Committee on Economic and Monetary Affairs

2013/0306(COD)

26.11.2014

***I
DRAFT REPORT

on the proposal for a regulation of the European Parliament and of the Council on Money Market Funds
(COM(2013)0615 – C7-0263/2013 – 2013/0306(COD))

Committee on Economic and Monetary Affairs

Rapporteur: Neena Gill

Symbols for procedures

*	Consultation procedure
***	Consent procedure
***I	Ordinary legislative procedure (first reading)
***II	Ordinary legislative procedure (second reading)
***III	Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

Amendments by Parliament set out in two columns

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in ***bold italics***. Deletions are indicated using either the ▌ symbol or strikeout. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.
By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a regulation of the European Parliament and of the Council on Money Market Funds
(COM(2013)0615 – C7-0263/2013 – 2013/0306(COD))

(Ordinary legislative procedure: first reading)

The European Parliament,

– having regard to the Commission proposal to Parliament and the Council (COM(2013)0615),

– having regard to Article 294(2) and Article 114 of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C7-0263/2013),

– having regard to Article 294(3) of the Treaty on the Functioning of the European Union,

– having regard to the opinion of the European Economic and Social Committee of 10/11 December 2013[1],

– having regard to Rule 59 of its Rules of Procedure,

– having regard to the report of the Committee on Economic and Monetary Affairs (A8-0000/2014),

1. Adopts its position at first reading hereinafter set out;

2. Calls on the Commission to refer the matter to Parliament again if it intends to amend its proposal substantially or replace it with another text;

3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

[1] OJ C 170, 5.6.2014, p. 50.

Amendment 1

Proposal for a regulation
Recital 3

Text proposed by the Commission	*Amendment*
(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 ***therefore may*** 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 may trigger ***massive*** and sudden redemption requests, potentially ***causing*** broader macroeconomic consequences.	(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 may 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 may trigger ***substantial*** and sudden redemption requests, potentially ***triggering*** broader macroeconomic consequences.

Or. en

Amendment 2

Proposal for a regulation
Recital 4

Text proposed by the Commission	*Amendment*
(4) Large redemption requests force MMFs to sell some of their investment assets in a declining market, fuelling a liquidity crisis. In these circumstances, money market issuers can face severe funding difficulties if the ***market of*** commercial ***papers*** and other money market instruments ***dries up. Any contagion to*** the short term funding market ***could then also represent*** direct and major ***difficulties for*** the financing of	(4) Large redemption requests ***may*** 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

the financial institutions, corporations and governments, thus the economy.	and major ***difficulties in*** the financing of financial institutions, corporations and governments, ***and*** thus the economy.

Or. en

Amendment 3

Proposal for a regulation
Recital 5

Text proposed by the Commission	*Amendment*
(5) Asset managers, ***helped*** 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 ***when*** losing value due to ***the*** reputational risk and fear that panic could spread into the ***sponsor*** other businesses. Depending on the size of the fund and the extent of redemption pressure, sponsor support may reach proportions that exceed their readily available reserves. Therefore, it is important to provide for a framework of uniform rules in order to prevent the failure of the sponsor and risk contagion to other entities that sponsor MMFs**.**	(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, it is important to provide for a framework of uniform rules in order to prevent the failure of the sponsor and risk contagion to other entities that sponsor MMFs

Or. en

Amendment 4

Proposal for a regulation
Recital 6

Text proposed by the Commission	*Amendment*
(6) In order to preserve the integrity and stability of the internal market ***by promoting more resilient MMFs and limiting contagion channels***, it is necessary to lay down rules regarding the	(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.

operation of MMFs, in particular on the composition of the portfolio of MMFs. Uniform rules across the Union are necessary to ensure that MMFs are able to ***immediately redeem*** 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 ***massive*** and sudden redemption requests by a large group of investors.	***This will 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.

