

Targeted consultation on the functioning of the Money Market Fund Regulation

Fields marked with * are mandatory.

Introduction

The [money market funds Regulation](#), fully applicable since January 2019, aims at preserving the integrity and stability of the internal market, by addressing credit and liquidity risks challenges experienced by MMFs during the 2008 crisis, increasing the protection of MMFs investors and enhancing the supervision of MMFs.

The MMF Regulation (EU Regulation 2017/1131) requires the Commission to submit a report to the co-legislators assessing the adequacy of this Regulation from a prudential and economic point of view by summer 2022. This should be based on a robust and comprehensive evaluation of current rules. The following questionnaire aims at complementing the information collected by other initiatives and work (ESMA, ESRB/ECB, FSB) on the functioning of the existing rules on money market funds.

.....

Please note: In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-money-market-funds@ec.europa.eu.

More information on

- [this consultation](#)
- [the consultation document](#)
- [the abbreviations used in this consultation](#)
- [money market funds](#)
- [the protection of personal data regime for this consultation](#)

About you

* Language of my contribution

- Bulgarian
- Croatian
- Czech
- Danish
- Dutch
- English
- Estonian
- Finnish
- French
- German
- Greek
- Hungarian
- Irish
- Italian
- Latvian
- Lithuanian
- Maltese
- Polish
- Portuguese
- Romanian
- Slovak
- Slovenian
- Spanish
- Swedish

* I am giving my contribution as

- Academic/research institution
- Business association
- Company/business organisation
- Consumer organisation
- EU citizen
- Environmental organisation
- Non-EU citizen
- Non-governmental organisation (NGO)

- Public authority
- Trade union
- Other

* First name

Veronica

* Surname

Iommi

* Email (this won't be published)

veronicaiommi@immfa.org

* Organisation name

255 character(s) maximum

Institutional Money Market Funds Association (IMMFA)

* Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

Transparency register number

255 character(s) maximum

Check if your organisation is on the [transparency register](#). It's a voluntary database for organisations seeking to influence EU decision-making.

EU Transparency register No. 525785119947-01

Please describe your entity, including elements with regard to its size (if applicable):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The Institutional Money Market Fund Association (IMMFA) is the trade association which represents the European short term money market fund (MMF) industry. IMMFA's mission is to promote and support the development and integrity of the MMF industry by engaging with and informing policy makers and, amongst other things, providing a primary point of contact.

IMMFA has 27 members, consisting primarily of asset managers but also custodial banks and other firms. Of the 27, 18 are asset managers (referred to as Full Members). IMMFA MMFs are primarily institutional funds. IMMFA MMFs currently have EUR836bn Euro equivalent in assets under management. Within the IMMFA universe of funds there are 3 main currencies: USD, GBP and EUR. USD is the largest currency (USD480bn), followed by GBP (GBP230bn) and EUR (EUR115bn). Although the overwhelming majority of IMMFA MMFs are LVNAV or PDCNAV, IMMFA represents all fund types and many of our members offer a range of funds.

* Country of origin

Please add your country of origin, or that of your organisation.

- Afghanistan
- Åland Islands
- Albania
- Algeria
- American Samoa
- Andorra
- Angola
- Anguilla
- Antarctica
- Antigua and Barbuda
- Argentina
- Armenia
- Aruba
- Australia
- Austria
- Azerbaijan
- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Belize
- Benin

- Bermuda
- Bhutan
- Bolivia
- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Chile
- China
- Christmas Island
- Clipperton
- Cocos (Keeling) Islands
- Colombia
- Comoros
- Congo
- Cook Islands
- Costa Rica
- Côte d'Ivoire
- Croatia
- Cuba

- Curaçao
- Cyprus
- Czechia
- Democratic Republic of the Congo
- Denmark
- Djibouti
- Dominica
- Dominican Republic
- Ecuador
- Egypt
- El Salvador
- Equatorial Guinea
- Eritrea
- Estonia
- Eswatini
- Ethiopia
- Falkland Islands
- Faroe Islands
- Fiji
- Finland
- France
- French Guiana
- French Polynesia
- French Southern and Antarctic Lands
- Gabon
- Georgia
- Germany
- Ghana
- Gibraltar
- Greece
- Greenland
- Grenada
- Guadeloupe
- Guam

- Guatemala
- Guernsey
- Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Israel
- Italy
- Jamaica
- Japan
- Jersey
- Jordan
- Kazakhstan
- Kenya
- Kiribati
- Kosovo
- Kuwait
- Kyrgyzstan
- Laos
- Latvia
- Lebanon
- Lesotho
- Liberia

- Libya
- Liechtenstein
- Lithuania
- Luxembourg
- Macau
- Madagascar
- Malawi
- Malaysia
- Maldives
- Mali
- Malta
- Marshall Islands
- Martinique
- Mauritania
- Mauritius
- Mayotte
- Mexico
- Micronesia
- Moldova
- Monaco
- Mongolia
- Montenegro
- Montserrat
- Morocco
- Mozambique
- Myanmar/Burma
- Namibia
- Nauru
- Nepal
- Netherlands
- New Caledonia
- New Zealand
- Nicaragua
- Niger

- Nigeria
- Niue
- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
- Pakistan
- Palau
- Palestine
- Panama
- Papua New Guinea
- Paraguay
- Peru
- Philippines
- Pitcairn Islands
- Poland
- Portugal
- Puerto Rico
- Qatar
- Réunion
- Romania
- Russia
- Rwanda
- Saint Barthélemy
- Saint Helena Ascension and Tristan da Cunha
- Saint Kitts and Nevis
- Saint Lucia
- Saint Martin
- Saint Pierre and Miquelon
- Saint Vincent and the Grenadines
- Samoa
- San Marino

- São Tomé and Príncipe
- Saudi Arabia
- Senegal
- Serbia
- Seychelles
- Sierra Leone
- Singapore
- Sint Maarten
- Slovakia
- Slovenia
- Solomon Islands
- Somalia
- South Africa
- South Georgia and the South Sandwich Islands
- South Korea
- South Sudan
- Spain
- Sri Lanka
- Sudan
- Suriname
- Svalbard and Jan Mayen
- Sweden
- Switzerland
- Syria
- Taiwan
- Tajikistan
- Tanzania
- Thailand
- The Gambia
- Timor-Leste
- Togo
- Tokelau
- Tonga
- Trinidad and Tobago

- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda
- Ukraine
- United Arab Emirates
- United Kingdom
- United States
- United States Minor Outlying Islands
- Uruguay
- US Virgin Islands
- Uzbekistan
- Vanuatu
- Vatican City
- Venezuela
- Vietnam
- Wallis and Futuna
- Western Sahara
- Yemen
- Zambia
- Zimbabwe

* In which jurisdiction are you domiciled?

- an EU or an EEA Member State
- United States of America
- United Kingdom
- Other

* Field of activity or sector (if applicable)

- Accounting
- Auditing
- Banking
- Credit rating agencies

- Insurance
- Pension provision
- Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- Social entrepreneurship
- Other
- Not applicable

* Please specify your activity field(s) or sector(s)

Trade Association

The Commission will publish all contributions to this targeted consultation. You can choose whether you would prefer to have your details published or to remain anonymous when your contribution is published. **For the purpose of transparency, the type of respondent (for example, ‘business association, ‘consumer association’, ‘EU citizen’) is always published. Your e-mail address will never be published.** Opt in to select the privacy option that best suits you. Privacy options default based on the type of respondent selected

* Contribution publication privacy settings

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

Anonymous

Only the organisation type is published: The type of respondent that you responded to this consultation as, your field of activity and your contribution will be published as received. The name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your name will not be published. Please do not include any personal data in the contribution itself if you want to remain anonymous.

Public

Organisation details and respondent details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published. Your name will also be published.

I agree with the [personal data protection provisions](#)

1. Questions addressed to all

Question 1. In your view, what is the impact of the MMFR on the MMF industry in the EU?

a) Effectiveness: Has the Regulation been overall effective in delivering on its objective in terms of

	1 (least effective)	2 (rather not effective)	3 (neutral)	4 (rather effective)	5 (most effective)	Don't know - No opinion - Not applicable
Ensuring the liquidity of the fund is adequate to face redemption requests	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Preventing risk of contagion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Enhancing the financial stability of the internal market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Increasing MMF investor protection	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Reducing first mover advantage incentives in times of stress	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Transparency	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Supervision	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Other aspects	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

Please specify to what other aspects you refer in your answer to question 1

a):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

KYC requirements were enhanced by MMFR to ensure that MMF managers have a good understanding of their clients and possible redemption behaviour which allows MMFs to position liquidity in line with those underlying client requirements.

