



Press Statement

Negative Interest Rates and Euro-Denominated Prime Money Market Funds.

London, 19th March 2015

Given the European Central Bank's policy stance on interest rates and its introduction of a minus 20 basis points deposit rate in September 2014, it is not surprising that many euro-denominated Prime MMFs are now yielding close to zero – indeed barring some unexpected significant market change, it is highly likely that many funds will start to distribute a negative yield in the coming weeks.

Euro MMFs' negative yields are a reflection of prevailing rates for short term investments generally. Indeed in moving towards negative territory, money market funds are simply following the trend in recent months of many banks and other investments in offering negative euro yields. This move in large part is due to the actions and policy stance of the European Central Bank.

The value that investors place on MMFs is independent of the absolute level of return. IMMFA MMFs prioritise the preservation of capital, the diversification of credit risk, the provision of liquidity and they aim to generate returns *in line with money market rates*. In order to accommodate the possibility of unusual market conditions, many of our member firms have previously modified their fund structures to allow them to operate in a negative yield environment. Investors continue to value MMFs as a cash management tool and managers have sought to ensure that they are prepared to operate during these challenging market conditions.

Informed investors appreciate that the continued focus by MMFs on the highest quality short term instruments is resulting in them returning a yield which, given the central bank's policy stance, may soon be negative.

-Ends-

Notes to editors:

1. IMMFA is the trade association which represents constant NAV money market funds. It was established on 14 June 2000, and currently has 20 members who operate funds and a number of associate members. Funds under management exceeded €550 billion as at end February 2015 and make up slightly more than 50% of MMF in Europe

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