Or. en

Amendment 5

Proposal for a regulation
Recital 7

Text proposed by the Commission	*Amendment*
(7) Uniform rules on MMFs are also necessary to ensure 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 equal treatment ***among*** MMF investors and to avoid ***that*** late redeemers ***have to support additional inconvenience when*** redemptions are temporarily suspended or ***when*** the MMF is liquidated.	(7) Uniform rules on MMFs are also 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.

Or. en

Amendment 6

Proposal for a regulation
Recital 9

Text proposed by the Commission	*Amendment*
(9) The MMF Guidelines adopted by the Committee of European Securities	(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 implemented 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 the ***Union*** money markets***, as evidenced during the financial crisis, and*** to mitigate the contagion risks thereby endangering the functioning and stability of the internal market***.*** These common rules on MMFs should therefore provide for a high level of protection of investors and should prevent and mitigate any potential contagion risks resulting from possible runs ***by investors in*** MMFs.	Regulators (CESR) to create a minimum level playing field for MMFs in the Union were implemented 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 the ***Union's*** money markets ***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 for a high level of protection of investors and should prevent and mitigate any potential contagion risks resulting from possible runs ***on*** MMFs.

Or. en

Amendment 7

Proposal for a regulation
Recital 10

Text proposed by the Commission	*Amendment*
(10) In the absence of a Regulation setting out rules on MMFs, diverging measures might continue to be adopted at national level***,*** which 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***. The failure to adopt strict common rules applicable to MMFs in the internal market prevents*** uniform ***investor protection and gives investors different***	(10) In the absence of a Regulation setting out rules on MMFs, diverging measures might continue to be adopted at national level which 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 into the short term funding market and to the sponsors of the MMF

incentives to redeem their investments and thereby trigger a run. It is therefore essential to avoid contagion into the short term funding market and to the sponsors of the MMF which would largely put at risk the stability of the Union's financial market ***by adopting a uniform set of rules***.	which would largely 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 be operated in the Union as either an EU public debt CNAV MMF or a Retail CNAV MMF from the date of entry into force of this Regulation. All references in this Regulation to CNAV MMFs should mean both EU public debt CNAV MMFs and Retail CNAV MMFs unless otherwise specified. Existing CNAV MMFs may also choose to operate as variable net asset value MMFs (VNAV MMFs)instead.***

Or. en

Amendment 8

Proposal for a regulation
Recital 22

Text proposed by the Commission	*Amendment*
(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.	(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 the maturity limits ***set out in this Regulation*** and are considered by the MMF to be of high credit quality.

Or. en

Amendment 9

Proposal for a regulation
Recital 23

Text proposed by the Commission	*Amendment*
(23) 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 maturity limits and quality criteria on the underlying assets. Not all categories of underlying assets should be eligible because some were more confronted to instability than others. For this reason the underlying assets should be exclusively composed of short-term debt instruments that have been issued by corporates in the course of their business activity, such as trade receivables. Instruments such as auto loans and leases, equipment leases, consumer loans, residential mortgage loans, credit card receivables or any other type of instrument linked to the acquisition or financing of services or goods by consumers should not be eligible. ESMA should be entrusted with drafting regulatory technical standards to be submitted for endorsement by the Commission with regard to the conditions and circumstances under which the underlying exposure or pool of exposures is considered to exclusively consist of corporate debt and the conditions and numerical thresholds determining when corporate debt is of high credit quality and liquid.	(23) 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 maturity limits and quality criteria on the underlying assets and also ***to ensure that the pool of exposures is sufficiently diversified***. Not all categories of underlying assets should be eligible because some were more confronted to instability than others. For this reason the underlying assets should be exclusively composed of short-term debt instruments that have been issued by corporates in the course of their business activity, such as trade receivables. Instruments such as auto loans and leases, equipment leases, consumer loans, residential mortgage loans, credit card receivables or any other type of instrument linked to the acquisition or financing of services or goods by consumers should not be eligible. ESMA should be entrusted with drafting regulatory technical standards to be submitted for endorsement by the Commission with regard to the conditions and circumstances under which the underlying exposure or pool of exposures is considered to exclusively consist of corporate debt and the conditions and numerical thresholds determining when corporate debt is of high credit quality and liquid.