Please explain your answer to question 1 a), providing quantitative information to the extent possible:

3000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

MMFR has proven effective in delivering its objectives and in ensuring that MMFs remain an efficient, transparent cash management tool for investors and vital source of funding for issuers. The 35% growth in IMMFA AUM since June 2018 illustrates the success of MMFR in instilling investor confidence in the transparency and robustness of MMFs. It significantly improved on previous CESR guidelines, providing a detailed, codified framework including four clear and distinct fund categories which cater for varying investor needs. It created a widely recognised minimum standard for the product in Europe that is now recognised by global investors. The transparency and frequency of reporting of key metrics far outpaces any other investment product. However, MMFs operate as part of a complex ecosystem and some of the challenges faced were due to disruption to the broader short-term markets, reflecting underlying structural issues which should be addressed (beyond the scope of MMFR).

Under the first real-life stress test of MMFR, MMFs continued to function as intended, serving their purpose in the preservation of capital and provision of liquidity, and demonstrating their structural integrity. No MMFs imposed fees, gates or suspensions, and all met redemptions in full and on time. Mandatory minimum liquidity thresholds ensured that MMFs held sufficient liquidity to meet redemptions even in a market-wide liquidity event. The enhanced portfolio diversification, transparency and consistency introduced by MMFR also contributed to resilience. This ability to withstand stress protected investors and mitigated contagion risk, thereby enhancing overall financial stability.

The creation of the LVNAV preserved one of the most useful features of the constant NAV MMF, i.e. the ability in most circumstances to deal at a price of 1.00, thereby reducing volatility. The utility of LVNAVs is illustrated by the EUR693bn equivalent in AUM (USD329bn, EUR121bn and GBP236bn), 46.6% of the European EUR1480bn market (y/e 2021). LVNAVs are sold to a wide range of investors across the globe (see pie charts attached).

Given the ESRB note that cumulative daily outflows in LVNAV MMFs (12%) were less than those of VNAV (13%), we find the particular focus on LVNAVs unjustified.* We find no evidence to support the assumption that valuation methodology was an important driver of redemptions. As noted by ESMA, VNAVs faced the same challenges as LVNAVs (as did US Prime MMFs which are floating). Redemptions were driven by the investor need to have access to cash which remains paramount.

Whilst we support targeted proposals that further enhance MMFR, we oppose more radical measures which could lead to upheaval and rather than mitigating risk, which is the objective of the Review, could result in it being moved elsewhere.

*ESRB July 2021 Note p20

What factors have reduced the effectiveness / rendered the framework less effective than anticipated? Which rules have proven less effective than anticipated?

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Notwithstanding that MMFR has in general proven effective, there are provisions which did not operate as intended, specifically the link between WLA thresholds and the role of redemption fees and gates. This introduced an element of procyclicality which prevented managers from using the available liquidity. As LVNAV MMFs approached the 30% minimum WLA threshold, investors became increasingly concerned that gates could be imposed, leading them to redeem pre-emptively. Although the provisions of MMFR were nuanced in providing a 'double trigger', whereby two conditions - a drop below 30% in WLA and net daily redemptions on a single day exceeding 10% of net assets – must be met before the board must consider (but was not required to) take action, the 30% minimum became a 'bright line'. Liquidity buffers which had been intended to provide precisely for such circumstances were rendered unusable, causing some funds to become forced sellers into a stressed market.

b) Efficiency: Has the framework been cost efficient?

- 1 - Least efficient
- 2 - Rather not efficient
- 3 - Neutral
- 4 - Rather efficient
- 5 - Most efficient
- Don't know / no opinion / not applicable

Please explain your answer to question 1 b), providing quantitative information to the extent possible:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As with any significant regulatory change, implementation of the new regime initially resulted in irrecoverable outlays for asset managers to ensure compliance with the new reporting and disclosure requirements. Managers also invested resources in investor education. There were also cost implications for third party distributors, platforms and custodians.

For investors, the new framework involved costs in adapting and updating treasury systems and accounting processes, as well as additional auditor opinions with respect to the new LVNAV fund type. These costs were a one-off occurrence, rather than on-going, but further changes would again result in additional costs to the end users. We would therefore urge policymakers to make proportionate and targeted changes which demonstrably meet the objectives of improving fund resilience and which minimise additional costs to the end-user. Some of the proposed reforms, such as removal of the LVNAV, would in our opinion be entirely disproportionate and would result in considerable costs and inconvenience to the investor base.

We welcome the ESMA and ESRB proposals that MMFs be given the choice of LMT as managers will be able to choose the most efficient and effective tool.

Is there any undue burden created by the MMFR? What scope is there to realise cost efficiencies via further simplification?

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Given the overall effectiveness of MMFR, we are in favour of targeted and proportionate reforms rather than a more radical 'root and branch' overhaul. In most respects MMFR has proven to be very positive in enhancing fund resilience and therefore we would see no need for further simplification. The proposed reform to delink minimum liquidity thresholds from the potential imposition of fees and gates, which is widely supported, would enable the regulation to function as we believe it to have been originally intended. Given the previous reforms strengthened the framework and that it proved largely effective we would be opposed to unnecessarily aggressive changes which could result in upheaval for investors. This could cause cash to leave the sector, and merely shift risk elsewhere.

Insofar as the removal of the core utility value of the LVNAV could be construed as a simplification, as all private debt MMFs would become variable NAV, we oppose this recommendation on the basis it would deprive investors of the main value proposition of the LVNAV, reduce investor choice and result in significant costs for end-users (see above). IMMFA investors already have the option to invest in AAA rated short-term VNAVs and yet largely choose not to: short-term VNAVs account for only EUR40bn (equiv) versus LVNAVs EUR693bn

Should enforcement of the rules and supervision be strengthened?

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Given that MMFs continued to operate as intended despite the widespread market stress caused by the March 2020 crisis, we do not believe there is a case for strengthening supervision.

Since the implementation of MMFR, MMFs offer both regulators and investors a high degree of transparency on key metrics including portfolio holdings and liquidity. Furthermore, short-term MMFs, which are dominated by PDCNAV and LVNAVs, are the most transparent sector.

There is a high threshold of reporting to EU authorities, such as ESMA, and individual NCAs whose data requests frequently go above and beyond the regulation.

Some reform proposals have suggested that activation of LMTs should be determined by NCAs. In practical terms, a stress event will result in increased dialogue between a fund and the NCA including with regard to the application of LMTs, but we believe that any the responsibility should remain firmly with the fund manager /board who are far better placed to apply LMTs in the best interest of investors, given the manager's unique insight into the fund and investor specifics.

c) Relevance: Is the framework overall relevant (in terms of evolving objectives and needs, has the market significantly evolved compared to when the MMFR was designed?)?

- 1 - Least relevant
- 2 - Rather not relevant
- 3 - Neutral
- 4 - Rather relevant
- 5 - Most relevant

- Don't know / no opinion / not applicable

Please explain your answer to question 1 c), providing quantitative information to the extent possible:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The framework continues to be highly relevant given the continued growth of MMFs. European AUM were EUR1480bn at the end of 2021; IMMFA AUM accounted for EUR883bn equivalent (59.6%) of which EUR693bn (78.5%) was LVNAVs, illustrating their utility value to investors and vital role in providing funding. Although IMMFA AUM fell 4.6% between 6 March (EUR739bn) and 27 March 2020 (EUR705bn), they had more than fully recovered by 3 April (EUR748bn) and went on to reach a new high by July (EUR877bn), demonstrating that MMF investors continued to have confidence in the product and regulatory framework. During the same March period USD PDCNAV MMFs grew 57% (to USD170bn). Some of these flows were due to a shift by USD LVNAV investors, illustrating the benefit of investor choice. The fact that PDCNAV inflows far exceeded LVNAV outflows indicates that PDCNAVs, which offer the lowest risk, offered a valuable alternative for other, new investors, again demonstrating the relevancy and importance of having a range of fund types.

The introduction of Basel III and EMIR have made liquidity and HQLA more important and created additional challenges for MMFs around reporting dates when short term funding markets function less well as a result of such regulation.

It is important to preserve the function and utility value of MMFs. Growth in AUM of a highly rated, collateralised, scalable product contributes to the achievement of the core objectives of CMU.

How relevant is it, or what needs to change, in light of market developments?

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

MMFR remains highly relevant given growth in the sector. Whilst a positive for bank resilience, prudential regulation has significantly reduced the appetite for deposits which has driven growth in MMFs. MMFs now play an increasingly central role in channelling liquidity around the system.

