European Parliament

2014-2019

Committee on Economic and Monetary Affairs

7.12.2016

AGREED TEXT RESULTING FROM INTERINSTITUTIONAL NEGOTIATIONS

Subject: Proposal for a regulation of the European Parliament and of the Council on Money Market Funds
(COM(2013)0615 – C7-0262/2013 – 2013/0306(COD))

The interinstitutional negotiations on the aforementioned proposal for a regulation have led to a compromise. In accordance with Rule 73(5) of the Rules of Procedure, the agreed text, reproduced below, is submitted as a whole to the Committee on Economic and Monetary Affairs for consideration.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on Money Market Funds

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national Parliaments,

Having regard to the opinion of the European Economic and Social Committee[1],

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) Money market funds (MMF) provide short-term finance to financial institutions, corporates or governments. By providing finance to these entities, money market funds contribute to the financing of the European economy. Those entities use their investments in MMFs as an efficient way to spread their credit risk and exposure, rather than relying solely on bank deposits.

1 OJ C , , p. .

(2) On the demand side, MMFs are short-term cash management tools that provide a high degree of liquidity, diversification, stability of value of the principal invested combined with a market-based yield. MMFs are mainly used by corporations seeking to invest their excess cash for a short time frame. MMFs, therefore, represent a crucial link bringing together demand and offer of short-term money.

(3) Events that occurred during the financial crisis have shed light on several features of MMFs that make them vulnerable when there are difficulties in financial markets and they could therefore spread or amplify risks through the financial system. When the prices of the assets in which the MMFs are invested in start to decrease, especially during stressed market situations, the MMF cannot always maintain the promise to redeem immediately and to preserve the principal value of a unit or share issued by the MMF to investors. This situation, that according to the Financial Stability Board (FSB) and the International Organization of Securities Commissions (IOSCO) can be particularly serious for constant or stable net asset value MMFs, may trigger substantial and sudden redemption requests, potentially triggering broader macroeconomic consequences.

(4) Large redemption requests could force MMFs to sell some of their investment assets in a declining market, potentially fuelling a liquidity crisis. In these circumstances, money market issuers can face severe funding difficulties if the markets for commercial paper and other money market instruments dry up. This could lead to contagion within the short term funding market and result in direct and major difficulties in the financing of financial institutions, corporations and governments, and thus the economy.

(5) Asset managers, backed by sponsors, may decide to provide discretionary support to maintain the liquidity and the stability of their MMFs. Sponsors are often forced to support their sponsored MMFs that are losing value due to reputational risk and fear that panic could spread into sponsors' other businesses. Depending on the size of the fund and the extent of the redemption pressure, sponsor support may reach proportions that exceed their readily available reserves. Therefore, an MMF should not receive external support.

(6) In order to preserve the integrity and stability of the internal market , it is necessary to lay down rules regarding the operation of MMFs, in particular on the composition of the portfolio of MMFs. This is intended to make MMFs more resilient and limit contagion channels. Uniform rules across the Union are necessary to ensure that MMFs are able to honour redemption requests from investors, especially during stressed market situations. Uniform rules on the portfolio of a money market fund are also required to ensure that MMFs are able to face substantial and sudden redemption requests by a large group of investors.

(7) Uniform rules on MMFs are necessary to ensure the smooth operation of the short term funding market for financial institutions, corporate issuers of short term debt and governments. They are also required to ensure the equal treatment of MMF investors and to avoid late redeemers being disadvantaged if redemptions are temporarily suspended or if the MMF is liquidated.

(8) It is necessary to provide for the harmonisation of prudential requirements related to MMFs by setting out clear rules that impose direct obligations on MMFs and their managers throughout the Union. This would enhance the stability of MMFs as a source of short-term finance for governments and the corporate sector across the Union. It would also ensure that MMFs remain a reliable tool for the cash management needs of the Union's industry.

(9) The MMF Guidelines adopted by the Committee of European Securities Regulators (CESR) to create a minimum level playing field for MMFs in the Union were applied one year after their entry into force only by 12 Member States thus demonstrating the persistence of divergent national rules. Different national approaches fail to address the vulnerabilities of money markets in the Union and fail to mitigate the contagion risks thereby endangering the functioning and stability of the internal market, as evidenced during the financial crisis. These common rules on MMFs should therefore provide a high level of protection for investors and should prevent and mitigate any potential contagion risks resulting from possible runs by investors on MMFs.

(10) In the absence of a Regulation setting out rules on MMFs, diverging measures might continue to be adopted at national level. This would continue to cause significant distortions of competition resulting from important differences in essential investment protection standards. Diverging requirements on portfolio composition, eligible assets, their maturity, liquidity and diversification, as well as on credit quality of issuers of money market instruments lead to different levels of investor protection because of the different levels of risk attached to the investment proposition associated with a money market fund. It is therefore essential to adopt a uniform set of rules in order to avoid contagion of the short term funding market which would put at risk the stability of the Union's financial market. In order to mitigate systemic risk, Constant Net Asset Value MMFs (CNAV MMFs) should only operate in the Union as a Public debt CNAV MMF.

(11) The new rules on MMFs build upon Directive 2009/65/EC[1], which forms the legal framework governing the establishment, management and marketing of UCITS in the Union, and on Directive 2011/61/EU[2], which forms the legal framework governing the establishment, management and marketing of AIFs in the Union.

(12) In the Union, collective investment undertakings may operate as undertakings for collective investment in transferable securities (UCITS) managed by UCITS managers or investment companies authorised under Directive 2009/65/EC or as alternative investment funds (AIFs) managed by alternative investment fund managers (AIFMs) authorised or registered under Directive 2011/61/EU. The new rules on MMFs supplement the provisions of those Directives. Hence the new uniform rules on MMFs should apply in addition to those laid down in Directives 2009/65/EC and 2011/61/EU. At the same time, a number of rules concerning the investment policies of UCITS laid down in Chapter VII of Directive 2009/65/EC should be explicitly dis-applied and specific product rules should be laid down in these new uniform provisions on MMFs.

(13) Harmonised rules should apply to collective investment undertakings whose characteristics correspond to those associated with a MMF. For UCITS and AIFs that have the objective of offering returns in line with money market rates, or of preserving the value of the investment, and that seek to achieve these objectives by investing in short term assets such as money market instruments or deposits, or entering into reverse repurchase agreements, or certain derivative contracts with the sole purpose of hedging risks inherent to other investments of the fund, compliance with the new rules on MMFs should be mandatory.

[1] Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (*OJ L 302, 17.11.2009, p. 32).*

[2] Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (*OJ L 174, 1.7.2011, p. 1).*

(14) The specificity of MMFs results from a combination of the assets in which they invest and the objectives they pursue. The objective to offer a return in line with money market rates and the objective to preserve the value of an investment are not mutually exclusive. A MMF may have either one of these objective or both objectives jointly.

(15) The objective of offering returns in line with money market rates should be understood in a broad sense. The anticipated return does not need to be perfectly aligned with EONIA, Libor, Euribor or any other relevant money market rate. An objective which seeks to outperform the money market rate by a slight margin should not be considered to take a UCITS or AIF outside the scope of the new uniform rules.

(16) The objective of preserving the value of the investment should not be understood as a capital guarantee promised by the fund. It should be understood as an aim that the UCITS or AIF seeks to pursue. A decrease in value of the investments should not imply that the collective investment undertaking has changed the objective to preserve the value of an investment.

(17) It is important that UCITS and AIFs that have the characteristics of MMFs be identified as MMFs and that their capacity to comply on an on-going basis with the new uniform rules on MMFs be explicitly verified. For this purpose competent authorities should authorise MMFs. For UCITS the authorisation as MMF should be part of the authorisation as UCITS in accordance with the harmonised procedures envisaged in Directive 2009/65/EC. For AIFs, as they are not subject to harmonised authorisation and supervision procedures under Directive 2011/61/EU, it is necessary to provide for common basic rules on authorisation that mirror the existing UCITS harmonised rules. Such procedures should ensure that the manager of an AIF authorised as a MMF is an alternative investment fund manager (AIFM) authorised in accordance with Directive 2011/61/EU.

(18) In order to make sure that all collective investment undertakings displaying the characteristics of MMFs are subject to the new common rules on MMFs, it is necessary to prohibit the use of the designation ‘MMF’ or any other term that suggests that a collective investment undertaking shares the characteristics of MMFs unless this Regulation is complied with. To prevent circumvention of the MMF rules, competent authorities should monitor the market practices of collective investment undertakings established or marketed in their jurisdiction to verify that they do not misuse the MMF designation or suggest that they are a MMF without complying with the new regulatory framework.

(19) The new rules applicable to MMFs should build on the existing regulatory framework established through Directive 2009/65/EC and Directive 2011/61/EU and the acts adopted for their implementation. Therefore, the product rules concerning MMFs should apply in addition to the product rules laid down in the existing Union legislation unless they are explicitly dis-applied. Furthermore, the management and marketing rules laid down in the existing framework should apply to MMFs taking into account whether they are UCITS or AIFs. Equally, the rules on the cross-border provision of services and freedom of establishment laid down in Directives 2009/65/EC and 2011/61/EU should apply accordingly to the cross-border activities of MMFs.

(20) Given that UCITS and AIFs may take different legal forms that do not necessarily endow them with legal personality, the provisions requiring MMFs to take action should be understood to refer to the manager of the MMF in cases where the MMF is constituted as a UCITS or an AIF that is not in a position to act by itself because it has no legal personality of its own.

(21) Rules on the portfolio of MMFs would require a clear identification of the categories of assets that should be eligible for investment by MMFs and of the conditions under which they are eligible. To ensure the integrity of MMFs it is also desirable to prohibit a MMF from engaging in certain financial transactions that would endanger its investment strategy and objectives.

(22) Money market instruments are transferable instruments normally dealt in on the money market, as treasury and local authority bills, certificates of deposits, commercial papers, bankers' acceptances or medium- or short-term notes. They should be eligible for investment by MMFs only insofar as they comply with maturity limits and are considered by the MMF to be of high credit quality.

(22a) In addition to the case in which a MMF invests in bank deposits in accordance with its fund rules or its instruments of incorporation, it should be possible to allow the MMF to hold ancillary liquid assets, such as cash in a bank account accessible at any time. The holding of such ancillary liquid assets may be justified, inter alia, in order to cover current or exceptional payments; in the case of sales, for the time necessary to reinvest in eligible assets.

(23) Securitisations including Asset Backed Commercial Papers (ABCPs) should be considered eligible money market instruments to the extent that they respect additional requirements. Due to the fact that during the crisis certain securitisations were particularly unstable, it is necessary to impose certain quality criteria on securitisations and ABCPs to make sure that only those securitisations that performed well should be eligible. Before the Regulation for simple, transparent and standardised securitisations (STS) that is proposed at Union level becomes applicable for the purposes of this Regulation, money market funds should be allowed to invest in securitisations and ABCPs up to 15 % of their assets. The Commission should adopt a delegated act to ensure that the criteria identifying STS apply for the purposes of this Regulation. Once that delegated act applies, money market funds should be allowed to invest in securitisations up to 20 % of their assets, of which up to 15 % may be invested in securitisations and ABCPs which are not STS.

(24) A MMF should be allowed to invest in deposits to the extent that it is able to withdraw the money at any time. The effective possibility of withdrawal would be impaired if the penalties associated with the early withdrawal are so high as to exceed the interest accrued prior to withdrawal. For this reason the MMF should take due care not to make deposits with a credit institution that requires above average penalties or to engage in too long deposits where this results in too high penalties.

(24a) In order to take into account the differences in banking structures across the Union, particularly in smaller Member States or in Member States where there is a highly concentrated banking sector, and where it would be uneconomical for a MMF to use the services of a credit institution in another Member State, such as where this would necessitate currency exchange and the associated costs and risks, some flexibility in terms of an increase in the diversification requirement for deposits with the same credit institution should be allowed.

