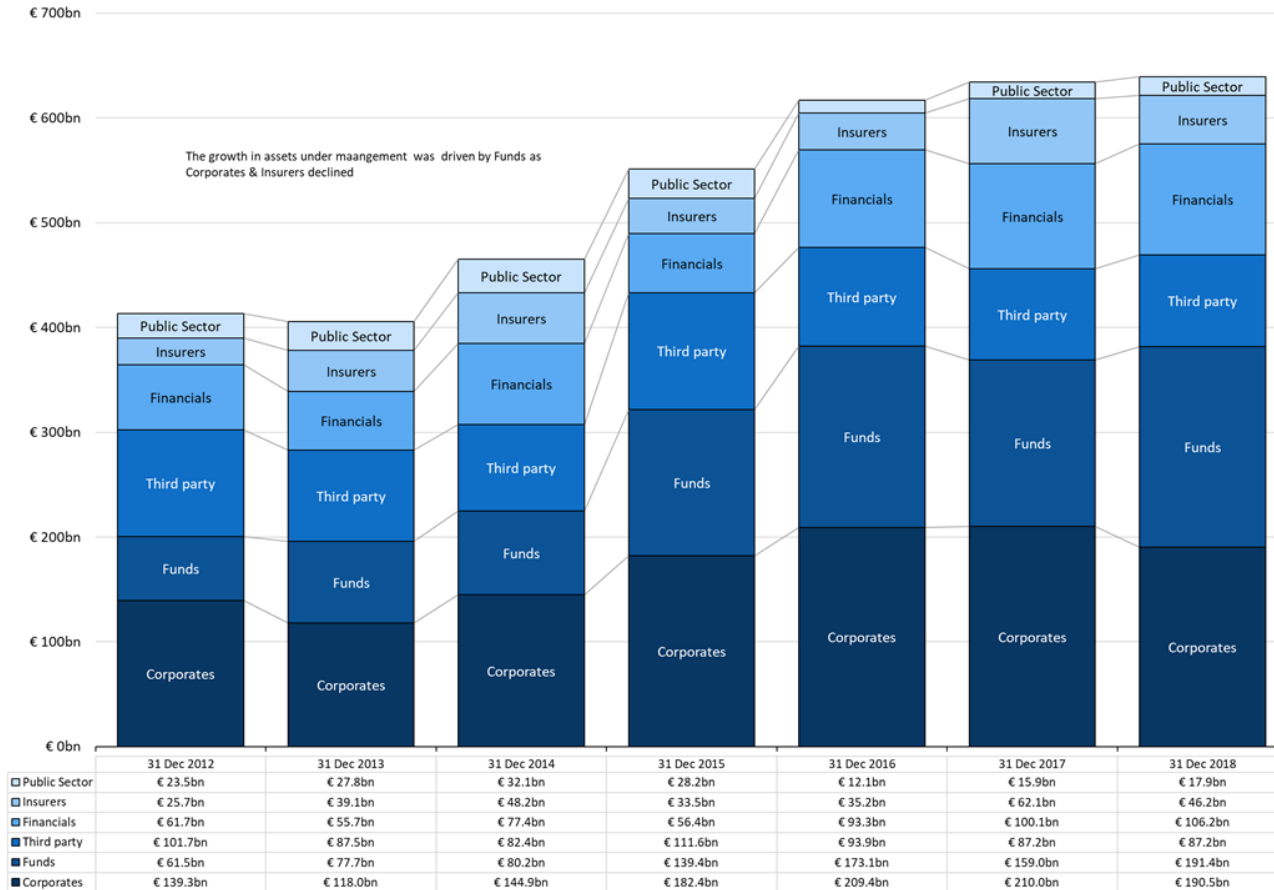


All European MMFs, by domicile



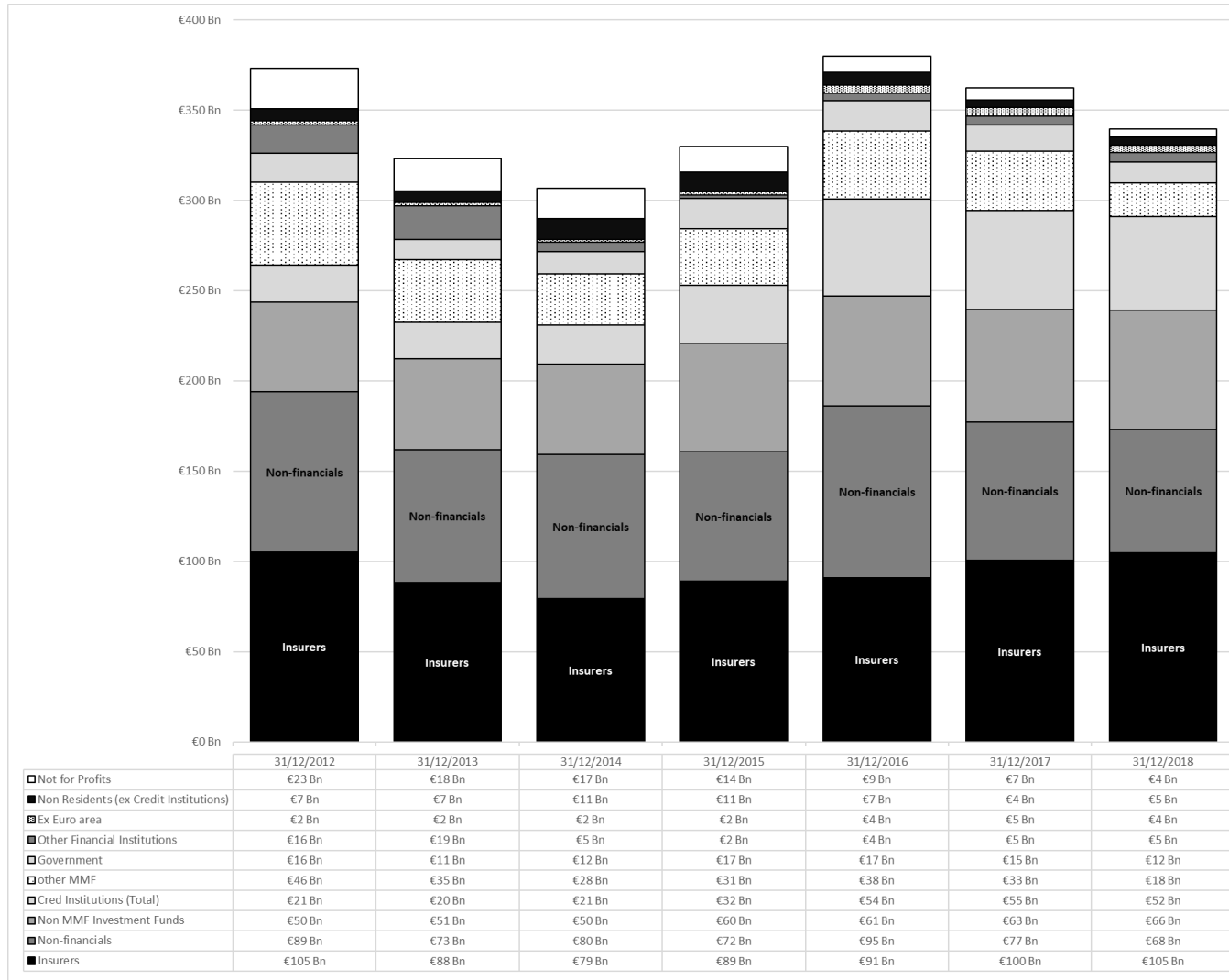
source: ECB

Investors in IMMFA MMFs

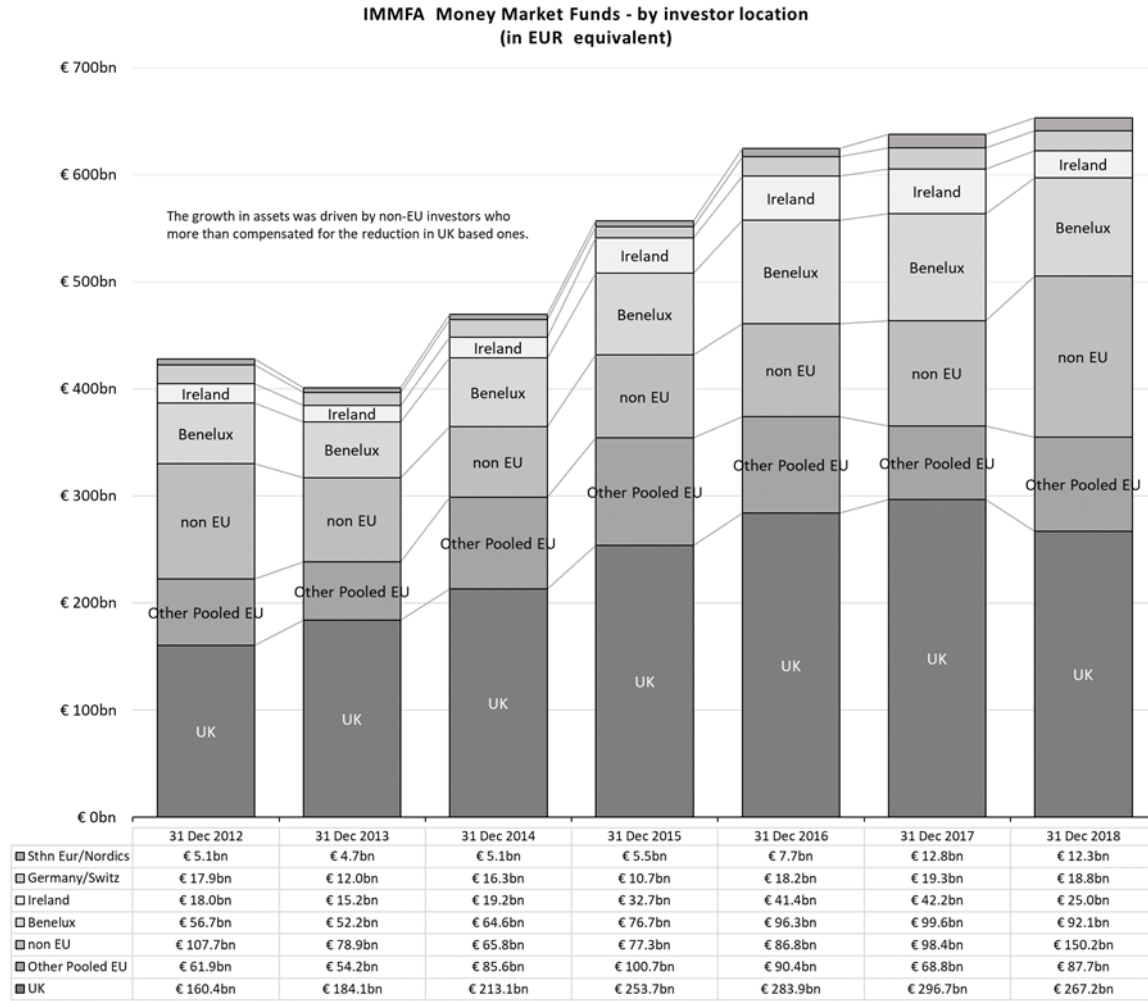


Note: Public Sector includes government bodies and NGO's, charities & universities;
 Financials includes banks & investment firms
 Third party includes sales platforms & other distributors & aggregators
 Funds includes pension, investment & mutual funds