MMF liquidity levels were ample to meet redemptions during the crisis but there was a powerful disincentive against managers using that liquidity. The link between liquidity thresholds and LMT reduced effectiveness and should be removed as it prompted procyclical redemptions.

Measures which propose liquidity levels should be further increased should take into account the reduced bank appetite for either secured or unsecured cash around reporting dates. Similarly, the recommendation of minimum public debt quotas should take account of balance sheet scarcity, jurisdictional supply variations and widespread competition for government assets which are used by banks for HQLA as well as by many other investors for liquidity purposes. This creates significant challenges for MMFs in placing cash previously held on bank balance sheets, now held in MMFs.

Policymakers should seek to improve the transparency and functioning of the short-term funding markets in the EU (though this is not in the scope of MMFR). We refer to our attached paper on STFMs.

d) Coherence

	1 (least coherent)	2 (rather not coherent)	3 (neutral)	4 (rather coherent)	5 (most coherent)	Don't know - No opinion - Not applicable
Is the legislative framework coherent with other related frameworks, at EU level?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Are existing EU provisions coherent with each other?	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please explain your answers to question 1 d), providing quantitative information to the extent possible:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Overall, MMFR provided a frictionless additive on top of UCITs, but it was not always aligned with other areas.

Since the implementation of MMFR there have been a broad sweep of rules which have heightened the importance of moving intra-day cash around the financial system, for instance, for collateral and margin requirements. At the same time prudential regulation has reduced the willingness of banks to take nonoperating cash onto their balance sheets and increased demand for HQLA. In our view there should be recognition of the consequences for MMFs of these two contradictory pieces of financial reform and also of the vital role which MMFs play in bridging the disjunction between protecting the banking system and facilitating system-wide liquidity for a wide range of participants. Residual risks remain and have been moved away from banks to market based finance.

Clarification and consistency of the definition of MMF within other regulatory texts, such as MiFID Client Money 'QMMF', EMIR & Uncleared Margin requirements would assist as well as reduce 'cliff-edge' risks from investors redeeming from MMFs, and other liquidity pools, to re-post for margin purposes. The definition of a QMMF, for instance, could be interpreted as excluding VNAV MMFs.

The 17.5 % cap on government debt that may be counted as liquidity for an LVNAV or PDCNAV MMFs appears inconsistent with the treatment of sovereign debt in other legislative frameworks.

e) EU value-added: Has intervention at EU level been justified, and does it continue to be justified?

- 1 - Least successful
- 2 - Rather not successful
- 3 - Neutral
- 4 - Rather successful
- 5 - Most successful
- Don't know / no opinion / not applicable

Please explain your answer to question 1 e), providing quantitative information to the extent possible:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We understand intervention to refer to regulatory provisions rather than central bank action in stabilising markets.

The MMFR regime was justified in that it offered managers and investors clarity and consistency in the designation of 'money market fund' by standardising key requirements. Clearly the outcome of the crisis, in which MMFs successfully demonstrated their resilience, shows that MMFR has been justified. Further targeted evolutionary changes would also be justified, whereas more radical changes are not warranted. Policy makers should consider further interventions to enhance the efficiency of the broader short-term funding markets (which is beyond the scope of MMFR). MMFs are only one part of a complex ecosystem and like other forms of market-based finance remain reliant on the underlying markets and bank intermediation. The sudden halt in intermediation in March 2020 impacted MMFs and exacerbated stress.

What has been the value-added compared to national frameworks?

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

MMFR has provided a base level of consistency across jurisdictions. Now a fund that uses the 'money market fund' designation must be authorised as such and adhere to strict investment, disclosure, and transparency requirements. While there is still some divergence between EU member states, based on investor preference for a certain type of MMF, a minimum standard has been set enabling investors to make informed investment choices across a range of products that suit their needs and risk appetite.

Question 2. a) To what extent has MMFR made MMFs more resilient during March 2020 and compared to 2007 (i.e. considering equivalents to MMFs at that time)?

- 1 - Least successful
- 2 - Rather not successful
- 3 - Neutral
- 4 - Rather successful
- 5 - Most successful
- Don't know / no opinion / not applicable

Please explain your answers to question 2 a), in case you have the experience /information to make such a comparison:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

MMFR was successful in codifying best practice and establishing minimum requirements for the term 'money market fund'. In so doing it helped make MMFs more resilient, as illustrated by the fact that no fund imposed fees, gates or suspensions, unlike the 2007-08 crisis. MMFs continued to serve their purpose and to meet their regulatory requirements. MMFR liquidity requirements ensured that MMFs held cash buffers which were more than adequate to meet elevated outflows. The problem was not a lack of liquidity but the fact that the liquidity was rendered effectively unusable by the 'bright line': as funds approached the 30% minimum liquidity threshold, investors felt incentivised to redeem, meaning buffers could not be used as originally intended.

MMFs faced disrupted secondary markets and received little or no benefit from various asset purchase programmes. Despite the challenges, PDCNAV and LVNAV NAVs stayed within their MMFR pricing parameters. However, no regulation could have anticipated the global economic shutdown which resulted from measures to contain the COVID crisis.

The 2007-08 global financial crisis was an endogenous event, driven by credit and related solvency concerns over certain large financial institutions to which MMFs, amongst others, had significant exposure. The COVID-crisis was, in contrast, an exogenous event, not caused by inappropriate risk taking by either MMFs or any other sector.

Question 2. b) Through which channels has MMFR made MMFs more resilient during March 2020 and compared to 2007?

	1 (least successful)	2 (rather not successful)	3 (neutral)	4 (rather successful)	5 (most successful)	Don't know - No opinion - Not applicable
MMFR rules on credit risk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
MMFs asset composition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Definition of liquidity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please specify to what other channel(s) you refer in your answer to question 2 b):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Other: Liquidity composition

Fund type should not determine the definition of liquidity.

The rules on liquidity buffer composition were the result of a largely political negotiation process. The definition of WLA is more stringent for LVNAVs than VNAVs and includes an additional constraint on the amount of highly liquid assets which can count towards WLA. In the case of VNAVs, the definition of WLA is significantly more permissive, allowing for the inclusion of any 'money market instrument or unit or shares of other MMFs' up to 7.5 % of the 15% WLA, provided they can be redeemed and settled within five days. This would qualify non-public debt that faced severe liquidity challenges during the pandemic. In the case of LVNAV and PDCNAVs, additional assets may be included up to 17.5% of the 30% WLA provided these assets are, subject to Article 17 (7), 'highly liquid', have a residual maturity of up to 190 days and can be redeemed and settled in one working day. This is effectively made up of public debt instruments. The 17.5 % cap should be removed as it is an unnecessary constraint. High quality government securities are the most liquid under stress and this cap places an arbitrary limit on their ability to contribute to liquidity.

Please explain your answers to question 2 b), in case you have the experience /information to make such a comparison:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Credit risk:

The 2020 crisis was fundamentally different from that of 2007-08 in that it was an exogenous, systemic liquidity shock, not a credit event. IMMFA MMFs are AAA rated and were already prudently managed.

Asset Composition:

Rules on portfolio composition ensure that MMFs, particularly short-term MMFs, continue to hold very high credit quality, diversified assets. This is particularly true of IMMFA MMFs which have AAA MMF ratings by one or more authorised credit agency. We note that standard MMFs can take more risk and by doing so offer a yield uplift.

Liquidity:

MMFR liquidity requirements ensured that MMFs held cash buffers which were more than adequate to meet elevated outflows. However, some provisions, such as the gate/fee provisions, were largely conceived to deal with idiosyncratic risks within specific funds; the nature of the exogenous shock meant that these rules inadvertently created procyclical pressures. The problem was not a lack of liquidity but the fact that the liquidity was rendered effectively unusable by the 'bright line' which meant that buffers could not be used as intended. Liquidity conditions can vary significantly at different times (such as reporting dates). Managers should have the tools and flexibility to manage liquidity in changing conditions.

See above comments for further remarks on the composition of liquidity which varies by fund type.

Question 3. If LVNAV were not available anymore, what impacts would you expect on you, and other relevant stakeholders? Please explain:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

If the LVNAV in its current form were no longer available, we believe that many investors would leave the MMF sector altogether. There would be accounting obstacles and increased costs associated with any transition from LVNAV to VNAV and PDCNAVs do not currently offer a scalable alternative except in USD. This would significantly curtail the ability of MMFs to provide short-term funding.