(25) Financial derivative instruments eligible for investment by a MMF should only serve the purpose of hedging interest rate and currency risk and should only have as an underlying instrument interest rates, exchange currencies or indices representing these categories. Any use of derivatives for another purpose or on other underlying assets should be prohibited. Derivatives should only be used as a complement to the fund strategy but not as the main tool for achieving the fund's objectives. Should a MMF invest in assets labelled in another currency than the currency of the fund, it is expected that the MMF manager would hedge the entire currency risk exposure, including via derivatives. MMFs should be entitled to invest in financial derivate instruments if that instrument is traded on a regulated market referred to in Article 50(1)(a), (b) or (c) of Directive 2009/65/EC or traded over-the-counter (OTC) provided certain conditions are fulfilled.

(26) Reverse repurchase agreements could be used by MMFs as a means to invest excess cash on a very short-term basis, provided that the position is fully collateralized. In order to protect the interests of the investors it is necessary to ensure that the collateral provided in the framework of reverse repurchase agreements is of high quality and does not display a high correlation with the performance of the counterparty in order to avoid a negative impact, in the event of default of the counterparty. In addition, an MMF should be allowed to invest in repurchase agreements up to a limit of 10% of its assets. All other efficient portfolio management techniques, including securities lending and borrowing, should not be used by the MMF as they are likely to impinge on achieving the investment objectives of the MMF.

(27) In order to limit risk-taking by MMFs it is essential to reduce counterparty risk by subjecting the portfolio of MMFs to clear diversification requirements. To this effect it is also necessary that the reverse repurchase agreements be fully collateralized and that, for limiting the operational risk, one reverse repurchase agreement counterparty cannot account for more than 15% of the MMF's assets. All over-the-counter (OTC) derivatives should be subject to Regulation (EU) No 648/2012[1].

(28) For prudential reasons and in order to avoid the exercise of significant influence over the management of an issuing body by the MMF, it is necessary to avoid excessive concentration by a MMF in investments issued by the same issuing body.

(28c) MMFs solely operating as employee savings schemes may diverge from certain requirements applicable to investments in other MMFs in so far as the participants in the fund, which are natural persons, are subject to restrictive redemption conditions, which are not linked to market developments but related to particular and predefined life events such as retirement and other special circumstances, including but not limited to the acquisition of a main residence, divorce, sickness or unemployment. It is important for employees to be allowed to invest in MMF which are considered as one of the safest short term investments. This derogation does not endanger the objective of this Regulation to ensure financial stability, as the employee investing in a MMF via their employee savings schemes cannot redeem their investment on demand. Redemptions may only occur in case of certain predefined life events. Therefore, even in stressed market situations, employees will not be able to redeem their investment in MMF.

---

[1] Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (*OJ L 201, 27.7.2012, p. 1).*

(29) The MMF should have a responsibility to invest in high quality eligible assets. Therefore, a MMF should have a prudent internal credit quality assessment procedure for determining the credit quality of the money market instruments, securitisations and ABCPs in which it intends to invest. In accordance with Union legislation limiting over-reliance on credit ratings, it is important that MMFs avoid mechanistic reliance and over-reliance on ratings issued by rating agencies. MMFs should be able to use ratings as a complement to their own assessment of the quality of eligible assets. MMF managers should undertake a new assessment of money market instruments, securitisations and ABCPs when there is a material change, in particular when it comes to the attention of a manager of a MMF that a money market instrument, securitisation or ABCP is downgraded below the two highest short-term credit ratings provided by any credit rating agency regulated and certified in accordance with Regulation (EU) no. 1060/2009. To that end, MMF managers should be able to establish an internal procedure for the selection of credit rating agencies suited to the specific investment portfolio of the MMF and for determining the frequency at which the MMF should monitor the ratings of those agencies. The selection of credit rating agencies should remain consistent over time.

(29a) Taking note of the work done by international bodies, such as IOSCO and the FSB, as well as in European legislation, such as Regulation (EU) No 462/2013 of the European Parliament and of the Council[1] and Directive 2013/14/EU of the European Parliament and of the Council[2], on reducing investor overreliance on credit ratings, it is not appropriate to explicitly ban any product, including MMFs, from soliciting or financing an external credit rating.

---

1 Regulation (EU) No 462/2013 of the European Parliament and of the Council of 21 May 2013 amending Regulation (EC) No 1060/2009 on credit rating agencies (**OJ L 146, 31.5.2013, p. 1)**

2 Directive 2013/14/EU of the European Parliament and of the Council of 21 May 2013 amending Directive 2003/41/EC on the activities and supervision of institutions for occupational retirement provision, Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) and Directive 2011/61/EU on Alternative Investment Funds Managers in respect of over-reliance on credit ratings (**OJ L 145, 31.5.2013, p. 1)**

(30) For the purpose of avoiding that MMF managers use different assessment criteria for evaluating the credit quality of a money market instrument, securitisation or ABCP and thus attribute different risk characteristics to the same instrument, it is essential that managers rely on the same criteria. To that effect the minimum criteria for the assessment should be harmonised. Examples of internal credit quality assessment criteria are quantitative measures on the issuer of the instrument, such as financial ratios, balance sheet dynamics and profitability guidelines, each of which are evaluated and compared to those of industry peers and groups; qualitative measures on the issuer of the instrument, such as management effectiveness and corporate strategy, each of which are analysed with a view to determining that the issuer's overall strategy does not impede on its future credit quality. A favourable outcome of the internal credit quality assessment should reflect sufficient creditworthiness of the issuer of the instruments and sufficient credit quality of the instruments.

(31) In order to develop a transparent and coherent credit quality assessment procedure, the manager should document the procedure and the credit quality assessments. This should ensure that the procedure follows a clear set of rules that can be monitored and that the methodologies employed are communicated, upon request, to the investors and competent authorities in line with this Regulation.

(32) To reduce MMF portfolio risk it is important to set maturity limitations, providing for a maximum allowable weighted average maturity (WAM) and weighted average life (WAL).

(33) WAM is used to measure the sensitivity of a MMF to changing money market interest rates. When determining the WAM, managers should take into account the impact of financial derivative instruments, deposits, repurchase agreements and reverse repurchase agreements and reflect their effect on the interest rate risk of the MMF. When a MMF enters into a swap transaction in order to gain exposure to a fixed rate instrument instead of a floating rate this should be taken into account for determining the WAM.

(34) WAL is used to measure the credit risk, as the longer the reimbursement of principal is postponed, the higher is the credit risk. WAL is also used to limit the liquidity risk. Contrary to the calculation of the WAM, the calculation of the WAL for floating rate securities and structured financial instruments does not permit the use of interest rate reset dates and instead only uses a financial instrument's stated final maturity. The maturity used for calculating the WAL is the residual maturity until legal redemption, since this is the only date at which the management company can reasonably expect that the instrument will have been reimbursed. Due to the particular nature of the underlying assets for some securitisations and ABCPs, in the case of amortising instruments, the WAL should be able to be based on the maturity calculation for amortising instruments either on the contractual amortisation profile of such instruments or the amortisation profile of the underlying assets from which the cash flows for the redemption of such instruments result.

(35) In order to strengthen MMFs' ability to face redemptions and prevent MMFs assets from being liquidated at heavily discounted prices, MMFs should hold on an on-going basis a minimum amount of liquid assets that mature daily or weekly. Daily maturing assets should comprise assets such as cash, securities that mature within one business day and reverse repurchase agreements. Weekly maturing assets should comprise assets such as cash, securities that mature within one week and reverse repurchase agreements. In the case of the public debt CNAV and LVNAV, a limited percentage of government paper with a residual maturity of 190 days that can be settled within one business day should also be able to be counted towards the weekly liquidity requirements. In the case of VNAVs, a limited percentage of units and shares of eligible MMFs should also be able to be counted towards the weekly liquidity requirements provided they can be settled within five business days. To calculate the proportion of daily and weekly maturing assets, the legal redemption date of the asset should be used. The possibility for the manager to terminate a contract on a short term basis can be taken into consideration. For instance, if a reverse repurchase agreement can be terminated with a one day prior notice, it should count as a daily maturing asset. If the manager has the possibility to withdraw money from a deposit account with a one day prior notice, it can count as a daily maturing asset. When a financial instrument embeds a put option and the put can be freely exercised on a daily basis, or respectively within the next five business days, and the strike price of the put is close to the expected value of the instrument, that instrument can count as a daily or respectively a weekly maturing asset.

(36) Given that MMFs may invest in assets with different maturity ranges, investors should be able to distinguish between different categories of MMF. Therefore, MMFs should be classified as either short-term MMF or as standard MMF. Short-term MMFs have the objective of offering money market rate returns while ensuring the highest possible level of safety for the investors. With short WAM and WAL, the duration risk and credit risk of short-term MMFs are kept at low levels.

(37) Standard MMFs have the objective of offering returns slightly higher than money market returns, and therefore they invest in assets that have an extended maturity. To achieve this outperformance, this category of MMFs should be permitted to employ extended limits for the portfolio risk such as weighted average maturity and weighted average life.

(38) Under the rules laid down in Article 84 of Directive 2009/65/EC, the managers of UCITS MMFs have the possibility to temporarily suspend redemptions in exceptional cases where circumstances so require. Under the rules laid down in Article 16 of Directive 2011/61/EU and in Article 47 of the Commission Delegated Regulation (EU) No 231/2013[1], the managers of AIF MMFs may use special arrangements in order to cope with a supervening illiquidity of the funds' assets.

In order to ensure appropriate liquidity management it is necessary that MMFs establish sound policies and procedures to know their investors. The policies that the manager has to put in place should help understanding the MMF's investor base, to the extent that large redemptions could be anticipated. In order to avoid that the MMF faces sudden massive redemptions, particular attention should be paid to large investors representing a substantial portion of the MMF's assets, as with one investor representing more than the proportion of daily maturing assets. The manager should whenever possible look at the identity of the investors, even if they are represented by nominee accounts, portals or any other indirect buyer.

(40) As part of a prudent risk management, MMFs should, at least bi-annually, conduct stress testing. The managers of MMFs are expected to act in order to strengthen the MMF's robustness whenever the results of stress testing point to vulnerabilities.

---

1 Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision (OJ L 83, 22.3.2013, p. 1).

(41) In order to reflect the actual value of assets, the use of mark to market should be the preferred method. A manager should not be allowed to use the mark to model valuation method when marking to market provides a reliable value of the asset, as the mark to model method is prone to providing less accurate valuation. Assets such as treasury and local authority bills, medium- or short-term notes are generally the ones that are expected to have a reliable mark to market value. For valuing commercial papers or certificates of deposit, the manager should check if accurate pricing is provided by a secondary market. The buy-back price offered by the issuer should also be considered to represent a good estimate of the value of the commercial paper. Some assets can be inherently difficult to value based on market prices, for example some OTC derivatives which are thinly traded. Where this is the case and mark to market does not provide a reliable value of the assets, the manager should assign a fair value to the asset by using the mark to model valuation method, for example the manager should use market data such as yields on comparable issues and comparable issuers or by discounting the the asset's cash flows. The mark to model accounting method uses financial models to allocate a fair value to an asset. Such models can, for example, be developed by the MMF itself, or the fund can use existing models from external parties such as data vendors.

(42) Constant Net Asset Value MMFs (CNAV MMFs) have the objective of preserving the capital of the investment while ensuring a high degree of liquidity. The majority of CNAV MMFs have a net asset value (NAV) per unit or share set, for example, at 1 €, $ or £ when they distribute the income to the investors. The others accumulate income in the NAV of the fund while maintaining the intrinsic value of the asset at a constant value.

(43) To allow for the specificities of public debt CNAV and LVNAV MMFs, they should also be permitted to use the internationally recognised amortised cost accounting method as set out under international accounting standards as adopted by the Union for certain assets. Notwithstanding the foregoing, for the purpose of ensuring at all times the monitoring of the difference between the constant NAV per unit or share and the NAV per unit or share, public debt CNAV and LVNAV MMFs should also calculate the value of its assets on the basis of the mark to market or mark to model methods.