French VNAV MMFs – By Investor Type

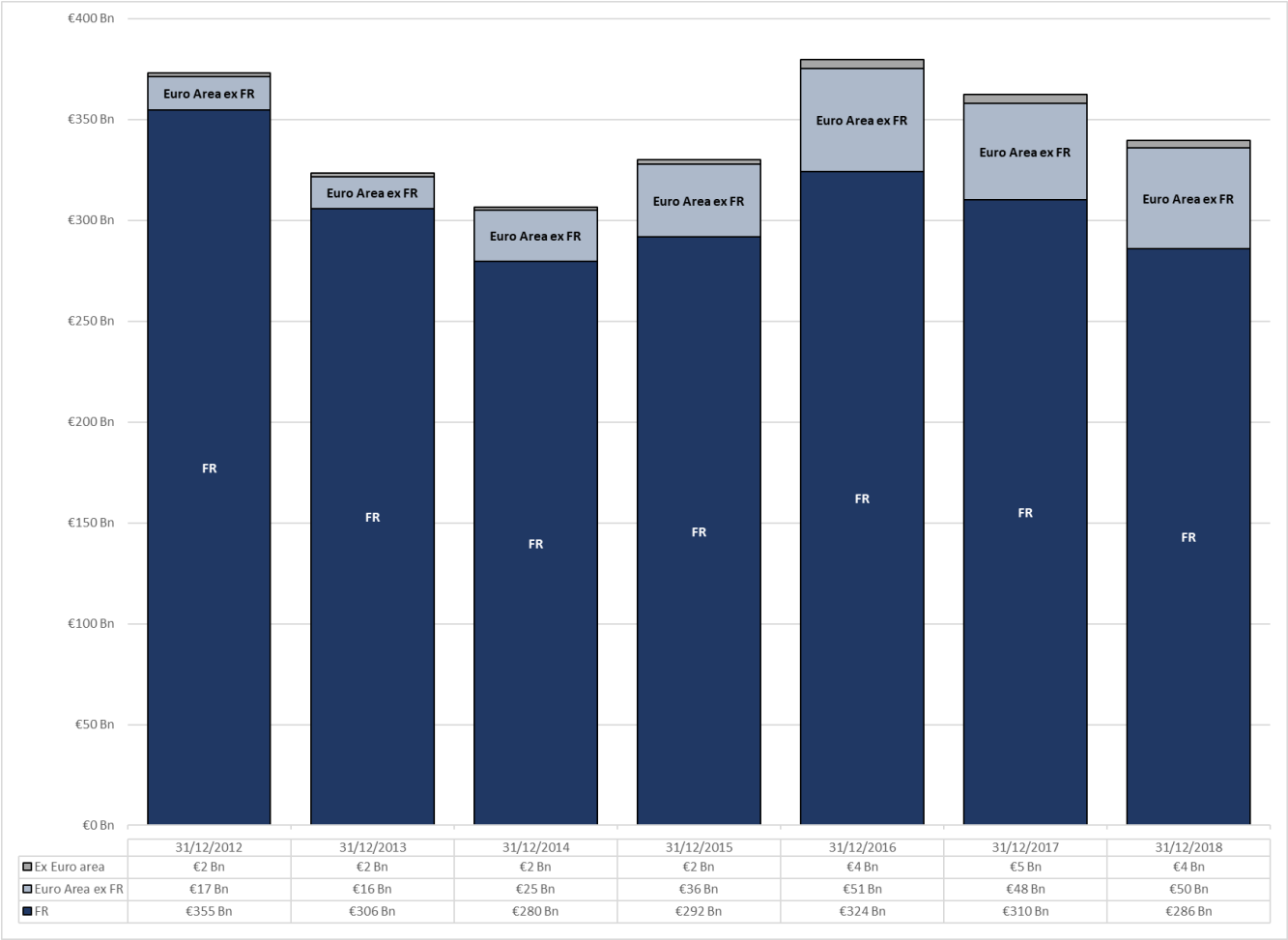


IMMFA MMFs – by Investor Location



Note - Southern Europe incorporates Spain, Italy & France;
Nordics incorporates Norway & Sweden.

French VNAV MMFs – by Investor Location



SWOT analysis

Strengths

- Strong and consistent growth of assets
- Good product acceptance/reliance amongst investors
- Strong credit and risk management - very important to investors
- Despite negative rates in EUR, MMF AUM has grown
- Basel 3 pressures continue to make MMFs an attractive investment option
- In sterling, MMF have largely taken over role of banks in managing short term liquidity, intermediating for corporates

Weaknesses

- Negative yields in euro (and maybe GBP)
- Fee compression allied with increased regulatory compliance costs
- Lack of regulatory clarity on cash equivalence outside US & France
- Inability to offer distributing share classes in €, because of negative yields

Opportunities

- Regulation: standardisation embeds product, expected asset growth
- Continuing impact of Basel 3 provisions on banks and CMU (capital market union) initiative opens new markets for MMF increases attractiveness of MMF
- Broader product offering for investors, including VNAV
- Increasing acceptance in other markets, including Asia, that MMF product embodies best practice
- Brexit – UK regime may provide more attractive MMF for ex-EU distribution
- ESG products are now launching
- Technology and disintermediation

Threats

- Low rate environment
- Cost of holding short dated cash placed by investors
- ETFs & passive strategies
- Bank balance sheet appetite can make bank deposits and/or repo more attractive than MMFs
- Brexit
- MMF Regulation 5 year review

What Next for IMMFA?

“May you have the hindsight to know where you’ve been,
the foresight to know where you are going,
and the insight to know when you have gone too far”

- Traditional Irish Proverb

IMMFA's Mission

- The Institutional Money Market Funds Association (IMMFA) is the only trade association in Europe dedicated to Money Market Funds
- Our core objective is to promote and support development and integrity of the money market fund industry