The utility value of the LVNAV sector is evident in its market share (EUR693bn equivalent, or 46.6% of European AUM as of Dec 2021). The ability, within certain defined parameters, to subscribe and redeem at a known price of 1.00 is a critical feature of the LVNAV. The accounting treatment of LVNAV as cash or cash equivalent is vital. Loss of the ability to transact at a largely predictable price would create deep uncertainty around this. In some jurisdictions, such as France and the US, cash equivalence has been granted to variable or floating NAV MMFs, but there is no single authority in Europe to provide clarity more broadly. Moving the LVNAV to a floating NAV could therefore be deeply disruptive for investors.

Direct investing is limited to only those investors with the scale, credit resources, and settlement capabilities to manage a portfolio. Such investors are unlikely to match the diversification or market execution of an MMF. Crucially, capacity constraints on bank deposits may mean investors are forced into less transparent, less regulated alternatives.

Question 4. If Public Debt CNAV MMFs were not available anymore, what impacts would you expect on you, and other relevant stakeholders? Please explain:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In our view PDCNAVs should be encouraged and expanded.

PDCNAVs have a proven track record of resilience and perform an important function in providing investors with choice. Some investors can ONLY invest in PDCNAVs.

PDCNAVs are currently only scalable in USD. The sector consists of USD163bn, versus GBP2.5bn and EUR.04bn. USD PDCNAVs experienced significant inflows (57%) during the crisis as investors sought the closest proxy to cash. Some of this represented a shift from USD LVNAVs, but the PDCNAV inflows dramatically exceeded LVNAV outflows as new investors sought a safe place for liquidity.

PDCNAVs are used globally by investors in Europe, Asia, South America, the Middle East and Africa for cash management purposes alongside government bonds. Removal of the PDCNAV would deprive investors of a valuable investment choice.

In response to a recent ESMA consultation, IMMFA proposed that PDCNAV MMFs be made eligible for investment by CCPs as they invest almost exclusively in assets which meet the CCP investment criteria (highly liquid, minimal credit and market risk). This would bring Europe in line with the US where CFTC rules include MMFs within certain conditions.

The removal of PDCNAVs would leave investors with the same alternatives as above. These are subject to significant capacity constraints (e.g. deposits), additional risks (longer term investments) and/or resource allocation (direct investment) or less transparency and regulation (other alternatives).

Question 5. What elements of the MMFR could in your view be improved?

Please select as many answers as you like

Know your customer policy

- Disclosure / transparency
- Role of credit rating
- Limitations on the use of amortised cost method
- Regulatory triggers for LMTs
- Data sharing
- Scope
- Other

To what degree is it important to improve the "know your customer policy"?

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your answer about the improvement of the "know your customer policy":

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We do not regard this as requiring improvement but ticked as we wished to comment. MMFR enhanced KYC requirements in requiring procedures to be put in place to anticipate redemption behaviour. KYC is an important part of the fund manager's role and provides an invaluable tool in predicting investor behaviour and likely redemption patterns.

We note there have been proposals to base countercyclical buffers around the make-up of the liability base where we would have the following reservation. Predicting likely redemption behaviour on the basis of generic categorisations can be misleading as this can vary by sector. The investor response to a rapid deterioration in liquidity conditions, such as we saw, is hard to predict as it will be consequent upon unique circumstances which are not static. Fund managers are best positioned to understand and anticipate the specificities of their investor behaviour, and this is an ongoing priority.

To what degree is it important to improve the disclosure and/or the transparency?

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your answer about the improvement of the disclosure and/or the transparency:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We do not regard this as requiring improvement but ticked as we wished to comment. MMFs are already very transparent to both investors and regulators. With regard to investors, key portfolio metrics are published in detail daily on fund websites. Investor transparency and frequency of publication already far outpaces any other fund product. With regard to regulators, detailed information on both the asset and the liability sides is provided to local NCAs. We would be fully supportive of more transparency in the short-term funding markets including market data (for instance on outstandings and issuance) and more post trade information. We discuss this subject in more detail in our paper 'How to increase resilience in the short-term funding markets', attached as an annexe.

To what degree is it important to improve the role of credit rating?

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your answer about the improvement of the role of credit rating:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We do not regard this as requiring improvement but ticked as we wished to comment. Fund ratings are a prerequisite for most of the IMMFA investor base. All IMMFA MMFs have a AAA MMF rating from one or more European regulated credit rating agency. This is distinct from other jurisdictions, such as the French market, which consists overwhelmingly of Standard VNAVs, and where investors are comfortable without ratings. Investors understand that the AAA fund rating reflects the MMF's ability to preserve capital, limit exposure to principal losses due to credit risk, and to provide liquidity. Credit (debt) ratings are an international standard for quality control, used widely in the bond markets. IMMFA investors, who comprise primarily institutional investors, are typically familiar with credit ratings and value their utility. Fund ratings also bring the added benefit of additional transparency on data. Ratings were not a key driver of March events, and we see no reason to reform them. MMFR substantially mitigated the risk of any mechanistic reliance on ratings, and they are now a positive for resilience in that they provide an additional layer of oversight by skilled professionals which is aligned with and enhances and supports the MMF regulation.

To what degree is it important to improve the limitations on the use of amortised cost method?

- 1 - Not important

- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your answer about the improvement of the limitations on the use of amortised cost method:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We do not regard this as requiring improvement but ticked as we wished to comment.

We do not support the removal of amortised cost which would be a disproportionate response, unjustified by events given that LVNAV MMFs stayed within their parameters. Amortised cost is generally considered to be an appropriate valuation for short high-quality securities typically held to maturity. The LVNAV only applies amortising cost to assets 75 days or less and where the value is within 10 bps of the market to market. The entire portfolio is marked to market daily to calculate deviation and the comparison provides a useful check that fair value is being represented.

The prohibition of both amortised cost and 2-digit rounding would effectively remove the mechanism for maintaining a price of 1.00 and thereby the core utility value to investors. That price can only be maintained provided the constant NAV does not vary more than 20bps from the mark to market. This mechanism is a means of reducing volatility, allowing investors more predictability and smoothing out accounting gains or losses. The ability to transact at a predictable price is a vital component of the LVNAV structure and therefore a shift to variable NAV would be deeply disruptive for investors, likely to cause a migration out of MMFs which would impact funding to issuers.

To what degree is it important to improve the regulatory triggers for LMTs?

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your answer about the improvement of the regulatory triggers for LMTs:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Given that the linkage between the possible use of LMTs and minimum liquidity thresholds inadvertently resulted in procyclicality, this linkage should be removed in a targeted reform. We agree that some form of redemption fee is the preferred way of imposing a transaction cost on shareholders leaving the fund and ensuring that remaining shareholders are fairly treated, and we welcome recommendations which allow flexibility of choice between different types of LMT.

The choice, timing and calibration of LMTs should rest with the fund manager and board who are best able to apply them in the best interest of investors. Managers have granular data, know their clients (MMFR strengthened KYC requirements) and are best positioned to predict the likely behaviour. Supervisory triggers would entail prescriptive requirements that would risk the creation of new bright lines. If activation is left with the supervisor, it would have to apply to all funds within a given sector which would preclude addressing an idiosyncratic issue. This could accelerate outflows across the industry rather than stabilising a fund in isolation. Timeliness is also essential.

Triggers might be codified further in scales of severity and application. For instance, after use of buffers, then fees, then gates, then suspensions.

To what degree is it important to improve the data sharing?

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your answer about the improvement of the data sharing:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We do not regard this as requiring improvement but ticked as we wished to comment.

It is important that regulators have the right data to identify risks and IMMFA is supportive of efforts to ensure that this is the case, in particular, of measures to refine monitoring and stress testing where this would add materially to efforts to identify risks.

MMFR introduced a detailed reporting framework for managers. The result is that reporting obligations are already very detailed compared to other fund types. Although MMFR only requires quarterly reporting (for funds over 100m in AUM), local supervisors may ask for data on an ad hoc basis far more frequently, as was the case during the March 2020 crisis.

Additional reporting does not directly contribute to fund resilience and, most importantly, does not affect investor incentives to redeem. Since it does not influence investor behaviour, it would not have changed the outcome in 2020.

We would also reiterate that MMFs are only one part of a complex money market ecosystem and that they are already one of the most transparent sectors. Relevant market intelligence might be obtained by improving visibility and granularity of data in other areas of the short-term funding markets.

To what degree is it important to improve the scope?

- 1 - Not important

- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your answer about the improvement of the scope:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We do not regard this as requiring improvement but ticked as we wished to comment.
We think the scope of MMFR is clear.