(44) As a MMF should publish a NAV that reflects all movements in the value of its assets, the published NAV should be rounded at maximum to the nearest basis point or its equivalent. As a consequence, when the NAV is published in a specific currency, for example €1, the incremental change in value should be done every €0.0001. In the case of a NAV at €100, the incremental change in value should be done every €0.01. In addition, if the MMF is a CNAV MMF or a LVNAV MMF, the MMF should be able to publish the constant NAV and the difference between the constant NAV and the NAV. In this case the constant NAV is calculated by rounding the NAV to the nearest cent for a NAV at €1 (every €0.01 move).

(45) In order to be able to mitigate potential investor redemptions in times of severe market stress, Public Debt CNAV and LVNAV MMFs should have in place provisions for liquidity fees and redemption gates to ensure investor protection and prevent “first mover advantage”. The liquidity fee should adequately reflect the cost to the MMF of achieving liquidity and should not amount to a penalty charge that would offset losses incurred by other investors as a result of the redemption.

(47) External support provided to a MMF with a view to maintaining either liquidity or stability or de facto having such effects increases the contagion risk between the MMF sector and the rest of the financial sector. Third parties, including credit institutions, other financial institutions or legal entities in the same group of the MMF, providing such support could have an interest in doing so, either because they have an economic interest in the management company managing the MMF or because they want to avoid any reputational damage should their name be associated with the failure of a MMF. Because these third parties do not always commit explicitly to providing or guaranteeing the support, there is uncertainty whether such support will be granted when the MMF needs it. In these circumstances, the discretionary nature of sponsor support contributes to uncertainty among market participants about who will bear losses of the MMF when they do occur. This uncertainty likely makes MMFs even more vulnerable to runs during periods of financial instability, when broader financial risks are most pronounced and when concerns arise about the health of the sponsors and their ability to provide support to affiliated MMFs. For these reasons, external support for MMFs should be prohibited.

(48) Investors should be clearly informed, before they invest in a MMF, if the MMF is of a short-term nature or of a standard nature and whether the MMF is public debt CNAV MMF, a LVNAV MMF or a VNAV MMF. In order to avoid misplaced expectations from the investor, it must also be clearly stated in any marketing document that MMFs are not a guaranteed investment vehicle. MMFs should also make available certain other information to investors on a weekly basis, including the maturity breakdown of the portfolio, the credit profile and details of the ten largest holdings in the MMF.

(49) In addition to reporting already required under Directives 2009/65/EC or 2011/61/EU, and to ensure that competent authorities are able to detect, monitor and respond to risks in the MMF market, MMFs should report to their competent authorities a detailed list of information on the MMF, including the type and characteristics of the MMF, portfolio indicators and information on the assets held in the portfolio. Competent authorities should collect these data in a consistent way throughout the Union in order to obtain a substantive knowledge of the main evolutions of the MMF market. To facilitate a collective analysis of potential impacts of the MMF market in the Union, such data should be transmitted to the European Securities and Markets Authority (ESMA) who should create a central database for MMFs.

(50) The competent authority of the MMF should verify whether a MMF is able to comply with this Regulation on an on-going basis. Therefore, competent authorities should be given all the supervisory and investigatory powers, including the ability to impose certain penalties and measures, necessary for the exercise of their functions with respect to this Regulation. The foregoing should be without prejudice to powers existing under Directives 2009/65/EC and 2011/61/EU. The competent authorities for the UCITS or AIF should also verify compliance of all collective investment undertakings that display the characteristics of MMFs that are in existence at the time this Regulation enters into force.

(51) The Commission should adopt the delegated acts in the area of the internal assessment procedure pursuant to Article 290 of the Treaty on the Functioning of the European Union. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level.

(52) The Commission should also be empowered to adopt implementing technical standards by means of implementing acts pursuant to Article 291 of the Treaty on the Functioning of the European Union and in accordance with Article 15 of Regulation (EU) No 1095/2010[1]. ESMA should be entrusted with drafting implementing technical standards for submission to the Commission with regard to a reporting template containing information on MMFs for competent authorities.

(53) ESMA should be able to exercise all the powers conferred on it under Directives 2009/65/EC and 2011/61/EU with respect to this Regulation. It is also entrusted with developing draft implementing technical standards.

---

1 Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

(54) By 5 years after the entry into force of this Regulation, it is essential that the Commission undertakes a review of this Regulation. That review should consider the experience acquired in applying this Regulation and analyse the impacts on the different economic aspects attached to the MMFs. It should also consider the impact on investors, MMFs and the managers of MMFs in the Union. It should also assess the role that MMFs play in purchasing debt issued or guaranteed by the Member States, while taking into account the specific characteristics of such debt given that it plays a vital role in financing Member States. In additon the review should take into account the report referred to in Article 509(3) of Regulation (EU) No 575/2013, the impact of the regulation on the short-term financing markets and the regulatory developments at international level. Finally, 5 years after entry into force of this Regulation, the Commission should present a report on the feasibility of establishing an 80% EU public debt quota, as the issuance of EU short-term public debt instruments is governed by Union law, which therefore justifies from a prudential supervisory point of view a preferential treatment as opposed to non-EU government debt. Given the current scarcity of EU short-term public debt instruments and the uncertainty with respect to the development of the newly established LVNAV MMF, the Commission should review the viability of establishing an 80% EU public debt quota five years after this regulation has entered into force, including an assessment of whether the LVNAV model has become an appropriate alternative for non-EU government debt CNAV MMF.

(55) The new uniform rules on MMFs should comply with the provisions of Directive 95/46/EC of the European Parliament and of the Council[1] and with Regulation (EC) No 45/2001 of the European Parliament and of the Council[2].

---

1 Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (OJ L 281, 23.11.1995, p. 31).

2 Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and of the free movement of such data (*OJ L 8, 12.1.2001, p. 1).*

(56) Since the objectives of this Regulation, namely to ensure uniform prudential, governance and transparency requirements that apply to MMFs throughout the Union, while taking full account of the need to balance safety and reliability of MMFs with the efficient operation of the money markets and the cost for its various stakeholders, cannot be sufficiently achieved by the Member States and can therefore, by reason of its scale and effects, be better achieved at Union level, the Union may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on the European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.

(57) The new uniform rules on MMFs respect the fundamental rights and observe the principles recognised in particular by the Charter of Fundamental Rights of the European Union and notably consumer protection, the freedom to conduct a business and the protection of personal data. The new uniform rules on MMFs should be applied in accordance with those rights and principles,

HAVE ADOPTED THIS REGULATION:

Chapter I

General provisions

Article 1

Subject matter and scope

1. This Regulation lays down rules concerning the financial instruments eligible for investment by a money market fund (MMF), its portfolio and valuation, and the reporting requirements in relation to a MMF established, managed or marketed in the Union.

This Regulation applies to collective investment undertakings that:

i. require authorisation as UCITS or are authorised as UCITS under Directive 2009/65/EC or are AIFs under Directive 2011/61/EU;

ii. invest in short term assets; and

iii. have distinct or cumulative objectives offering returns in line with money market rates or preserving the value of the investment.

2. Member States shall not add any additional requirements in the field covered by this Regulation.

Article 2

Definitions

For the purposes of this Regulation the following definitions shall apply:

(1) “short term assets” means financial assets with a residual maturity not exceeding two years;

(2) “money market instruments” means money market instruments as defined in Article 2(1)(o) of Directive 2009/65/EC, and instruments as referred to in Article 3 of Directive 2007/16/EC;

(3) “transferable securities” means transferable securities as defined in Article 2(1)(n) of Directive 2009/65/EC and instruments as referred to in Article 2(1) of Directive 2007/16/EC;

(4) “repurchase agreement” means any agreement in which one party transfers securities or any rights related to that title to a counterparty, subject to a commitment to repurchase them at a specified price on a future date specified or to be specified;

(5) “reverse repurchase agreement” means any agreement in which one party receives securities, or any rights related to a title or security from a counterparty subject to a commitment to sell them back at a specified price on a future date specified or to be specified;

(6) “securities lending” and “securities borrowing” mean any transaction in which an institution or its counterparty transfers securities subject to a commitment that the borrower will return equivalent securities at some future date or when requested to do so by the transferor, that transaction being securities lending for the institution transferring the securities and being securities borrowing for the institution to which they are transferred;

(7) “securitisation” means securitisation as defined in Article 4(1)(61) of Regulation 575/2013 [1] ;

(9) “mark to market” means the valuation of positions at readily available close out prices that are sourced independently, including exchange prices, screen prices, or quotes from several independent reputable brokers;

(10) “mark to model” means any valuation which has to be benchmarked, extrapolated or otherwise calculated from one or more market input;

(11) “amortised cost method” means a valuation method which takes the acquisition cost of an asset and adjusts this value for amortisation of premiums (or discounts) until maturity;

(12a) "Public Debt Constant Net Asset Value Money Market Fund” (or “CNAV MMF”) means an MMF

(i) that seeks to maintain an unchanging net asset value (NAV) per unit or share;

(ii) where the income in the fund is accrued daily and can either be paid out to the investor or used to purchase more units in the fund, and

(iii) where assets are generally valued according to the amortised cost method and where the NAV is rounded to the nearest percentage point or its equivalent in currency terms; and

(iv) invests at least 99.5% of its assets in the instruments referred to in Article 14(6), reverse repurchase agreements secured with government debt referred to in Article 14(6) and in cash;

[1] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, OJ L 176, 27.06.2013, p. 1-337

(12b) "Low Volatility Net Asset Value Money Market Fund" (LVNAV MMF) means a MMF that complies with the specific requirements laid down in Articles 26, 27, 27b and 28(2)(b);

(12c) Variable Net Asset Value Money Market Fund (or “VNAV MMF”) means a MMF that complies with the specific requirements laid down in Articles 26, 27 and 28(1);

(13) “Short-term MMF” means a money market fund that invests in eligible money market instruments referred to in Article 9(1) and is subject to the portfolio rules set out in Article 21;

(14) “Standard MMF” means a money market fund that invests in eligible money market instruments referred to in Article 9(1) and (2) and is subject to the portfolio rules set out in Article 22;

(15) “credit institutions” means credit institution as defined in Article 4(1)(1) of Regulation 575/2013;

(16) “competent authority of the MMF” means :

(a) for UCITS the competent authority of the UCITS home Member State designated in accordance with Article 97 of Directive 2009/65/EC

(b) for EU AIFs the competent authority of the home Member State of the AIF as defined in Article 4(1)(p) of Directive 2011/61/EU;

(c) for non-EU AIFs any of the following:

(i) the competent authority of the Member State where the non-EU AIF is marketed in the Union without a passport;

(ii) the competent authority of the EU AIFM managing the non-EU AIF, where the non-EU AIF is marketed in the Union with a passport or is not marketed in the Union;

(iii) the competent authority of the Member State of reference if the non-EU AIF is not managed by an EU AIFM and is marketed in the Union with a passport;

(17) “MMF home Member State” means the Member State where the MMF is authorised;

(18) “weighted average maturity (WAM)” means the average length of time to the legal maturity or, if shorter, to the next interest rate reset to a money market rate, of all the underlying assets in the MMF reflecting the relative holdings in each asset;

(19) “weighted average life (WAL)” means the average length of time to the legal maturity of all the underlying assets in the MMF reflecting the relative holdings in each asset;

(20) “legal maturity” means the date when the principal of a security is to be repaid in full and which is not subject to any optionality;

(21) “residual maturity” means the length of time remaining until the legal maturity;

(22) “short sale” means any sale by the MMF of an instrument which the MMF does not own at the time of entering into the agreement to sell, including such a sale where, at the time of entering into the agreement to sell, the MMF has borrowed or agreed to borrow the instrument for delivery at settlement, not including:

i. a sale by either party under a repurchase agreement where one party has agreed to sell the other a security at a specified price with a commitment from the other party to sell the security back at a later date at another specified price; or

ii. entry into a futures contract or other derivative contract where it is agreed to sell securities at a specified price at a future date;

(23) "manager of a MMF” means, in the case of a UCITS MMF, the UCITS management company or the UCITS investment company in the case of a self-managed UCITS and in the case an AIF MMF an alternative investment fund manager (AIFM) or an internally-managed AIF.

Article 2a

Types of MMFs

1. MMFs shall be set up as one of the following types:

(a) VNAV MMF;

(b) Public debt CNAV MMF;

(c) LVNAV MMF.