Or. en

Amendment 10

Proposal for a regulation
Recital 29

Text proposed by the Commission	*Amendment*
(29) The MMF should have a responsibility to invest in high quality eligible assets. Therefore, a MMF should have a prudent and rigorous internal assessment procedure for determining the credit quality of the money market instruments in which it intends to invest. In accordance with Union legislation limiting over-reliance on credit ratings, it is important that MMFs avoid any mechanistic reliance on ratings issued by rating agencies when assessing the quality of eligible assets. For this purpose the MMF should establish an internal rating system based on a harmonised rating scale and an internal assessment procedure.	(29) The MMF should have a responsibility to invest in high quality eligible assets. Therefore, a MMF should have a prudent and rigorous internal assessment procedure for determining the credit quality of the money market instruments in which it intends to invest. In accordance with Union legislation limiting over-reliance on credit ratings, it is important that MMFs avoid any mechanistic reliance on ratings issued by rating agencies when assessing the quality of eligible assets. For this purpose the MMF should establish an internal rating system based on a harmonised rating scale and an internal assessment procedure. ***This internal rating system should be approved by the national competent authority and communicated to ESMA beforehand.***

Or. en

Amendment 11

Proposal for a regulation
Recital 30

Text proposed by the Commission	*Amendment*
(30) For the purpose of avoiding that MMF managers use different assessment criteria for evaluating the credit ***risk*** of a money market instrument and thus attribute different risk characteristics to the same instrument, it is essential that managers ***rely on the same criteria. To this effect the rating criteria should be precisely defined and harmonized***. Examples of ***internal rating*** criteria are quantitative measures on the issuer of the instrument, such as financial ratios, balance sheet dynamics, profitability guidelines, which are evaluated and compared to those of	(30) For the purpose of avoiding that MMF managers use different assessment criteria for evaluating the credit ***quality*** of a money market instrument and thus attribute different risk characteristics to the same instrument, it is essential that managers ***establish an internal assessment procedure based on prudent, rigorous, systematic and continuous assignment methodologies***. Examples of ***assessment*** criteria are quantitative measures on the issuer of the instrument, such as financial ratios, balance sheet dynamics, profitability guidelines, which are evaluated and

industry peers and groups; qualitative measures on the issuer of the instrument, such as management effectiveness, corporate strategy, which are analysed with a view to determining that the issuer's overall strategy does not impede on its future credit quality. The highest internal ***ratings*** should reflect the fact that the creditworthiness of the issuer of the instruments is maintained at all times at the highest possible levels.	compared to those of industry peers and groups; qualitative measures on the issuer of the instrument, such as management effectiveness, corporate strategy, which are analysed with a view to determining that the issuer's overall strategy does not impede on its future credit quality. The highest internal ***assessments should*** reflect the fact that the creditworthiness of the issuer of the instruments is maintained at all times at the highest possible levels.

Or. en

Amendment 12

Proposal for a regulation
Recital 31

Text proposed by the Commission	*Amendment*
(31) In order to develop a transparent and coherent internal rating system, the manager should document the procedures used for the internal assessment. 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 interested stakeholders**.**	(31) In order to develop a transparent and coherent internal rating system, the manager should document the procedures used for the internal assessment. 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 interested stakeholders***, as well as to the national competent authority***