Question 6. What regulatory developments at international level should be taken into account in the MMFR and why? Please explain:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The 2014 US SEC reforms required institutional Prime funds to migrate to floating NAV. As this brought operational and accounting complexities for investors, such as corporates, the SEC subsequently provided guidance that floating NAV MMFs should be treated as cash or cash equivalent for balance sheet purposes, thus preserving one of the fundamental benefits of the Prime fund. We note that a similar requirement for LVNAVs to migrate to a variable NAV would create significant uncertainties for international investors around the accounting status.

In response to a recent ESMA consultation, IMMFA proposed that PDCNAV MMFs be made eligible for investment by CCPs as they invest almost exclusively in assets which meet the CCP investment criteria (highly liquid, minimal credit and market risk). This would bring Europe in line with the US where CFTC rules include MMFs within certain conditions.

The US proposal to remove fees/gates and require funds to use swing pricing goes too far. We believe the existing framework should be modified rather than revolutionised.

Ongoing work to enhance the functioning of short-term funding markets, which we understand is being led by the FSB, should be taken into consideration during any changes to MMFs which were only one player in a complex ecosystem. Improvements in the liquidity of underlying markets would benefit MMF resilience.

Question 7. Would the [proposal on Liquidity Management Tools](#) under the AIFMD/UCITS review contribute to strengthen the liquidity risk management in MMFs?

- Yes
- Partially

- No
- Other
- Don't know / no opinion / not applicable

Please explain your answer to question 7:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The AIFMD/UCITs review provides for a harmonised list of LMTs, some of which are not appropriate for MMFs e.g., redemptions in kind and side pockets. Other options, such as fees, gates, suspensions, may be more appropriate for MMFs. The proposals also include activation by NCAs which we do not support. The imposition of prescriptive and quantitative parameters on deployment of fees risks the introduction of new threshold effects. We believe that the fund manager and board should have discretion over when to deploy LMTs and how to determine the specific calibration, within the overall framework and in the best interests of investors.

We are supportive of recommendations which allow flexibility of choice between different types of LMT. ESMA address the tension between discretion and prescription by suggesting that LMTs should be activated by the fund manager with criteria for use to be included in a delegated act. We would support this approach, provided it is principles-based and not overtly granular and agree with ESMA's point that it is important not to create new threshold risks.

Further industry work is required to develop the criteria and we look forward to engaging on this to ensure that LMTs mitigate first mover advantage, provide policy makers with clarity on usage and are operationally viable.

Triggers might be codified further in scales of severity and application. For instance, after use of buffers, then fees, then gates, then suspensions.

Question 8 a) Do you have any comment on the impact of the MMFR on the functioning of short-term markets (via investments in short-term instruments issued by banks, insurances, non-financial corporates, etc.), both in terms of costs/convenience, but also in terms of financial stability/contagion in times of crisis?

Please explain further and provide quantitative information if possible:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

MMFs provide a vital source of market-based cost efficient and flexible short-term funding to a wide range of issuers. This funding is not replaceable by other sources. Those issuers able to access the deep US CP market are likely to already be doing so, using the ECP/CD markets in parallel. MMFs also provide substantial overnight funding to banks through the reverse repo market, allowing banks an important and cost-effective funding tool for their trading books. If a substantial shift out of MMFs were to occur, it is likely that this would have implications for funding to the real economy as an important source of liquidity was withdrawn.

The broader functioning of the short-term funding markets remains reliant on the role of banks as intermediators, hence it became dysfunctional in March 2020. It is beyond the scope of MMFR, but policy makers should consider the underlying market structural issues and the role of prudential regulation in incentivising broker-dealers to continue to make markets during times of stress.

By providing market-based financing, MMFs make a vital contribution to the objectives of Capital Markets Union. These benefits should be preserved and built upon to improve capital markets efficiency further. (See attached IMMFA paper on 'How to improve the resilience of short-term funding markets')

Question 8 b) In your view, is there sufficient transparency both in terms of issuance, underlying collateral and rates of short-term money market instruments in the EU insofar as covered by the MMFR?

- Yes
- Partially
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 8 b):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The short-term market is an OTC dealer intermediated market. There is no single source of trading information which makes price discovery challenging compared with other markets such as fixed income or equity.

More transparency on issuer outstandings and levels would be helpful for MMFs and would contribute to improving overall liquidity by aiding price discovery. In general, these issues are not covered by MMFR. Collateral usually relates to overnight (or very short) reverse repo transactions which in the case of IMMFA MMFs would be secured on government securities. Much of this reverse repo funding is done on a 'general collateral' (GC) basis in line with individual repo agreements and therefore direct visibility is of limited relevance.

2. Questions addressed to investors in MMFs

Question 9. In which type(s) of EU MMFs do you invest?

Please indicate in the respective cell, approximately, the total amount of your holdings in EU MMF converted in EUR:

	Public debt CVNAV	LVNAV	Standard VNAV	Short-term VNAV
Amount in EUR as of 31/12 /2021	EUR150bn	EUR693bn	EUR0.14bn	EUR40bn

Question 10. Which currency do you mostly invest in and for what reasons?

Please indicate the percentage share of your holdings at the end of 2021:

	EUR	GPB	US Dollars	Other currencies
In LVNAV	13.7%	31.9%	32.8%	0.4%
In public debt CNAV	0.006%	0.32%	16.5%	
In VNAV	2%	1%	1.4%	

Please explain your answer to question 10:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

IMMFA represents the AAA MMF sector. The above numbers are the totals for IMMFA member MMF Assets Under Management. This consists overwhelmingly of short-term MMFs though a number of our members also offer standard VNAVs. USD is converted to EUR at .8835 and GBP to EUR at 1.19 which were current on 31/12/21. Total AUM were EUR883bn equivalent at year end 2021.

The answers we have provided below on the motivation for choosing fund type and on subsequent investor behaviour are based on the feedback from IMMFA members' understanding of typical investor behaviours.

Question 11. a) What are the reasons/needs for investing in public debt CNAV ?

Please select as many answers as you like

- Short-term investment: optimise returns while preserving liquidity
- Margin call management
- Operational use (payment of invoices and bills, etc.)
- Other cash management reasons
- As part of investment products offered to retail investors (life insurance product, pensions products, fund of funds – please specify which one(s) and why
- Regulatory incentives, please specify which one(s) and why
- Tax reasons, please specify which one(s) and why
- Accounting reasons (e.g. Classification in “cash and cash equivalents” investment, others.)
- Other

Please provide an assessment of importance of short-term investment (optimise returns while preserving liquidity):

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your assessment of the importance of short-term investment

(optimise returns while preserving liquidity):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

PDCNAVs are the most cautious fund type and the closest proxy to cash. They are predominantly (98%) USD denominated and are often used by US investors with offshore USD. They are widely distributed across the globe. They are not currently scalable in EUR or GBP.

PDCNAV MMFs have a lower return than other MMFs due to the lower yields on government assets. Some investors can ONLY invest in PDCNAVs because they are limited to government exposure. We note that given PDCNAVs are not scalable in EUR or GBP, they cannot offer an alternative to or substitute for LVNAV MMFs.

We have marked this 4 not 5 as the yield will be lower than a LVNAV.

Please provide an assessment of importance of margin call management:

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your assessment of the importance of margin call management:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Although PDCNAV MMFs are currently less widely used for margin purposes than LVNAVs, new margin rules and regulations could make PDCNAVs more important for margin call arrangements in the future.

Please provide an assessment of importance of operational use (payment of invoices and bills, etc.):

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your assessment of the importance of operational use (payment of invoices and bills, etc.):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The ability to transact on a T+0 basis is crucial for IMMFA investors as this allows for flexible cash management.

Please specify to what other cash management reason(s) you refer in your answer:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Please provide an assessment of importance of this/these other cash management reason(s):

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your assessment of the importance of this/these other cash management reason(s):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Please provide an assessment of importance of accounting reasons:

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your assessment of the importance of accounting reasons:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Cash equivalence is a very important feature of PDCNAV (and LVNAV) MMFs. PDCNAV investors value the ability to subscribe and redeem at a price of 1.00 under most circumstances. This reduces price volatility and means that gains and losses associated with a fluctuating price, which in the case of an MMF, particularly a PDCNAV, being the most conservative fund category, are likely to be 'de minimus' given 99.5% of the assets are public debt, do not have to be accounted for. This in turn means that the PDCNAV is treated as cash or cash equivalent for accounting purposes which is crucially important for a number of investors.

Please specify to what other reason(s)/needs you refer in your answer to question 11 a):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Diversification
Investors value the ability to diversify their portfolios. PDCNAVs offer an alternative to LVNAV MMFs, which invest predominantly in private debt, as well as from bank deposits.