2. The authorisation of an MMF shall explicitly state the type of MMF as referred to in paragraph 1.

Article 3

Authorisation of MMFs

1. No collective investment undertaking shall be established, marketed or managed in the Union as MMF unless it has been authorised in accordance with this Regulation.

Such authorisation shall be valid for all Member States.

2. A collective investment undertaking that requires authorisation as a UCITS under Directive 2009/65/EC and as a MMF under this regulation for the first time shall be authorised as a MMF as part of the authorisation procedure pursuant to Directive 2009/65/EC.Where a UCITS has already been authorised under Directive 2009/65/EC it can apply for authorisation as a MMF in accordance with procedure set out in paragraph 4 and 5 of this Article.

3. A collective investment undertaking that is an AIF shall be authorised as a MMF pursuant to the authorisation procedure laid down in Article 4.

4. No collective investment undertaking shall be authorised as a MMF unless the competent authority of the MMF is satisfied that the MMF will be able to meet all the requirements of this Regulation.

5. For the purposes of authorisation, the MMF shall submit to its competent authority the following documents:

(a) the fund rules or instruments of incorporation, including the indication of the type of MMF from those set out in Article 2a;

(b) identification of the manager;

(c) identification of the depositary;

(d) a description of, or any information on the MMF available to investors;

(e) a description of, or any information on, the arrangements and procedures needed to comply with the requirements referred to in Chapters II to VII;

(f) any other information or document requested by the competent authority of the MMF to verify compliance with the requirements of this Regulation.

6. The competent authorities shall, on a quarterly basis, inform ESMA of authorisations granted or withdrawn pursuant to this Regulation.

7. ESMA shall keep a central public register identifying each MMF authorised under this Regulation, its type in accordance with Article 2a, whether it is a short term or standard MMF, its manager and the competent authority of the MMF. The register shall be made available in electronic format.

Article 4

Procedure for authorising AIF MMFs

1. An AIF shall be authorised as a MMF only if its competent authority approves the application of an AIFM that has already been authorised under Directive 2011/61/EU to manage the AIF MMF, the fund rules and the choice of the depositary.

2. When submitting the application for managing the AIF the authorised AIFM shall provide the competent authority of the MMF with:

(a) the written agreement with the depositary;

(b) information on delegation arrangements regarding portfolio and risk management and administration with regard to the AIF;

Difference is whether information is provided about only MMFs or all AIFs managed by the AIFM

(c) information about the investment strategies, the risk profile and other characteristics of AIF MMFs that the AIFM manages or intends to manage.

The competent authority of the MMF may ask the competent authority of the AIFM for clarification and information as regards the documentation referred to in the previous subparagraph or an attestation as to whether MMFs fall within the scope of the AIFM's management authorisation. The competent authority of the AIFM shall respond within 10 working days of the request by the MMF competent authority.

3. Any subsequent modifications of the documentation referred to in paragraph 2 shall be immediately notified by the AIFM to the competent authority of the MMF.

4. The competent authority of the MMF may refuse the application of the AIFM only if:

(a) the AIFM does not comply with this Regulation;

(b) the AIFM does not comply with Directive 2011/61/EU;

(c) the AIFM is not authorised by its competent authority to manage MMFs;

(d) the AIFM has not provided the documentation referred to in paragraph 2.

Before refusing an application the competent authority of the MMF shall consult the competent authority of the AIFM.

5. Authorisation of the AIF as a MMF shall not be subject either to a requirement that the AIF be managed by an AIFM authorised in the AIF home Member State or that the AIFM pursue or delegate any activities in the AIF home Member State.

6. The AIFM shall be informed within two months of the submission of a complete application, whether or not authorisation of the AIF as MMF has been granted.

7. The competent authority of the MMF shall not grant authorisation if the AIF is legally prevented from marketing its units or shares in its home Member State.

Article 5

Use of designation as MMF

1. A UCITS or an AIF shall use the designation 'money market fund' or 'MMF' in relation to itself or the units or shares it issues only where the UCITS or the AIF has been authorised in accordance with this Regulation.

A UCITS or an AIF shall not use a misleading or inaccurate designation which would suggest it is a MMF, unless it has been authorised in accordance with this Regulation.

A UCITS or an AIF shall not have characteristics which are substantially similar to those referred to in Article 1(1), unless it has been authorised in accordance with this Regulation.

2. The use of the designation 'money market fund', “MMF” or of another designation that suggests that a UCITS or AIF is a MMF shall mean its use in any external documents, prospectuses, reports, statements, advertisements, communications, letters or any other material addressed to or intended for distribution to prospective investors, unit-holders, shareholders or competent authorities in written, oral, electronic or any other form.

Article 6

Applicable rules

1. A MMF and its manager shall comply at all times with the provisions of this Regulation.

2. A MMF which is a UCITS and its manager shall comply at all times with the requirements of Directive 2009/65/EC, unless otherwise specified in this Regulation.

3. A MMF which is an AIF and its manager shall comply at all times with the requirements of Directive 2011/61/EU, unless otherwise specified in this Regulation.

4. The manager of the MMF shall be responsible for ensuring compliance with this Regulation. The manager shall be liable for any loss or damage resulting from non-compliance with this Regulation.

5. This Regulation shall not prevent MMFs from applying investment limits that are stricter than those required by this Regulation.

Chapter II
Obligations concerning the investment policies of MMFs

Section I
General rules and eligible assets

Article 7
General principles

1. Where a MMF comprises more than one investment compartment, each compartment shall be regarded as a separate MMF for the purposes of Chapters II to VII.

2. MMFs authorised as UCITS shall not be subject to the obligations concerning investment policies of UCITS laid down in Articles 49, 50, 50a, 51(2), and 52 to 57 of Directive 2009/65/EC, unless explicitly specified otherwise in this Regulation.

Article 8
Eligible assets

1. A MMF shall invest only in one or more of the following categories of financial assets and only under the conditions specified in this Regulation:

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

(aa) eligible securitisations and asset backed commercial paper (ABCPs);

(b) deposits with credit institutions;

(c) financial derivative instruments;

(d) reverse repurchase agreements that fulfil the conditions of Article 13;

(da) repurchase agreements that fulfil the conditions of Article 12a;

(e) units or shares of other MMFs.

2. A MMF shall not undertake any of the following activities:

(a) investing in assets other than those referred to in paragraph 1;

(b) short sale of the following instruments: money market instruments, securitisations, ABCPs and units or shares of other MMFs;

(c) taking direct or indirect exposure to equity or commodities, including via derivatives, certificates representing them, indices based on them or any other means or instrument that would give an exposure to them;

(d) entering into securities lending agreements or securities borrowing agreements, or any other agreement that would encumber the assets of the MMF;

(e) borrowing and lending cash

3. A MMF may hold ancillary liquid assets in accordance with Article 50(2) of Directive 2009/65/EC.

Article 9

Eligible money market instruments

1. A money market instrument shall be eligible for investment by a MMF provided that it fulfils all of the following requirements:

(a) it falls within one of the categories of money market instruments referred to in Article 50(1)(a), (b), (c) or (h) of Directive 2009/65/EC.

(b) it displays one of the following alternative characteristics:

(i) it has a legal maturity at issuance of 397 days or less;

(ii) it has a residual maturity of 397 days or less;

(c) the issuer of the money market instrument and the quality of the money market instrument have received a favourable assessment according to the rules laid down in Articles 16 to 19;

(d) where an MMF takes exposure to a securitisation and ABCPs, it shall be subject to the requirements laid down in Article 10.

2. Notwithstanding paragraph 1(b), standard MMFs shall also be allowed to invest in money market instruments with a residual maturity until the legal redemption date of less than or equal to 2 years, provided that the time remaining until the next interest rate reset date is less than or equal to 397 days. For this purpose, floating rate money market instruments and fixed rate money market instruments hedged by a swap arrangement should reset to a money market rate or index.

3. Paragraph 1(c) shall not apply to money market instruments issued or guaranteed by a central authority or central bank of a Member State, the European Central Bank, the Union,

the European Stability Mechanism, the European Financial Stability Facility, or the European Investment Bank.

Article 10

Eligible securitisations and ABCPs

1. Both a securitisation and ABCP shall be considered as eligible for investment by a MMF provided that the securitisation or ABCP is sufficiently liquid and has received a favourable assessment in accordance with Articles 16 to 19, and is any of the following:

(a) a securitisation referred to in Article 13 of Commission Delegated Regulation (EU) No 2015/61;

(b) an ABCP issued by an ABCP programme which:

i) is fully supported by a regulated credit institution that covers all liquidity, credit and material dilution risks as well as ongoing transaction costs and ongoing programme wide costs related to this commercial paper if necessary to guarantee towards the investor the full payment of any amount under the asset back commercial paper;

ii) is not a re-securitisation and the exposures underlying the securitisation at the level of each ABCP transaction do not include any securitisation position;

iii) does not include synthetic securitisations as defined by Article 242(11) of Regulation (EU) No. 575/2013;

(c) is a simple, transparent and standardised securitisation or ABCP.

1a. A short term MMF may invest in securitisations or ABCP referred to in paragraph 1 provided any of the following conditions are fulfilled:

(a) the legal maturity at issuance of securitisations referred to in point (a) of paragraph 1 is less than or equal to 2 years and the time remaining until the next interest rate reset date is less than or equal to 397 days;

(b) the residual maturity or legal maturity at issuance of securitisations or ABCP referred to in points (b) and (c) of paragraph 1 is 397 days or less;

(c) securitisations referred to in points (a) and (c) of paragraph 1 are amortising instruments and have a weighted average life of less than or equal to 2 years.

1b. A standard MMF may invest in securitisations or ABCP referred to in paragraph 1 provided any of the following conditions are fulfilled:

(a) the legal maturity at issuance or residual maturity of securitisations and ABCP referred to in points (a), (b) and (c) of paragraph 1 is less than or equal to 2 years and the time remaining until the next interest rate reset date is less than or equal to 397 days;

(b) securitisations referred to in points (a) and (c) of paragraph 1 are amortising instruments and have a weighted average life of less than or equal to 2 years.

2. The Commission shall adopt by 6 months from the date of entry into force of the [future STS regulation] a delegated act in accordance with Article 44 amending this Article by introducing a cross-reference to the criteria identifying simple, transparent and standardised securitisations and ABCPs in the corresponding provisions of that Regulation. The amendment shall become effective at the latest from 6 months after the entry into force of that delegated act or from the date of application of the corresponding provisions in the STS Regulation, whichever is the later.

For the purposes of the first sub-paragraph, the criteria shall at least include the following:

(a) requirements relating to the simplicity of the securitisation, including its true sale character and the respect of standards relating to the underwriting of the exposures;

(b) requirements relating to standardisation of the securitisation, including risk retention requirements;

(c) requirements relating to the transparency of the securitisation, including the provision of information to potential investors;

(d) for ABCPs, in addition to points (a), (b) and (c), requirements relating to the sponsor and to the sponsor support of the ABCP programme;

Article 11

Eligible deposits with credit institutions

A deposit with a credit institution shall be eligible for investment by a MMF provided that all of the following conditions are fulfilled:

(a) the deposit is repayable on demand or may be withdrawn at any time;

(b) the deposit matures in no more than 12 months;

(c) the credit institution has its registered office in a Member State or, where the credit institution has its registered office in a third country it is subject to prudential rules considered equivalent to those laid down in Union law in accordance with the procedure laid down in Article 107(4) of Regulation (EU) No 575/2013.

Article 12

Eligible financial derivative instruments

A financial derivative instrument shall be eligible for investment by a MMF if it is dealt in on a regulated market referred to in Article 50(1)(a), (b) or (c) of Directive 2009/65/EC or over-the-counter (OTC) provided that all of the following conditions arefulfilled:

(a) the underlying of the derivative instrument consists of interest rates, foreign exchange rates, currencies or indices representing one of these categories;

(b) the derivative instrument serves only the purpose of hedging the interest rate or exchange rate risks inherent to other investments of the MMF;

(c) the counterparties to OTC derivative transactions are institutions subject to prudential regulation and supervision and belonging to the categories approved by the competent authority of the MMF;

(d) the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the MMF's initiative.