 - Informing and influencing policy makers regarding money market fund issues
 - Educating investors about money market funds
 - Providing timely data on members' funds

Current Priorities

- Promote growth of the industry
- Investor education
- Anticipate and prepare for regulatory developments
- Position ourselves with the new Commission
- Build new/enhance existing relationships at an EU and individual country level
- Develop closer collaboration with other relevant trade associations

Governance Structure

- Board
- Secretariat
- Committees and Working Groups:
 - Investment Committee
 - Regulatory Affairs Working Group
 - Collateral & Client Money Working Group
 - Investor Education Working Group
 - Brexit Working Group
 - IRIS Working Group

Concluding points

Concluding Points

- EU MMF Regulation has brought greater transparency and consistency for investors
- Funds under management are growing
- IMMFA has strong member engagement and participation
- Priority now to prepare for the 5 year review

“You have to be fast on your feet and adaptive,
or else a strategy is useless”

Charles de Gaulle

Questions?

Institutional Money Market Funds Association

6 Bevis Marks, office 1213, London EC3A 7BA

+44(0)20 3 786 1516

admin@immfa.org

Visit our website at: www.immfa.org

This material is for information purposes only and does not necessarily deal with every important topic or cover every aspect of the topics with which it deals. It is not designed nor intended to provide legal, tax, accounting, investment or other professional advice on any matter. It may not be reproduced, in whole or in part, without the written permission of IMMFA and IMMFA accepts no liability whatsoever for the actions of third parties in this respect. IMMFA accepts no liability for any loss arising from any action taken or refrained from as a result of information contained in this material or any sources of information referred to therein, or for any consequential, special or similar damages even if advised of the possibility of such damages. This material is not an offer to buy or sell securities or a solicitation of an offer to buy or sell securities.