Please provide an assessment of importance of this/these other reason(s) /need(s):

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your assessment of the importance of this/these other reason (s)/need(s):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Diversification is very important to investors. We believe that investors should be offered a range of funds.

Question 11. b) What are the reasons/needs for investing in LVNAV?

Please select as many answers as you like

- Short-term investment: optimise returns while preserving liquidity
- Margin call management
- Operational use (payment of invoices and bills, etc.)
- Other cash management reasons
- As part of investment products offered to retail investors (life insurance product, pensions products, fund of funds – please specify which one(s) and why
- Regulatory incentives, please specify which one(s) and why
- Tax reasons, please specify which one(s) and why
- Accounting reasons (e.g. Classification in “cash and cash equivalents” investment, others.)
- Other

Please provide an assessment of importance of short-term investment (optimise returns while preserving liquidity):

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your assessment of the importance of short-term investment (optimise returns while preserving liquidity):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The LVNAV is the dominant fund type within the IMMFA universe, with a substantial investor base in USD, EUR and GBP.

The international distribution of IMMFA MMFs, of which 76% are LVNAVs, is as follows: 41% in UK, 18% outside Europe, 18 % in Europe sold over platforms or through third party distributors, 13% Benelux, 4% Ireland, 4% Germany/Switzerland, 2% Southern Europe.

By type the investor base is as follows: Corporates 33 %, Funds 26%, Third party (including platforms) 20%, Insurance 7%, Financials 9%, Public Sector 5%.

The IMMFA investor breakdown is attached as a pie chart in the annexes. We have based our responses below on our understanding of factors typically driving investor behaviour.

Although investors value the preservation of capital and provision of liquidity ahead of yield, as a private debt MMF, LVNAVs can offer more yield than a PDCNAV which means that yield is more important than in a PDCNAV. Investors will generally seek a return in line with other short-term money market rates.

Please provide an assessment of importance of margin call management:

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your assessment of the importance of margin call management:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

LVNAV MMFs are used by many pension funds, insurance companies, liability driven investment management and corporate investors as the best cash management solution for their collateral pools. These pools frequently place cash in MMFs so that it is available for drawdown from the MMF in order to be subsequently posted as cash margin for derivative transactions.

Please provide an assessment of importance of operational use (payment of invoices and bills, etc.):

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your assessment of the importance of operational use (payment of invoices and bills, etc.):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The ability to transact on a T+0 basis is crucial for IMMFA investors. In addition to offering same day value, LVNAV pricing allows managers to price and settle at multiple points intra-day. This is unlikely to be the case for a VNAV MMF as NAV calculation would require more time for pricing services to mark the underlying securities. Investors would therefore have less immediate access to their cash. In the case of a tax or acquisition payment, or indeed any transaction where late payment might have a penalty or other consequences, such timing considerations are crucial. Investors may wish to withdraw their money a day earlier rather than settle late in the day, in which case they would have to deposit money with a bank which once again raises the question of capacity constraints in the deposit market.

Please specify to what other cash management reason(s) you refer:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

LVNAV MMFs offer a low cost, efficient cash management investment vehicle which provides the flexibility to deal with multiple different types of operational needs.

Please provide an assessment of importance of this/these other cash management reason(s):

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your assessment of the importance of this/these other cash management reason(s):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Please specify to what investment products offered to retail investors you refer and why:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Please provide an assessment of importance of investing as part of investment products offered to retail investors (life insurance product, pensions products, fund of funds):

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your assessment of the importance of investing as part of investment products offered to retail investors (life insurance product, pensions products, fund of funds):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Although the overwhelming majority of IMMFA MMFs are sold to institutional investors, LVNAV MMFs may be offered to local authorities who have not 'opted up' to institutional status.

MMFs may be used by some institutional investors such as pension funds and insurance companies to manage excess cash from other portfolios. In this context, they can also be used to reduce custodian counterparty risk and provide a better return for underlying investors. LVNAV funds are used as a sweep due to operational simplicity and same day access to funds.

Please specify to what regulatory incentives you refer and why:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Please provide an assessment of importance of regulatory incentives:

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your assessment of the importance of regulatory incentives:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

If the LVNAV fund type becomes variable NAV it appears it may no longer be eligible as a QMMF under MiFID II where the primary investment objective must be to maintain the net asset value of the undertaking either constant at par (net of earnings), or at the value of the investors' initial capital plus earnings. This would appear to make it questionable whether a VNAV would qualify.

Please specify to what tax reasons you refer and why:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Tax is closely related to accounting, please see our response to accounting below. The reduced pricing volatility helps avoid accounting gains or losses associated with a fluctuating price which in the case of an MMF are likely to be 'de minimus' under normal circumstances.

Please provide an assessment of importance of these tax reasons:

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your assessment of the importance of these tax reasons:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Please provide an assessment of importance of accounting reasons:

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your assessment of the importance of accounting reasons:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The fact that LVNAV MMFs are treated as cash or cash equivalent for accounting purposes is crucial to investors. This is based on the expectation that the price will remain 1.00 under most circumstances which is key to the value proposition offered by the LVNAV. The reduced pricing volatility also helps avoid accounting gains or losses associated with a fluctuating price which in the case of an MMF are likely to be 'de minimus' under normal circumstances.

Although VNAV MMFs have been designated cash or cash equivalent by the AMF in France, there is no certainty that accountants in other jurisdictions would adopt the same approach. Consequently, loss of the LVNAV would mean existing LVNAV investors facing significant uncertainty over the accounting designation of the VNAV alternative.

Please specify to what other reason(s)/needs you refer in your answer to question 11 b):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Diversification

The LVNAV MMF allows investors to have a highly diversified collateralised portfolio rather than the concentrated single name exposure associated with bank deposits. Deposits are also likely to be subject to supply constraints. Basle III bank reforms intentionally disincentivized banks from taking sizeable wholesale short-term deposits, creating a greater need for a market-based solution.

Diversification is a vital component of cautious investment, highly valued by investors.

Please provide an assessment of importance of this/these other reason(s) /need(s):

- 1 - Not important

- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your assessment of the importance of this/these other reason(s)/need(s):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Diversification is very important to investors as a means of mitigating credit risk. MMFs present a low-risk alternative to deposits that is fully collateralised by a range of high-grade instruments, allowing investors to diversify away from single exposure bank credit risk.

Question 11. c) What are the reasons/needs for investing in standard VNAV?

Please select as many answers as you like

- Short-term investment: optimise returns while preserving liquidity
- Margin call management
- Operational use (payment of invoices and bills, etc.)
- Other cash management reasons
- As part of investment products offered to retail investors (life insurance product, pensions products, fund of funds – please specify which one(s) and why
- Regulatory incentives, please specify which one(s) and why
- Tax reasons, please specify which one(s) and why
- Accounting reasons (e.g. Classification in “cash and cash equivalents” investment, others.)
- Other

Please provide an assessment of importance of short-term investment (optimise returns while preserving liquidity):

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral

- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your assessment of the importance of short-term investment (optimise returns while preserving liquidity):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

IMMFA MMFs only include a very small number of standard VNAVs. Some members offer very similar funds under ultra-short-term bond mandates (which are therefore neither MMFs nor IMMFA funds). Standard VNAVs typically offer a yield uplift which reflects the longer WAM and WAL. They are typically not AAA MMF rated as they can take incremental risk in order to generate higher yields.

In our view, standard MMFs would be considered ultra-short bond funds in other jurisdictions. We note that despite taking more risk relative to an LVNAV, they have lower liquidity requirements. Standard VNAV had very similar outflows to LVNAV. It has been stated that standard VNAV outflows were due to quarter end effects whereas those of LVNAV were not affected. This is not the case. Typically, all IMMFA MMFs, including LVNAV, see meaningful outflows at quarter-ends and year-ends and IMMFA has consistently said that quarter end pressures exacerbated LVNAV fund outflows during the March 2020 crisis.

Question 11. d) What are the reasons/needs for investing in short-term VNAV?

Please select as many answers as you like

- Short-term investment: optimise returns while preserving liquidity
- Margin call management
- Operational use (payment of invoices and bills, etc.)
- Other cash management reasons
- As part of investment products offered to retail investors (life insurance product, pensions products, fund of funds – please specify which one(s) and why
- Regulatory incentives, please specify which one(s) and why
- Tax reasons, please specify which one(s) and why
- Accounting reasons (e.g. Classification in “cash and cash equivalents” investment, others.)
- Other

Please provide an assessment of importance of short-term investment (optimise returns while preserving liquidity):

- 1 - Not important
- 2 - Rather not important

- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your assessment of the importance of short-term investment (optimise returns while preserving liquidity):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Although many IMMFA members offer AAA short-term VNAV's the uptake (4.5% of AUM) has been relatively low reflecting a strong investor preference for the LVNAV, for reasons described above.