Article 12a

Eligible repurchase agreements:

1. A repurchase agreement shall be eligible to be entered into by an MMF provided that all the following conditions are fulfilled:

(a) it is used on a temporary basis, for a maximum of seven working days, only for liquidity management purposes and not for investment purposes other than as referred to in point (c);

(aa) the counterparty receiving assets transferred by the MMF as collateral under the repurchase agreement is prohibited from selling, investing, pledging or otherwise transferring those assets without the MMF's prior consent;

(c) the cash received by the MMF as part of repurchase agreements may be:

(i) placed on deposits in accordance with Article 50(1)(f) Directive 2009/65/EC; or

(ii) invested in assets referred to in Article 13(5),

but shall not otherwise be invested in eligible assets as referred to in Article 8, transferred or otherwise reused.

(ca) the cash received by the MMF as part of repurchase agreements does not exceed 10% of its assets.

(d) the MMF has the right to terminate the agreement at any time upon giving notice of no more than two working days.

Article 13

Eligible reverse repurchase agreements

1. A reverse repurchase agreement shall be eligible to be entered into by a MMF provided that all of the following conditions are fulfilled:

(a) the MMF has the right to terminate the agreement at any time upon giving notice of no more than two working days;

(b) the market value of the assets received as part of the reverse repurchase agreement is at all times at least equal to the value of the cash paid out.

2. The assets received by the MMF as part of a reverse repurchase agreement shall be money market instruments that fulfil the requirements set out in Article 9.

3. Securitisations and ABCPs as defined in Article 10 shall not be received by the MMF as part of a reverse repurchase agreement. The assets received by the MMF as part of a reverse repurchase agreement shall not be sold, reinvested, pledged or otherwise transferred.

4. The assets received by the MMF as part of a reverse repurchase agreement shall be sufficiently diversified with a maximum exposure to a given issuer of 15% of the MMF's net asset value except where those assets take the form of money market instruments defined in and subject to the rules of Article 14 paragraph 6.

In addition the assets received by the MMF as part of a reverse repurchase agreement shall be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty.

4a. An MMF that enters into a reverse repurchase agreement shall ensure that it is able at any time to recall the full amount of cash on either an accrued basis or a mark-to-market basis. When the cash is recallable at any time on a mark-to-market basis, the mark-to-market value of the reverse repurchase agreement shall be used for the calculation of the NAV of the MMF.

5. By way of derogation from paragraph 2, a MMF may receive as part of a reverse repurchase agreement liquid transferable securities or money market instruments other than those that fulfil the requirements set out in Article 9 provided that those assets comply with one of the following conditions:

(a) they are issued or guaranteed by a central authority or central bank of a Member State, the European Central Bank, the Union, the European Financial Stability Facility, the European Stability Mechanism, the European Investment Bank, provided that a favourable assessment has been received pursuant to Articles 16 to 19;

(b) they are issued or guaranteed by a central authority or central bank of a third country, provided that a favourable assessment has been received pursuant to Articles 16 to 19.

The assets received as part of a reverse repurchase agreement according to the first subparagraph shall be disclosed to the MMF investors, in accordance with Article 13 of Regulation (EU) No 2015/2365.

The assets received as part of a reverse repurchase agreement according to the first subparagraph shall be subject to the rules laid down in Article 14 paragraph 6.

6. The Commission shall be empowered to adopt delegated acts in accordance with Article 44 to supplement this Regulation by specifying quantitative and qualitative liquidity requirements applicable to assets referred to in paragraph 5 and quantitative and qualitative credit quality requirements applicable to assets referred to in paragraph 5(a).

For this purpose the Commission shall take into account the report referred to in Article 509(3) of Regulation (EU) No 575/2013.

The Commission shall adopt the delegated act referred to in the first subparagraph no later than [6 months after entry into force].

Article 13a

Eligible units or shares of MMFs

1. A MMF may acquire the units or shares of other MMFs provided that

i. no more than 10 % of the assets of the MMF whose acquisition is contemplated, can, according to their fund rules or instruments of incorporation, be invested in aggregate in units or shares of other MMFs; and

ii. the MMF whose acquisition is contemplated does not hold units or shares in it.

A MMF whose units or shares have been acquired shall not invest in the acquiring MMF during the period in which the acquiring MMF holds units or shares in it.

2. A MMF may acquire the units or shares of other MMFs, provided that no more than 5 % of its assets are invested in units or shares of a single MMF.

2a. A MMF may invest in aggregate no more than 17,5% of its assets in units or shares of other MMFs.

3. Units or shares of MMFs shall be eligible for investment by a MMF provided that all of the following conditions are fulfilled:

(-a) the targeted MMF is authorised under this Regulation ;

(a) where the targeted MMF is managed, directly or under delegation, by the same manager or by any other company with which the manager of the acquiring MMF is linked by common management or control, or by a substantial direct or indirect holding, the manager of the MMF or that other company is prohibited from charging subscription or redemption fees on account of the MMFs' investment in the units or shares of the targeted MMF;

(b) where a MMF invests 10% or more of its assets in units or shares of other MMFs, the prospectus of that MMF shall disclose the maximum level of the management fees that may be charged both to the MMF itself and to the other targeted MMFs. The annual report shall indicate the maximum proportion of management fees charged both to the MMF itself and to the other MMFs in which it invests.

(3a) The provisions of paragraphs 2 to 2a of this article do not apply to an AIF MMF, authorised in accordance with Article 3(3) under the following conditions:

i. it is marketed solely through employee saving schemes governed by national law and which has natural persons as investors;

ii. the employee saving scheme only allows investors to redeem their investment subject to restrictive redemption terms which are laid down in national law, whereby redemptions may only take place in certain circumstances which are not linked to market developments.

By way of derogation from paragraph 2 to 2a of this Article, an UCITS MMF, authorised in accordance with Article 3(2) may acquire units or shares in other MMFs in accordance with Article 55 or alternatively Article 58 of Directive 2009/65/EC under the following conditions:

i. it is marketed solely through employee saving schemes governed by national law and which has natural persons as investors;

ii. the employee saving scheme only allows investors to redeem their investment subject to restrictive redemption terms which are laid down in national law, whereby redemptions may only take place in certain circumstances which are not linked to market developments.

7. Short-term MMFs may only invest in units or shares of short-term MMFs;

7a. Standard MMFs may invest in units or shares of short-term MMFs and standard MMFs.

SECTION II

PROVISIONS ON INVESTMENT POLICIES

Article 14

Diversification

1. A MMF shall invest no more than:

(a) 5% of its assets in money market instruments, securitisations and ABCPs issued by the same body;

(b) 10% of its assets in deposits made with the same credit institution, unless the structure of the banking sector in the Member State in which the MMF is domiciled is such that there are insufficient viable credit institutions to meet that diversification requirement and it is not economically feasible for the MMF to make deposits in another Member State, in which case up to 15% of its assets may be deposited with the same credit institution.

1a. By way of derogation from point (a) of paragraph 1, a VNAV MMFs may invest up to 10% of its assets in money market instruments, securitisations and ABCPs issued by the same body under the condition that the total value of the money market instruments, securitisations and ABCPs held by the VNAV MMF in the issuing bodies in each of which it invests more than 5 % of its assets shall not exceed 40 % of the value of its assets.

Until the date of application of the delegated act referred to in Article 10(2), the aggregate of all exposures to securitisations and ABCPs shall not exceed 15% of the assets of a MMF.

As from date of application of the delegated act referred to in Article 10(2), the aggregate of all exposures to securitisations and ABCPs shall not exceed 20% of the assets of a MMF whereby up to 15% of the assets of a MMF may be invested in securitisations and ABCPs not compliant with the criteria for the identification of simple, transparent and standarised securtisations and ABCPs.

3. The aggregate risk exposure to the same counterparty of the MMF stemming from OTC derivative transactions which fulfil the conditions set out in Article 12 shall not exceed 5% of its assets.

4. The aggregate amount of cash provided to the same counterparty of a MMF in reverse repurchase agreements shall not exceed 15% of its assets.

5. Notwithstanding the individual limits laid down in paragraphs 1 and 3, a MMF shall not combine, where this would lead to investment of more than 15% ofits assets in a single body, any of the following:

(a) investments in money market instruments, securitisations and ABCPs issued by that body;

(b) deposits made with that body;

(c) OTC financial derivative instruments giving counterparty risk exposure to that body.

By way of derogation from the diversification requirement referred to in the first subparagraph, where the structure of the financial market in the Member State in which the MMF is domiciled is such that there are insufficient viable financial institutions to meet that diversification requirement and it is not economically feasible for the MMF to use financial institutions in another Member State, a MMF may combine the types of investments referred to in points (a) to (c) up to a maximum investment of 20% of its assets in a single body.

6. By way of derogation from paragraph 1(a), a competent authority may authorise a MMF to invest in accordance with the principle of risk-spreading up to 100% of its assets in different money market instruments issued or guaranteed separately or jointly by the national, regional and local administrations of the Member States or their central banks, the Union, the European Central Bank, the European Investment Bank, the European Investment Fund, the European Stability Mechanism, the European Financial Stability Facility, a central authority or central bank of a third country, the International Monetary Fund, the International Bank for Reconstruction and Development, the Council of Europe Development Bank and the European Bank for Reconstruction and Development, the Bank for International Settlements or any other relevant international financial institution or organisation to which one or more Member States belong;

The first subparagraph shall only apply where all of the following requirements are met:

(a) the MMF holds money market instruments from at least six different issues by the respective issuer;

(b) the MMF limits the investment in money market instruments from the same issue to maximum 30% of its assets;

(c) the MMF makes express mention in the fund rules or instruments of incorporation of the national, regional and local administrations of the Member States or their central banks, the Union, the European Central Bank, the European Investment Bank, the European Investment Fund, the European Stability Mechanism, the European Financial Stability Facility, a central authority or central bank of a third country, the International Monetary Fund, the International Bank for Reconstruction and Development, the Council of Europe Development Bank and the European Bank for Reconstruction and Development, the Bank for International Settlements or any other relevant international financial institution or organisation to which one or more Member States belong in which it intends to invest more than 5% of its assets;

(d) the MMF includes a prominent statement in its prospectus and marketing communications drawing attention to the use of this derogation and indicating the central, regional or local authorities or central banks of Member States, the European Central Bank, the Union, the European Financial Stability Facility, the European Stability Mechanism, the European Investment Bank, the European Investment Fund, a central authority or central bank of a third country, the International Monetary Fund, the International Bank for Reconstruction and Development, the Bank for International Settlements or any other international organisation to which one or more Member States belong issuing or guaranteeing money market instruments in which it intends to invest more than 5% of its assets.

6a. Notwithstanding the individual limits laid down in paragraph 1, a MMF may invest no more than 10 % of its assets in bonds that are issued by a credit institution which has its registered office in a Member State and is subject by law to special public supervision designed to protect bond-holders. In particular, sums deriving from the issue of those bonds shall be invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

Where a MMF invests more than 5% of its assets in the bonds referred to in the first subparagraph which are issued by a single issuer, the total value of these investments shall not exceed 40% of the value of the assets of the MMF.

6b. Notwithstanding the individual limits laid down in paragraph 1, a MMF may invest no more than 20% of its assets in bonds issued by a single credit institution where the requirements set in Commission Delegated Regulation 2015/61, Article 10(1)(f) or Article 11(1)(c) are met, including any possible investment in assets referred to in paragraph 6a.

Where a MMF invests more than 5% of its assets in the bonds referred to in the first subparagraph which are issued by a single issuer, the total value of these investments shall not exceed 60% of the value of the assets of the MMF, including any possible investment in the assets referred to in paragraph 6a respecting the limits set out therein.

7. Companies which are included in the same group for the purposes of consolidated accounts, as regulated by Council Directive 83/349/EEC[1] or in accordance with recognised international accounting rules, shall be regarded as a single body for the purpose of calculating the limits referred to in paragraphs 1 to 5.

