

Money market funds update

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1. 1. Update of ESMA Guidelines on stress tests

On 16 December 2020, ESMA published its final report relating to the 2020 update of the Guidelines on stress tests scenarios ("**Guidelines**") under the Money Market Fund ("**MMF**") Regulation. The Guidelines are in the process of being translated into the official EU languages.

In particular, Section 5 of these Guidelines was updated. This section includes the calibration for the MMF stress tests the results of which have to be reported in accordance with Article 37 of the MMF Regulation.

The amendments introduced by the Guidelines will become applicable two months after the date of their publication on ESMA's website in all EU official languages.

UCITS management companies and AIFMs should therefore start measuring the impact of the 2020 update of the Guidelines in order to be compliant with the new requirements in due time.

2. 2. CSSF Press Release on the publication of two IOSCO reports on MMF

By means of a Communiqué of 26 November 2020, the CSSF informed market participants about the publication by IOSCO of two reports relating to MMF:

- A Thematic Review on consistency in implementation of MMFs reforms ("**Thematic Review**");
- A Thematic Note on Money Market Funds during the March-April Episode ("**Thematic Note**").

In its Communiqué, the CSSF explains that the Thematic Review assesses the legislative and regulatory frameworks of the nine largest MMF domiciles in relation to the implementation of selected recommendations from the 2012 IOSCO Policy Recommendations on MMF. These recommendations had been elaborated in response to the stress observed during the global financial crisis in 2008 and were aimed at strengthening the resilience of MMF globally.

The CSSF states that, according to IOSCO, the participating jurisdictions have generally implemented MMF reforms in line with the assessed 2012 Recommendations. More specifically, the Thematic Review shows, among other things, that the four EU jurisdictions under review including Luxembourg are "fully consistent" with six out of the seven recommendations. Regarding one recommendation, being Recommendation 4 on the use of fair value and amortised cost method, the four EU jurisdictions are "broadly consistent" due to gaps identified notably in relation to the use of amortised cost accounting at the individual portfolio instrument level.

The Thematic Note focuses on the effects of the market dislocations related to the COVID-19 events on MMFs and seek to characterise the behaviour of MMFs of varying types and of currencies across the main MMF jurisdictions in March and April 2020. It also identifies areas for further consideration, e.g. the broader ecosystem and the functioning of the money markets, the behaviour of MMF investors and elements of existing regulatory frameworks which may have played a role in accelerating flows out of certain types of MMF and on that basis mentions areas which might merit further consideration for regulatory work.

For any further information please contact us or visit our website at www.elvingerhoss.lu.

The information contained herein is not intended to be a comprehensive study or to provide legal advice and should not be treated as a substitute for specific legal advice concerning particular situations.

We undertake no responsibility to notify any change in law or practice after the date of this newsletter

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