Please provide an assessment of importance of operational use (payment of invoices and bills, etc.):

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your assessment of the importance of operational use (payment of invoices and bills, etc.):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 12. What is your investment horizon when investing in these MMFs?

Please specify time frame and please indicate “on demand” when you invest in MMF due to keeping a liquid cash balance:

	Investment horizon
Public debt CVNAV	On demand
LVNAV	On demand
Standard VNAV	
Short-term VNAV	On demand

Please explain your answer to question 12:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 13. Do the levels of DLA and WLA profile published by MMFs play a role in your investment/disinvestment decision?

- Yes
- Partially
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 13:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

IMMFA investors regard the 30% WLA minimum threshold as a key metric. Concerns about the link between the minimum 30% threshold and the possible imposition of fees and gates, combined with increased transparency, have made this a focal point at the expense of a more holistic approach to fund health. Although clearly a more immediate indicator of fund liquidity, DLA has attracted less focus.

Question 14. Except for immediate cash needs, what are the most typical reasons why you would divest from a given MMF?

a) Drift of risk indicators (WAM, WAL, DLA, WLA)

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your answer to question 14 a):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Due to the link between minimum liquidity thresholds and the possible imposition of fees and gates, investors became very focused on the 30% WLA threshold.

b) Fund's recent performance

Volatility of the NAV and MTM (shadow) NAV

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your answer to question 14 b) on volatility of the NAV and MTM (shadow) NAV:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

NAV was not a key driver of redemptions in the March 2020 crisis. Removing the link between minimum liquidity thresholds and the potential imposition of fees and gates, will makes liquidity buffers usable in times of stress and thereby significantly mitigate threshold effects.

Difference between constant NAV and MTM (shadow) NAV that widens (question relevant for LVNAV and Public Debt CNAV)

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your answer to question 14 b) on the difference between constant NAV and MTM (shadow) NAV that widens (question relevant for LVNAV and Public Debt CNAV):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

c) By anticipation due to the market context

Risk of non-accessibility or partial access to the cash in case of LMTs being triggered (e.g. suspension, gates)

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not applicable

Please explain your answer to question 14 c) on risk of non-accessibility or partial access to the cash in case of LMTs being triggered (e.g. suspension, gates):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Access to cash is an absolute priority to investors. The linkage between mandatory liquidity thresholds and the possible imposition of fees, gates and suspensions, resulted in investor concerns about access to cash. European investors are by and large more comfortable with fees than US investors, given familiarity with fees under UCITS. Concerns about the use of LMTs was particularly acute in the US market and this resulted in a spill-over effect onto offshore funds. Although MMFR is more nuanced in having the 'double trigger' requirement before a fund board need consider the use of LMTs, investors were concerned that access to their liquidity would be impaired. Given the range of possible consequences is broad (the imposition of fees being less severe than gates or suspensions) it was difficult for investors to price the probability of access to their cash being impaired.

Emerging risks, anticipation of further markets deterioration that may affect the MMF's performance

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important

- Don't know / no opinion / not applicable

Please explain your answer to question 14 c) on emerging risks, anticipation of further markets deterioration that may affect the MMF's performance:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 15. Would the mandatory availability of LMTs to pass on the cost of liquidity to redeeming investors be a reassurance to the remaining investors?

- Yes
- Partially
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 15:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe investors to be comfortable with the use of LMT as they already formed part of the UCITS framework. This meant many European investors were familiar with LMT as a means of imposing a cost on redeeming investors and ensuring that those remaining in the fund are treated fairly.

We believe the application of LMT, including choice and timing of LMT, should rest with the fund manager and board.

Question 16. If LVNAV were not available anymore, or not available in your preferred currency, what alternative investment(s) would correspond to your needs?

Please select as many answers as you like

- Bank deposits
- Short-term VNAV
- Standard VNAV
- Public debt CNAV
- EU investment funds other than MMFs

- Non-EU MMFs
- Non-EU investment funds other than MMFs
- Direct investments in money market instruments (such as short-term treasury bills, etc.)
- Other financial instruments
- Other

Please indicate degree of suitability of bank deposits:

- 1 - Least suitable
- 2 - Rather not suitable
- 3 - Neutral
- 4 - Rather suitable
- 5 - Most suitable
- Don't know / no opinion / not applicable

Please explain your answer on the degree of suitability of bank deposits and also indicate why they constitute or do not constitute a relevant alternative investment, focusing on expected costs and other risks or opportunities of such choice (as regards costs, please indicate answer in basis points, if possible):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that most investors would turn to bank deposits as their first choice in the absence of the LVNAV. However, the appetite for bank deposits has been very significantly reduced as a result of bank prudential regulation, meaning that investors are unlikely to meet with enough capacity. This could mean either doing longer term deposits, which are far less liquid, or going down the 'quality tree' to accept a lesser credit. Having to place longer term deposits would increase the risks to investors - longer maturity, reduced flexibility and the possibility of breakage fees (in the event of requiring the money back prior to final maturity).

Please indicate degree of suitability of short-term VNAV:

- 1 - Least suitable
- 2 - Rather not suitable
- 3 - Neutral
- 4 - Rather suitable
- 5 - Most suitable
- Don't know / no opinion / not applicable

Please explain your answer on the degree of suitability of short-term VNAV and also indicate why they constitute or do not constitute a relevant alternative investment, focusing on expected costs and other risks or opportunities of such choice (as regards costs, please indicate answer in basis points, if possible):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Some LVNAV investors may be able to transition into short-term VNAVs, but this will involve costs such as treasury system upgrades, changes to internal procedures and accounting models. In many cases it will also entail the necessity and further cost of consulting auditors and will be dependent on the VNAV being designated cash or cash equivalent which is by no means certain.

Please indicate degree of suitability of public debt CNAV:

- 1 - Least suitable
- 2 - Rather not suitable
- 3 - Neutral
- 4 - Rather suitable
- 5 - Most suitable
- Don't know / no opinion / not applicable

Please explain your answer on the degree of suitability of public debt CNAV and also indicate why they constitute or do not constitute a relevant alternative investment, focusing on expected costs and other risks or opportunities of such choice (as regards costs, please indicate answer in basis points, if possible):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

PDCNAVs would offer a viable alternative in USD for those investors prepared to accept a lower return. They are not currently scalable in EUR or GBP. We would question whether there is sufficient depth in the government markets outside the US to supply the assets. EUR and GBP public debt assets can be subject to severe price dislocations due to lack of supply in both the outright and/or the secured market particularly around reporting dates. Given the lack of a deep uniform market in Europe, and limited supply in the UK T bill market, combined with the absence of a facility to absorb liquidity in the way which the Federal Reserve's RRP does, it is by no means evident that PDCNAVs would be a viable substitute at scale for EUR or GBP LVNAVs.

Please indicate degree of suitability of direct investments in money market instruments (such as short-term treasury bills, etc.):

- 1 - Least suitable

- 2 - Rather not suitable
- 3 - Neutral
- 4 - Rather suitable
- 5 - Most suitable
- Don't know / no opinion / not applicable

Please explain your answer on the degree of suitability of direct investments in money market instruments and also indicate why they constitute or do not constitute a relevant alternative investment, focusing on expected costs and other risks or opportunities of such choice (as regards costs, please indicate answer in basis points, if possible):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

There are significant obstacles to direct investment which usually mean that it is only viable for the largest investors. To achieve a diversified portfolio, it requires significant resources to monitor a range of credits on an ongoing basis, to maintain counterparty relationships with broker dealers (who will be seeking transactional efficiencies), to have access to market pricing systems and to pay for custody or maintain a clearing account. Only the largest direct investors would be able to achieve the pricing execution of an MMF which has the benefit of size.

We would also argue that disaggregated risk does not mean that the requirement for liquidity has gone away. In systemic liquidity event, investors will still need cash and will try to sell. It may be harder to identify, target and contain such risks when it is dispersed throughout the system.

Please specify to what other financial instrument you refer in your answer to question 16:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Please indicate degree of suitability of these other financial instruments:

- 1 - Least suitable
- 2 - Rather not suitable
- 3 - Neutral
- 4 - Rather suitable
- 5 - Most suitable
- Don't know / no opinion / not applicable

Please explain your answer on the degree of suitability of these other financial instruments and also indicate why they constitute or do not constitute a relevant alternative investment, focusing on expected costs and other risks or opportunities of such choice (as regards costs, please indicate answer in basis points, if possible):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Please further explain your answers to question 16 if necessary:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 17. If Public Debt CNAV MMFs were not available anymore, or not available in your preferred currency, what alternative investment(s) would correspond to your needs?