Article 15

Concentration

1. A MMF may not hold more than 10% of the money market instruments, securitisations and ABCPs issued by a single body.

2. The limit laid down in paragraph 1 shall not apply in respect of holdings of money market instruments issued or guaranteed by national, regional and local administrations of the Member States or their central banks, the Union, the European Central Bank, the European Investment Bank, the European Investment Fund, the European Stability Mechanism, the European Financial Stability Facility, a central authority or central bank of a third country, the International Monetary Fund, the International Bank for Reconstruction and Development, the Council of Europe Development Bank and the European Bank for Reconstruction and Development, the Bank for International Settlements or any other relevant international financial institution or organisation to which one or more Member States belong.

1 *Seventh Council Directive 83/349/EEC of 13 June 1983 based on the Article 54 (3) (g) of the Treaty on consolidated accounts; OJ L 193, 18.7.1983, p. 1–17*

Section III

Credit Quality of Money Market Instruments, securitisations and ABCPs

Article 16

Internal credit quality assessment procedure

1. A manager of a MMF shall establish, implement and consistently apply a prudent internal credit quality assessment procedure for determining the credit quality of money market instruments, securitisations and ABCPs taking into account the issuer of the instrument and the characteristics of the instrument itself.

1a. A manager of a MMF shall ensure that the information used in applying the internal credit quality assessment procedure is of sufficient quality, up-to-date and from reliable sources.

2. The internal assessment procedure shall be based on prudent, systematic and continuous assessment methodologies. The methodologies used shall be subject to validation by the manager of the MMF based on historical experience and empirical evidence, including back testing.

3. The manager of the MMF shall ensure that the internal credit quality assessment procedure complies with the following general principles:

(a) an effective process shall be established to obtain and update relevant information on the issuer and the instrument's characteristics;

(b) adequate measures shall be adopted and implemented to ensure that the internal credit quality assessment is based on a thorough analysis of the information that is available and pertinent, and includes all relevant driving factors that influence the creditworthiness of the issuer and the credit quality of the instrument;

(c) the internal credit quality assessment procedure shall be monitored on an ongoing basis and all credit quality assessments shall be reviewed at least annually/.

(ca) while there shall be no mechanistic overreliance on external ratings in accordance with Article 5a of Regulation (EU) No 462/2013, a manager of a MMF shall undertake a new credit quality assessment for a money market instrument, securitisations and ABCPs when there is a material change that could have an impact on the existing assessment of the instrument;

(e) the credit quality assessment methodologies shall be reviewed by the manager of an MMF at least annually to determine whether they remain appropriate for the current portfolio and external conditions, and the review shall be transmitted to competent authority of the manager of the MMF. Where a manager of the MMF becomes aware of errors in the credit quality assessment methodology or in its application it shall immediately correct those errors;

(f) when methodologies, models or key assumptions used in the internal credit quality assessment procedure are changed, the manager of a MMF shall review all affected internal credit quality assessments as soon as possible ;

Article 17
Internal credit quality assessment

1. A manager of a MMF shall apply the procedure laid down in Article 16 to determine whether the credit quality of a money market instrument, securitisation or ABCP receives a favourable assessment. Where one or more credit rating agency registered and certified in accordance with Regulation (EU) no. 1060/2009 have provided a rating of this instrument, the manager may have regard to these ratings and supplementary information and analysis in its internal credit quality assessment, while not solely or mechanistically relying on such ratings in accordance with Article 5a of Regulation (EU) No 462/2013.

2. The credit quality assessment shall take into account at least the following factors and general principles:

(a) the quantification of the credit risk of the issuer and the relative risk of default of the issuer and of the instrument;

(b) qualitative indicators on the issuer of the instrument, including in the light of the macro-economic and financial market situation;

(c) the short-term nature of money market instruments;

(d) the asset class of the instrument;

(e) the type of issuer distinguishing at least the following types of issuers: sovereign, regional or local public authority, financial corporations, and non-financial corporations;

(f) for structured financial instruments, the operational and counterparty risk inherent within the structured financial transaction and, in case of exposure to securitisations, the credit risk of the issuer, the structure of the securitisation and the credit risk of the underlying assets;

(g) the liquidity profile of the instrument.

The manager of an MMF may in addition to the criteria and factors referred to in paragraph 2, take into account warnings and indicators, when determining the credit quality of a money market instrument referred to in Article 14(6).

Article 18
Documentation

1. A manager of a MMF shall document its internal credit quality assessment procedure and the credit quality assessments. Documentation shall include:

(a) the design and operational details of its internal credit quality assessment procedure in a manner that allows competent authorities to understand and evaluate the appropriateness of a credit quality assessment;

(b) the rationale for and the analysis supporting the credit quality assessment, as well as the manager’s choice of the criteria for and the frequency of the review of the credit quality assessment.

(c) all major changes in the internal credit quality assessment procedure including identification of the triggers of such changes;

(d) the organisation of the internal credit quality assessment procedure and the internal control structure;

(e) complete internal credit quality assessment histories on instruments, issuers and where relevant recognised guarantors;

(h) the person or persons responsible for the internal credit quality assessment procedure.

1a. The manager of the MMF shall keep all the documentation referred to in paragraph 1 for at least three complete annual accounting periods.

2. The internal credit quality assessment procedure shall be detailed in the fund rules or rules of incorporation of the MMF and all documents referred to in paragraph 1 shall be made available upon request to the competent authorities of the MMF and to the competent authorities of the manager of the MMF.

Article 19

Delegated acts for the credit quality assessment

The Commission shall adopt delegated acts in accordance with Article 44 in order to supplement this Regulation by specifying the following points:

(a) the criteria for the validation of the credit quality assessment methodology referred to in Article 16(2);

(b) the criteria for quantification of the credit risk and the relative risk of default of an issuer and of the instrument, referred to in Article 17(2)(a);

(c) the criteria to establish qualitative indicators on the issuer of the instrument as referred to in Article 17(2)(b);

(d) the meaning of material change as referred to in Article 16(3)(ca).

Article 20

Governance of the credit quality assessment

1. The internal credit quality assessment procedure shall be approved by the senior management, the governing body, and, where it exists, the supervisory function of the manager of the MMF.

These parties shall have a good understanding of the internal credit quality assessment procedure, and the methodologies applied by the manager and a detailed comprehension of the associated reports.

2. A manager of a MMF shall report to the parties referred to in paragraph 1 on the MMF’s credit risk profile following from an analysis of the MMF’s internal credit quality assessments. Reporting frequencies shall depend on the significance and type of information and shall be at least annual.

3. Senior management shall ensure, on an ongoing basis that the internal credit quality assessment procedure is operating properly.

Senior management shall be regularly informed about the performance of the internal credit quality assessment procedures, the areas where deficiencies were identified, and the status of efforts and actions taken to improve previously identified deficiencies.

4. Internal credit quality assessments and their periodic reviews by the manager of a MMF shall not be performed by persons performing or responsible for the portfolio management of the MMF.

Chapter III

Obligations concerning the risk management of MMFs

Article 21

Portfolio rules for short-term MMFs

1. A short-term MMF shall comply on an ongoing basis with all of the following portfolio requirements:

(a) its portfolio shall have a WAM of no more than 60 days;

(b) its portfolio shall have a WAL of no more than 120 days;

When calculating the WAL referred to in point b for securities, including structured financial instruments, the MMF shall base the maturity calculation on the residual maturity until the legal redemption of the instruments. However, when a financial instrument embeds a put option, the exercise date of the put option may be used instead of the legal residual maturity only if the following conditions are fulfilled at all times:

(i) the put option can be freely exercised by the MMF at its exercise date;

(ii) the strike price of the put option remains close to the expected value of the instrument at the exercise date; and

(iii) the investment strategy of the MMF implies that there is a high probability that the option will be exercised at the exercise date.

By way of derogation from the second subparagraph of paragraph 1(b), when calculating the WAL for securitisations and ABCPs the MMF may instead, in the case of amortising instruments, base the maturity calculation on either:

i. the contractual amortisation profile of such instruments; or

ii. the amortisation profile of the underlying assets from which the cash flows for the redemption of such instruments result.

(c) for LVNAV and CNAV MMFs, at least 10% of its assets shall be comprised of daily maturing assets, reverse repurchase agreeements which can be terminated within one business day prior notice or cash which can be withdrawn within a one business day prior notice. A LVNAV or CNAV MMF shall not acquire any asset other than a daily maturing asset when such acquisition would result in that MMF investing less than 10% of its portfolio in daily maturing assets;

(ca) for short-term VNAV MMFs at least 7,5% of its assets shall be comprised of daily maturing assets, reverse repurchase agreeements which can be terminated within one business day prior notice or cash which can be withdrawn within a one business day prior notice. A short-term VNAV MMF shall not acquire any asset other than a daily maturing asset when such acquisition would result in that MMF investing less than 7,5% of its portfolio in daily maturing assets;

(d) for LVNAV and CNAV MMFs, at least 30% of its assets shall be comprised of weekly maturing assets, reverse repurchase agreements which can be terminated within five business days prior notice or cash which can be withdrawn within five business days prior notice. A LVNAV or CNAV MMF shall not acquire any asset other than a weekly maturing asset when such acquisition would result in that MMF investing less than 30% of its portfolio in weekly maturing assets;

(da) for short-term VNAV MMFs at least 15% of its assets shall be comprised of weekly maturing assets, reverse repurchase agreements which can be terminated within five business days prior notice or cash which can be withdrawn within five business days prior notice. A short-term VNAV MMF shall not acquire any asset other than a weekly maturing asset when such acquisition would result in that MMF investing less than 15% of its portfolio in weekly maturing assets;

(db) for the purpose of the calculation in paragraph (d), the assets referred to in Article 14(6) which are highly liquid and can be redeemed and settled within one business day and which have a residual maturity of up to 190 days, may also be included within the weekly maturing assets of a LVNAV and CNAV MMF, up to 17,5% of its assets.

(dc) for the purpose of the calculation in paragraph (da), money market instruments or units or shares of other MMFs may be included within the weekly maturing assets up to 7,5% of its assets provided they may be redeemed and settled within the next 5 business days.

1a. If the limits referred to in this Article are exceeded for reasons beyond the control of an MMF or as a result of the exercise of subscription or redemption rights, that MMF shall adopt as a priority objective the correction of that situation, taking due account of the interests of its unit holders.

1b. All MMFs may take the form of a short-term MMF.

Article 22

Portfolio rules for standard MMFs

1. A standard MMF shall comply on an ongoing basis with all of the following requirements:

(a) its portfolio shall have at all times a WAM of no more than 6 months;

(b) its portfolio shall have at all times a WAL of no more than 12 months;

When calculating the WAL for securities, including structured financial instruments, the MMF shall base the maturity calculation on the residual maturity until the legal redemption of the instruments. However, when a financial instrument embeds a put option, the exercise date of the put option may be used instead of the legal residual maturity only if the following conditions are fulfilled at all times:

(i) the put option can be freely exercised by the MMF at its exercise date;

(ii) the strike price of the put option remains close to the expected value of the instrument at the exercise date; and

(iii) the investment strategy of the MMF implies that there is a high probability that the option will be exercised at the exercise date;

By way of derogation from the second subparagraph of paragraph 1(b), when calculating the WAL for securitisations and ABCPs the MMF may instead, in the case of amortising instruments, base the maturity calculation on either:

i. the contractual amortisation profile of such instruments; or

ii. the amortisation profile of the underlying assets from which the cash flows for the redemption of such instruments result.

(c) at least 7,5% of its assets shall be comprised of daily maturing assets, reverse repurchase agreeements which can be terminated within one business day prior notice or cash which can be withdrawn within a one business day prior notice. A standard MMF shall not acquire any asset other than a daily maturing asset when such acquisition would result in that MMF investing less than 7,5% of its portfolio in daily maturing assets;

(d) at least 15% of its assets shall be comprised of weekly maturing assets, reverse repurchase agreements which can be terminated within five business days prior notice or cash which can be withdrawn within five business days prior notice. A standard MMF shall not acquire any asset other than a weekly maturing asset when such acquisition would result in that MMF investing less than 15% of its portfolio in weekly maturing assets;

(da) For the purpose of the calculation in paragraph (d), money market instruments or units or shares of other MMFs may be included within the weekly maturing assets up to 7,5% of its assets provided they may be redeemed and settled within the next 5 business days.

If the limits referred to in this Article are exceeded for reasons beyond the control of an MMF or as a result of the exercise of subscription or redemption rights, that MMF shall adopt as a priority objective the correction of that situation, taking due account of the interests of its unit holders.

5. A standard MMF shall not take the form of a CNAV MMF or a LVNAV MMF.

Article 23

MMF credit ratings

Where a MMF solicits or finances an external credit rating, this shall be subject to, and carried out in accordance with, Regulation (EU) No 1060/2009. The MMF or the manager of the MMF shall clearly indicate in its prospectus and all communication to investors, in which the external credit rating is mentioned, that the rating was solicited or financed by the MMF or its manager.

Article 24

'Know your customer' policy

1. Without prejudice to more stringent requirements in the [AMLD], the manager of the MMF shall establish, implement and apply procedures and exercise all due diligence with a view to anticipating the effect of concurrent redemptions by several investors, taking into account at least the type of investor, the number of shares in the fund owned by a single investor and the evolution of inflows and outflows.

1a. If the value of the units or shares held by a single investor exceeds the amount of the corresponding daily liquidity requirement of the fund, the manager of the MMF shall consider in addition to the factors set out in paragraph 1, the following:

(a) identifiable patterns in investor cash needs, including the cyclical evolution of the number of shares in the MMF;

(c) the risk aversion of the different investors;

(d) the degree of correlation or close links between different investors in the MMF.

1a. Where investors route their investments via an intermediary, the manager of the MMF shall request the information to comply with paragraphs 1 and 1a from the intermediary in order to manage appropriately the liquidity and investor concentration of the MMF.

2. The manager of the MMF shall ensure that the value of the units or shares held by a single investor does not materially impact the liquidity profile of the MMF where it accounts for a substantial part of the total net asset value of the MMF.

Article 25

Stress testing

1. For each MMF there shall be in place sound stress testing processes that identify possible events or future changes in economic conditions which could have unfavourable effects on the MMF. The MMF or its manager shall assess the possible impact that those events or changes could have on the MMF. The MMF or its manager shall regularly conduct stress testing for different possible scenarios.

The stress tests shall be based on objective criteria and consider the effects of severe plausible scenarios. The stress test scenarios shall at least take into consideration reference parameters that include the following factors:

(a) hypothetical changes in the level of liquidity of the assets held in the portfolio of the MMF;

(b) hypothetical changes in the level of credit risk of the assets held in the portfolio of the MMF, including credit events and rating events;

(c) hypothetical movements of the interest rates and exchange rates;

(d) hypothetical levels of redemption.

(da) hypothetical widening or narrowing of spreads among indexes to which interest rates of portfolio securities are tied;

(db) hypothetical macro systemic shocks affecting the economy as a whole.

2. In addition, in the case of CNAV and LVNAV MMFs, the stress tests shall estimate for different scenarios the difference between the constant NAV per unit or share and the NAV per unit or share.

4. Stress tests shall be conducted at a frequency determined by the board of directors of the MMF where applicable or the board of directors of the manager of the MMF, after considering what an appropriate and reasonable interval in light of the market conditions is and after considering any envisaged changes in the portfolio of the MMF. Such frequency shall be at least bi-annually.

4a. Where the stress test reveals any vulnerability of the MMF, the manager of the MMF shall draw up an extensive report with the results of the stress testing and a proposed action plan.

Where necessary, the manager shall take action to strengthen the robustness of the MMF, including actions that reinforce the liquidity or the quality of the assets of the MMF and shall immediately inform its competent authority of the measures taken.

5. The extensive report with the results of the stress testing and proposed action plan shall be submitted for examination to the board of directors as specified in paragraph 4. The board of directors shall amend the proposed action plan if necessary and approve the final action plan. The extensive report and the action plan shall be kept for a period of at least five years.

The extensive report and the action plan shall be submitted to the competent authority for review.

The competent authority shall send the extensive report referred to in paragraph 5 to ESMA.

7. ESMA shall issue guidelines with a view to establishing common reference parameters of the stress test scenarios to be included in the stress tests taking into account the factors specified in paragraph 1. The guidelines shall be updated at least every year taking into account the latest market developments.

Chapter IV
Valuation rules

Article 26
Valuation of MMFs

1. The assets of a MMF shall be valued at least on a daily basis.

2. The assets of a MMF shall be valued by using the mark to market method whenever possible.

3. When using the mark-to-market valuation method, the assets shall be valued at the more prudent side of bid and offer unless the asset can be closed out at mid-market.

When marking to market only good quality market data shall be used. The quality of the market data shall be assessed on the basis of all of the following factors:

(a) the number and quality of the counterparties;

(b) the volume and turnover in the market of that asset;

(c) the issue size and the portion of the issue that the MMF plans to buy or sell.

4. Where use of the mark-to-market valuation method is not possible or the market data is not of sufficient quality, an asset of a MMF shall be valued conservatively by using the mark-to-model valuation method.

The model shall accurately estimate the intrinsic value of the asset, based on the following up to date key factors:

(a) the volume and turnover in the market of that asset;

(b) the issue size and the portion of the issue that the MMF plans to buy or sell;

(c) market risk, interest rate risk, credit risk attached to the asset.

When using the mark-to-model valuation method, the amortised cost valuation method shall not be used.

4a. The valuation method carried out in accordance with paragraphs 2, 3, 4, 5 and 6 shall be communicated to the competent authorities.

5. Notwithstanding the provisions of paragraphs 2 to 4, the assets of CNAV MMFs may additionally be valued by using the amortised cost method.

6. By way of derogation from paragraphs 2 and 4, in addition to the mark to market method referred to in paragraphs 2 and 3 and the mark to model method referred to in paragraph 4, the assets of LVNAV MMFs that have a residual maturity up to 75 days may be valued by using the amortised cost method.

The amortised cost method shall only be used for valuing an asset of a LVNAV MMF as long as the price of that asset calculated in accordance with paragraphs 2 to 4 does not deviate from the price of that asset calculated in accordance with the first subparagraph by more than 10 basis points. In case of such a deviation, the price of that asset shall be calculated in accordance with paragraphs 2 to 4.

Article 27

Calculation of NAV per unit or share

1. MMFs shall calculate a ‘Net Asset Value (NAV) per unit or share’ as the difference between the sum of all assets of a MMF and the sum of all liabilities of the MMF valued in accordance with the mark-to-market or mark-to-model methods, or both, divided by the number of outstanding units or shares of the MMF.

2. The NAV per unit or share shall be rounded to the nearest basis point or its equivalent when the NAV is published in a currency unit.

3. The NAV per unit or share of a MMF shall be calculated and published at least daily on the public section of the website of the MMF.

Article 27a

Calculation of the constant NAV per unit or share of CNAV MMFs

1. A CNAV MMF shall calculate a constant NAV per unit or share

as the difference between the sum of all its assets valued in accordance with the amortised cost method as specified in Article 26, paragraph 5, and the sum of all its liabilities, divided by the number of its outstanding units or shares.

2. The constant NAV per unit or share of a CNAV MMF shall be rounded to the nearest percentage point or its equivalent when the constant NAV is published in a currency unit.

3. The constant NAV per unit or share of a CNAV MMF shall be calculated at least daily.

4. The difference between the constant NAV per unit or share and the NAV per unit or share calculated in accordance with Article 27 shall be monitored and published daily on the public section of the website of the MMF.

Article 27b

Calculation of the constant NAV per unit or share of LVNAV MMFs

1. A LVNAV MMF shall calculate a constant NAV per unit or share as the difference between the sum of all its assets valued in accordance with the amortised cost method as specified in Article 26, paragraph 6, and the sum of all its liabilities, divided by the number of its outstanding units or shares.

2. The constant NAV per unit or share of a LVNAV MMF shall be rounded to the nearest percentage point or its equivalent when the constant NAV is published in a currency unit.

3. The constant NAV per unit or share of a LVNAV MMF shall be calculated at least daily.

4. The difference between the constant NAV per unit or share and the NAV per unit or share calculated in accordance with Article 27 shall be monitored and published daily on the public section of the website of the MMF.

Article 28

Issue and redemption price

1. The units or shares of a MMF shall be issued or redeemed at a price that is equal to the MMF's NAV per unit or share, notwithstanding permitted duties or charges as specified in the prospectus of the MMF.

2. By way of derogation from paragraph 1:

a) the units or shares of a CNAV MMF may be issued or redeemed at a price that is equal to the MMF's constant NAV per unit or share;

b) the units or shares of a LVNAV MMF may be issued or redeemed at a price that is equal to the LVNAV's constant NAV per unit or share, but only as long as the constant NAV per unit or share calculated in accordance with paragraphs 1 to 3 of Article 27b does not deviate from the NAV per unit or share calculated in accordance with the provisions of Article 27 by more than 20 basis points.

In relation to point b), when the constant NAV per unit or share calculated in accordance with paragraphs 1 to 3 of Article 27b deviates from the NAV per unit or share calculated in accordance with the provisions of Article 27 by more than 20 basis points, the following redemption or subscription shall be undertaken at a price that is equal to the NAV per unit or share calculated in accordance with the provisions of Article 27.

Potential investors shall be clearly warned in writing by the MMF manager prior to the conclusion of the contract, of the circumstances in which the LVNAV MMF will no longer redeem or subscribe at a constant NAV per unit or share.

Chapter V
Specific requirements for CNAV MMFs and LVNAV MMFs

Article 29
Specific requirements for CNAV MMFs and LVNAV MMFs

1a. The manager of a CNAV MMF or a LVNAV MMF shall establish, implement and consistently apply prudent and rigorous liquidity management procedures for ensuring compliance with the weekly liquidity thresholds applicable to such funds. The liquidity management procedures shall be clearly described in the fund rules or instruments of incorporation, as well as in the prospectus.

In ensuring compliance with the weekly liquidity thresholds, the following shall apply:

(a) Whenever the proportion of weekly maturing assets as set out in Article 21 paragraph 1(d) falls below 30% of the total assets of the MMF and whenever the net daily redemptions on a single business day exceed 10% of total assets, the manager of a CNAV MMF or a LVNAV MMF shall comply with the following:

(i) immediately inform its board. The board shall undertake a documented assessment of the situation to determine the appropriate course of action having regard to the interests of the investors and shall decide whether to apply one or more of the following measures:

– liquidity fees on redemptions that adequately reflect the cost to the MMF of achieving liquidity and ensure that investors who remain in the fund are not unfairly disadvantaged when other investors redeem their units or shares during the period;

– redemption gates which limit the amount of shares or units to be redeemed on any one working day to a maximum of 10% of the shares or units in the MMF for any period up to 15 working days;

– suspension of redemptions for any period up to 15 working days; or

– take no immediate action other than fulfilling the obligation laid down in paragraph 1a of Article 21 (line 381).

(b) Whenever the proportion of weekly maturing assets as set out in Article 21 paragraph 1(d) falls below 10% of its total assets, the manager of a CNAV MMF or a LVNAV MMF shall comply with the following:

(i) immediately inform its board. The board shall undertake a documented assessment of the situation. On the basis of such assessment and having regard to the interests of the investors the board shall apply one or more of the following measures, and document the reasons for its choice:

– liquidity fees on redemptions that adequately reflect the cost to the MMF of achieving liquidity and ensure that investors who remain in the fund are not unfairly disadvantaged when other investors redeem their units or shares during the period;

– a suspension of redemptions for a period of up to 15 working days;

4a. When, within a period of 90 days, the total duration of the suspensions exceeds 15 days, a public debt CNAV MMF or a LVNAV MMF shall automatically cease to be a public debt CNAV MMF or a LVNAV MMF. The public debt CNAV MMF or the LVNAV MMF shall immediately inform each investor thereof in writing in a clear and comprehensible way.

(c) After the board of the MMF has determined its course of action in each of (a) and (b) above, it shall promptly provide details of its decision to the competent authority of the MMF.