Please select as many answers as you like

- Bank deposits
- Short-term VNAV
- Standard VNAV
- EU investment funds other than MMFs
- Non-EU MMFs
- Non-EU investment funds other than MMFs
- Direct investments in money market instruments (such as short-term treasury bills, etc.)
- Other financial instruments
- Other

Please indicate degree of suitability of bank deposits:

- 1 - Least suitable
- 2 - Rather not suitable
- 3 - Neutral
- 4 - Rather suitable
- 5 - Most suitable
- Don't know / no opinion / not applicable

Please explain your answer on the degree of suitability of bank deposits and also indicate why they constitute or do not constitute a relevant alternative investment, focusing on expected costs and other risks or opportunities of such choice (as regards costs, please indicate answer in basis points, if possible):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The alternatives for PDCNAV investors would be more limited given they are seeking government debt exposure. We assume that if PDCNAVs were not available then LVNAVs would not be either in which case some investors would be forced to turn to bank deposits as an alternative. However, deposits are not comparable: they would entail single exposure bank risk and there are capacity constraints.

Please indicate degree of suitability of direct investments in money market instruments (such as short-term treasury bills, etc.):

- 1 - Least suitable
- 2 - Rather not suitable
- 3 - Neutral
- 4 - Rather suitable
- 5 - Most suitable
- Don't know / no opinion / not applicable

Please explain your answer on the degree of suitability of direct investments in money market instruments and also indicate why they constitute or do not constitute a relevant alternative investment, focusing on expected costs and other risks or opportunities of such choice (as regards costs, please indicate answer in basis points, if possible):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The only way to replicate the government exposure of a PDCNAV MMF would be to make direct investments in government securities. Direct investment is likely only to be a viable option for those investors large enough to devote the significant resources required to maintain credit analysis, counterparty relations and who have either custody accounts or settlement facilities, which also require back office and support resources.

Additionally, there are supply constraints in the short-term government markets which can make accessing paper difficult, particularly around reporting dates. Government debt is already in strong demand from a variety of players who require liquidity including banks for HQLA purposes.

Please specify to what other alternative investment(s) you refer in your answer to question 17:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Some investors may be able to switch some of their funds to LVNAV, in its current form, which would also offer cash equivalence, stable NAV and T+0 settlement.

Please indicate degree of suitability of this/these other alternative investment (s):

- 1 - Least suitable
- 2 - Rather not suitable
- 3 - Neutral
- 4 - Rather suitable
- 5 - Most suitable
- Don't know / no opinion / not applicable

Please explain your answer on the degree of suitability of this/these other alternative investment(s) and also indicate why they constitute or do not constitute a relevant alternative investment, focusing on expected costs and other risks or opportunities of such choice (as regards costs, please indicate answer in basis points, if possible):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

ome investors can only invest in PDCNAVs as they are overwhelmingly invested in public debt . Others who could use LVNAVs as an alternative may wish to limit their exposure to private debt and in particular financial risk.

Please further explain your answers to question 17 if necessary:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 18. Do you already invest in these alternative investments? If so, in which ones?

	Percentage share invested (end 2021)	Further comment if necessary
Alternative investments		
Bank deposits		
Non-EU MMFs		
Non-EU investment funds other than MMFs (please specify which ones)		
Direct investments in money market instruments		
Other financial instruments (please specify which ones)		
Other (please specify which ones)		

Question 18 a) Would it be feasible for you to transfer all your MMF holdings into these instruments?

- Yes
- No
- Don't know / no opinion / not applicable

3. Questions addressed to MMFs asset managers

Question 19. Which type(s) of MMFs do you manage, in which currency and for which amount (end of 2021 position converted in EUR)?

	CNAV - Total NAV EUR	LVNAV - Total NAV in EUR	Standard VNAV - Total NAV in EUR	Short-term VNAV - Total NAV in EUR
Euro-denominated				
USD-denominated				
GBP-denominated				
Other currencies (please specify)				

Question 20. Do the MMFs you manage invest in debt issued or guaranteed by public authorities or institutions?

Please select as many answers as you like

- Debt issued or guaranteed by EU public issuers
- Debt issued or guaranteed by non-EU public issuers

a) Debt issued or guaranteed by EU public issuers

	Public debt CNAV	LVNAV	VNAV
Total amount of debt in EUR			
% of this debt acquired on primary market compared to the NAV of all MMFs			
Country(ies) of issuance			

b) Debt issued or guaranteed by non-EU public issuers

	Public debt CNAV	LVNAV	VNAV
Total amount of debt in EUR			
% of this debt acquired on primary market compared to the NAV of all MMFs			
Country(ies) of issuance			

Question 21. When monitoring the evolution of the difference between the constant NAV and MTM (shadow) NAV, on a regular basis or during the March 2020 crisis, what actions were/are taken to maintain this difference below the threshold mentioned in Article 33(2)(b) of Regulation 2017/1131 for LVNAV or to maintain a constant NAV for public debt CNAV?

	Action taken on a day to day basis	Specific actions taken during the March 2020 crisis
Public debt CNAV		
LVNAV		

Question 22. Can you explain the direct and indirect impacts (on the type of MMF and on the broader markets) of the central banks' intervention since March 2020 up to now?

a) CNAV:

	1 (low impact)	2 (rather low impact)	3 (neutral)	4 (rather high impact)	5 (very high impact)	Don't know - No opinion - Not applicable
Impact of outright purchases of CP by central banks on cumulative MMFs outflows/inflows	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
On prices of short-term financial instruments bought by the ECB /BoE/FED	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Impact on market confidence -decreasing outflows (EUR)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other impact(s)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please specify the central bank your answer to question 22 a) refers to (ECB, BoE, FED):

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

B) LVNAV:

	1 (low impact)	2 (rather low impact)	3 (neutral)	4 (rather high impact)	5 (very high impact)	Don't know - No opinion - Not applicable
Impact of outright purchases of CP by central banks on cumulative MMFs outflows/inflows	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
On prices of short-term financial instruments bought by the ECB /BoE/FED	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Impact on market confidence -decreasing outflows (EUR)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other impact(s)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please specify the central bank your answer to question 22 b) refers to (ECB, BoE, FED):

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

C) VNAV:

	1 (low impact)	2 (rather low impact)	3 (neutral)	4 (rather high impact)	5 (very high impact)	Don't know - No opinion - Not applicable
Impact of outright purchases of CP by central banks on cumulative MMFs outflows/inflows	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
On prices of short-term financial instruments bought by the ECB /BoE/FED	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Impact on market confidence -decreasing outflows (EUR)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other impact(s)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please specify the central bank your answer to question 22 c) refers to (ECB, BoE, FED):

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) below. **Please make sure you do not include any personal data in the file you upload if you want to remain anonymous.**

The maximum file size is 1 MB.

You can upload several files.

Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

869b78f7-c8ce-4ec9-bf83-175639758333/ESRB___ESMA_RESPONSE_040422_Annex_2.pdf

21d66f4b-a84c-48a8-84f0-ed550df2bcbd/IMMFA_Investor_Base_as_of_Dec_2020_Annex_3.pdf

6837b655-234c-4828-ace1-9bc74a902114/STFMs_100322_CNFD_Annex_1.pdf

Useful links

[More on this consultation \(https://ec.europa.eu/info/publications/finance-consultations-2022-money-market-funds_en\)](https://ec.europa.eu/info/publications/finance-consultations-2022-money-market-funds_en)

[Consultation document \(https://ec.europa.eu/info/files/2022-money-market-funds-consultation-document_en\)](https://ec.europa.eu/info/files/2022-money-market-funds-consultation-document_en)

[Abbreviations \(https://ec.europa.eu/info/files/2022-money-market-funds-abbreviations_en\)](https://ec.europa.eu/info/files/2022-money-market-funds-abbreviations_en)

[More on money market funds \(https://ec.europa.eu/info/business-economy-euro/growth-and-investment/investme-funds_en#mmf\)](https://ec.europa.eu/info/business-economy-euro/growth-and-investment/investme-funds_en#mmf)

[Specific privacy statement \(https://ec.europa.eu/info/files/2022-money-market-funds-specific-privacy-statement_e](https://ec.europa.eu/info/files/2022-money-market-funds-specific-privacy-statement_e)

[More on the Transparency register \(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en\)](http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

Contact

fisma-money-market-funds@ec.europa.eu