Chapter VI

External support

Article 35

External support

1. A MMF shall not receive external support .

3. External support shall mean direct or indirect support offered to the MMF by a third party, including the sponsor of the MMF, that is intended for or in effect would result in guaranteeing the liquidity of the MMF or stabilising the NAV per unit or share of the MMF.

External support shall include:

(a) cash injections from a third party;

(b) purchase by a third party of assets of the MMF at an inflated price;

(c) purchase by a third party of units or shares of the MMF in order to provide liquidity to the fund;

(d) issuance by a third party of any kind of explicit or implicit guarantee, warranty or letter of support for the benefit of the MMF;

(e) any action by a third party the direct or indirect objective of which is to maintain the liquidity profile and the NAV per unit or share of the MMF.

Chapter VII

Transparency requirements

Article 37

Transparency

1. A MMF shall indicate clearly which type of MMF it is and whether it is a short-term or a standard MMF in any externaldocument, report, statement, advertisement, letter or any other written evidence issued by it or its manager, addressed to or intended for distribution to prospective investors, unit-holders, or shareholders.

1a. The manager of the MMF shall make the following information available to the MMF's investors at least weekly:

(a) the maturity breakdown of the portfolio of the MMF;

(b) the credit profile of the MMF;

(c) the WAM and WAL of the MMF;

(d) details of the ten largest holdings in the MMF, including the name, country, maturity and asset type, and the counterparty in the case of repurchase and reverse repurchase agreements;

(da) the total value of assets of the MMF;

(db) the net yield of the MMF;

2. Any document of the MMF used for marketing purposes shall clearly include all of the following statements:

(a) that the MMF is not a guaranteed investment;

(aa) that the investment in MMFs is of a different nature than investing in deposits, with particular reference to the risk that the principal invested in a MMF is capable of fluctuation;

(b) that the MMF does not rely on external support for guaranteeing the liquidity of the MMF or stabilising the NAV per unit or share;

(c) that the risk of loss of the principal has to be borne by the investor.

3. Any communication by the MMF or its manager to the investors or potential investors shall in no way suggest that an investment in the units or shares of the MMF is guaranteed.

4. Investors in a MMF shall be clearly informed of the method or methods used by the MMF to value the assets of the MMF and calculate the NAV.

CNAV MMFs and LVNAV MMFs shall explain clearly to investors and potential investors the use of the amortised cost method and/or of rounding.

Article 38

Reporting to competent authorities

1. For each MMF managed, the manager of the MMF shall report information to the competent authority of the MMF, at least on a quarterly basis. For a MMF whose assets under management in total do not exceed EUR 100 million, the manager of the MMF shall report to the competent authority of the MMF at least on an annual basis. The manager shall upon request provide the information also to the competent authority of the manager if different from the competent authority of the MMF.

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

(a) the type and characteristics of the MMF;

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

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

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

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

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

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

(i) the country where the investor is established;

(ii) the investor category;

(iii) subscription and redemption activity.

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

2a. In addition to paragraph 2 for each LVNAV MMF managed, the information reported pursuant to paragraph 1 shall also comprise the following points:

(a) every event, in which the price of an asset valued by using the amortised cost method in accordance with paragraph 6, first subparagraph, of Article 26 deviates from the price of that asset calculated in accordance with paragraphs 2 to 4 of Article 26 by more than 10 basis points;

(b) every event, in which the constant NAV per unit or share calculated in accordance with paragraphs 1 and 2 of Article 27b deviates from the NAV per unit or share calculated in accordance with the provisions of Article 27 by more than 20 basis points;

(c) every event, in which a situation mentioned in Article 29 paragrapgh 2(c) occurred and the measures taken by the board in accordance with Articles 29 paragrapghs 2 and 2a.

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

ESMA shall submit those draft implementing technical standards to the Commission by [6 months after entry into force].

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

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

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

Chapter VIII
Supervision

Article 39
Supervision by the competent authorities

1. The competent authorities shall supervise compliance with this Regulation on an ongoing basis.

2. The competent authority of the MMF or, where relevant, the competent authority of the manager of the MMF shall be responsible for supervising compliance with the rules laid down in Chapters II to VII.

3. The competent authority of the MMF shall be responsible for supervising compliance with the obligations set out in the fund rules or in the instruments of incorporation, and the obligations set out in the prospectus, which shall be consistent with this Regulation.

4. The competent authority of the manager shall be responsible for supervising the adequacy of the arrangements and organisation of the manager so that the manager of the MMF is in a position to comply with the obligations and rules which relate to the constitution and functioning of all the MMFs it manages.

5. Competent authorities shall monitor UCITS or AIFs established or marketed in their territories to verify that they do not use the MMF designation or suggest that they are a MMF unless they comply with this Regulation.

Article 40

Powers of competent authorities

Without prejudice to powers vested in competent authorities in accordance with Directive 2009/65/EC or Directive 2011/61/EU, as applicable, competent authorities shall, in accordance with national law, have all supervisory and investigatory powers that are necessary for the exercise of their functions with respect to this Regulation. They shall, in particular, have the power to:

(a) request access to any document in any form, and to receive or take a copy thereof;

(b) require the MMF or its manager to provide information without delay;

(c) require information from any person related to the activities of the MMF or its manager;

(d) carry out on-site inspections with or without prior announcement;

(e) take appropriate measures to ensure that a MMF or its manager continues to comply with this Regulation;

(f) issue an order to ensure that the MMF or its manager complies with this Regulation and desists from a repetition of any conduct that may consist of a breach of this Regulation.

Article 40a

Penalties and other measures

1. Member States shall lay down the rules on penalties and other measures applicable to breaches of the provisions of this Regulation and shall take all measures necessary to ensure that they are implemented. The penalties and other measures provided for shall be effective, proportionate and dissuasive.

2. By [twelve months after entry into force] the Member States shall notify the Commission and ESMA of the rules referred to in paragraph 1. They shall notify the Commission and ESMA without delay of any subsequent amendment thereto.

Article 40b

Specific measures

1. Without prejudice to powers vested in competent authorities in accordance with Directive 2009/65/EC or Directive 2011/61/EU, as applicable, the competent authority of the MMF or its manager shall, while respecting the principle of proportionality, take the appropriate measures referred to in paragraph 2 where a MMF or its manager:

(a) Fails to comply with any of the requirements regarding asset composition, in breach of provisions of Articles 8 to 13a;

(b) fails to comply with any of the portfolio requirements, in breach of provisions of Articles 14, 15, 21 or 22;

(c) has obtained authorisation through false statements or any other irregular means, in breach of provisions of Articles 3 and 4;

(d) uses the designation ‘Money Market Fund’ or similar terms suggesting an MMF in breach of Article 5;

(e) fails to comply with any of the requirements regarding the credit quality assessment, in breach of provisions of Articles 16 or 17;

(f) fails to comply with any of the governance, documentation or transparency requirements, in breach of provisions of Articles 18, 20, 23, 24, 25 or 37:

(g) fails to comply with any of the requirements regarding valuation, in breach of provisions of Articles 26, 27, 27a, 27b, 28 or 29.

2. In the cases referred to in paragraph 1 the competent authority of the MMF shall, as appropriate:

(a) take measures to ensure that the MMF or its manager concerned complies with the relevant provisions;

(b) withdraw an authorisation granted in accordance with Articles 3 or 4.

Article 41

Powers and competences of ESMA

1. ESMA shall have the powers necessary to carry out the tasks attributed to it by this Regulation.

2. ESMA’s powers in accordance with Directive 2009/65/EC and Directive 2011/61/EU shall be exercised also with respect to this Regulation and in compliance with Regulation (EC) No 45/2001.

3. For the purpose of Regulation (EU) No 1095/2010, this Regulation shall be included under any further legally binding Union act which confers tasks on the Authority referred to in Article 1(2) of Regulation (EU) 1095/2010.

Article 42

Cooperation between authorities

1. The competent authority of the MMF and the competent authority of the manager, if different shall cooperate with each other and exchange information for the purpose of carrying out their duties under this Regulation.

2. Competent authorities and ESMA shall cooperate with each other for the purpose of carrying out their respective duties under this Regulation in accordance with Regulation (EU) No 1095/2010.

3. Competent authorities and ESMA shall exchange all information and documentation necessary to carry out their respective duties under this Regulation in accordance with Regulation (EU) No 1095/2010, in particular to identify and remedy breaches of this Regulation. The competent authorities of the Member States responsible for the authorisation and/or supervision of MMFs under this Regulation shall communciate information to the competent authorities of other Members States where this is relevant for monitoring and responding to the potential implications of the actitivies of individual MMFs or MMFs collectively for the stability of systemically relevant financial institutions and the orderly functioning of markets on which MMFs are active. ESMA and the ESRB shall also be informed and shall forward this information to the competent authorities of the other Member States.

4. On the basis of the information transmitted by national competent authorities according to Article 38(4), ESMA in accordance with powers conferred on them under Regulation (EU) 1095/2010, shall prepare a report to the Commission in light of the review outlined in article 45.

Chapter IX

Final provisions

Article 43

Treatment of existing UCITS and AIFs

1. Within 18 months after the date of entry into force of this Regulation, an existing UCITS or AIF that invests in short term assets and has as distinct or cumulative objectives offering returns in line with money market rates or preserving the value of the investment shall submit an application to its competent authority together with all documents and evidence necessary to demonstrate the compliance with this Regulation.

2. No later than two months after receiving the complete application the competent authority shall assess whether the UCITS or AIF is compliant with this Regulation in accordance with Articles 3 and 4. The competent authority shall issue a decision and notify it immediately to the UCITS or AIF.

Article 44

Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.

2. The power to adopt delegated acts referred to in Articles 10, 13 and 19 shall be conferred on the Commission for an indeterminate period of time from the date of entry into force of this Regulation.

3. The delegation of power referred to in Articles 10, 13 and 19 may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.

3a. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Inter-institutional Agreement between the European Parliament, the Council of the European Union and the European Commission on Better Law-Making of 13 April 2016[1].

4. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.

5. The delegated acts adopted pursuant to Articles 10, 13 and 19 shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

Article 45

Review

1. By five years after the entry into force of this Regulation, the Commission shall review the adequacy of this Regulation from a prudential and economic point of view, following consultations with ESMA and, where appropriate, the ESRB, including whether changes should be made to the regime for Public Debt CNAV MMFs and LVNAV MMFs.

2. The review shall in particular:

(a) analyse the experience acquired in applying this Regulation, the impact on investors, MMFs and the managers of MMFs in the Union;

[1] OJ L 123, 12.5.2016, p. 1.

(b) assess the role that MMFs play in purchasing debt issued or guaranteed by the Member States;

(c) take into account the specific characteristics of the debt issued or guaranteed by the Member States and the role this debt plays in financing the Member States;

(d) take into account the report referred to in Article 509(3) of Regulation (EU) No 575/2013;

(da) take into account the impact of the regulation on the short-term financing markets;

(e) take into account the regulatory developments at international level.

Five years after entry into force of the Regulation, the Commission shall present a report on the feasibility of establishing an 80% EU public debt quota. This report shall have regard to the availability of short term EU public debt instruments and assess whether the LVNAV MMF might be an appropriate alternative for non EU government debt CNAV MMF. If the report concludes that the introduction of an 80% EU debt quota and the phasing out of the public debt CNAV MMF, that includes an unlimited amount of non-EU government debt, is not feasible, it should present the reasons for that. Should the Commission conclude that the introduction of an 80% EU public debt quota is feasible, the Commission may make legislative proposals to introduce an EU public debt quota whereby at least 80% of the public debt CNAV MMF assets shall be invested in EU public debt instruments. If the Commission concludes that the LVNAV MMF has become an appropriate alternative for non EU government debt CNAV MMF, it may make legislative proposals to delete the derogation for public debt CNAV MMF altogether.

The results of the review shall be communicated to the European Parliament and the Council accompanied, where necessary, by appropriate proposals for amendments.

Article 46

Entry into force

This Regulation shall enter into force on the twentieth day following its publication in the Official Journal of the European Union.

It shall apply from 12 months from the date of entry into force, with the exception of [provisions relating to empowerments for DA/ITS] which shall apply from the date of entry into force.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at

(Signatures)