Or. en

Amendment 13

Proposal for a regulation
Recital 39

Text proposed by the Commission	*Amendment*
(39) ***It is important that the risk management of MMFs not be biased by short-term decisions influenced by the***	(39) ***An effect of the financial crisis has been an over-reliance by investors, UCITS and AIFs on credit*** rating ***agencies***

possible rating of the ***MMF.*** Therefore, it is ***necessary to prohibit a MMF or its manager from requesting that the MMF is rated by a*** credit ***rating agency*** in order to ***avoid that this external rating is used for marketing purposes. The MMF or its manager should also refrain from using alternative methods for obtaining a rating*** of the ***MMF.*** Should ***the MMF be awarded an external rating, either on the own initiative*** of the ***credit rating agency or following request by a third party that is independent of the MMF or the manager and does not act on behalf of any of them, the MMF manager*** should ***refrain from relying on criteria that would be attached to that external rating***. For ensuring appropriate liquidity management it is necessary that the 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. In this case the MMF should increase its proportion of daily maturing assets to the proportion of that investor. 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.

in assessing the credit worthiness of potential investments. In order to improve the quality of the ***investments made by MMFs, and thereby UCITS and AIFs, and in order to protect investors of those funds,*** it is ***appropriate to require MMF managers and investors to avoid relying solely or mechanically on credit ratings or using them as the only parameter when assessing the risk involved in the investments made by MMFs. The general principle against over-reliance on*** credit ***ratings should therefore be integrated into the risk-management processes and systems of MMFs and adapted to their specificities.***

In order to ***specify further the general principle against over-reliance on credit ratings, as introduced in this Regulation, ESMA should develop draft regulatory technical standards to ensure that MMF managers and investors consult other sources, such as internal assessment results, and do not rely solely on credit ratings when assessing the***

creditworthiness of the assets held. It is appropriate in this regard for ESMA to develop draft regulatory technical standards in respect of the ***general provisions regarding risk-management processes and systems employed by MMF managers and investors. The Commission should adopt those draft regulatory technical standards in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.***

For ensuring appropriate liquidity management it is necessary that the 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. In this case the MMF should increase its proportion of daily maturing assets to the proportion of that investor. 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.

Or. en

Amendment 14

Proposal for a regulation
Recital 40

Text proposed by the Commission	*Amendment*
(40) As part of a prudent risk management, MMFs should ***periodically*** conduct stress testing. The managers of MMFs are expected to act in order to strengthen the	(40) As part of a prudent risk management, MMFs should ***undertake quarterly*** 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.	MMF's robustness whenever the results of stress testing point to vulnerabilities.

Or. en

Amendment 15

Proposal for a regulation
Recital 45

Text proposed by the Commission	*Amendment*
(45) In order to be able to absorb day-to-day fluctuations in the value of a CNAV MMF's assets and allow it to offer a constant NAV per unit or share, the CNAV MMF should have at all times a NAV buffer amounting ***to at least 3% of its*** assets. The NAV buffer should serve as an absorbing mechanism for maintaining the constant NAV. All differences between the constant NAV per unit or share and the NAV per unit or share should be neutralized by using the NAV buffer. During stressed market situations, when the differences can rapidly increase, a procedure should ensure that the whole chain of management is involved. This escalation procedure should permit the senior management to take rapid remedy actions.	(45) In order to be able to absorb day-to-day fluctuations in the value of a CNAV MMF's assets and allow it to offer a constant NAV per unit or share, the CNAV MMF should have at all times a NAV buffer of ***up to 3%. The buffer does not apply to Retail CNAV MMFs. The buffer is calculated by reference to the risk weightings assigned to the asset classes that the MMF has invested in. The risk weightings should be established according to the principle that the riskier an asset is considered to be, the higher the risk weight and, ultimately, the level of the buffer. CNAV MMFs that concentrate on public debt in their investment portfolios should, as regards the proportion invested in this public debt, be exempted from the requirement to establish a capital buffer, as debt issued or guaranteed by Member States represents a distinct category of investment displaying specific credit and liquidity traits.*** The NAV buffer should serve as an absorbing mechanism for maintaining the constant NAV. All differences between the constant NAV per unit or share and the NAV per unit or share should be neutralized by using the NAV buffer. During stressed market situations, when the differences can rapidly increase, a procedure should ensure that the whole chain of management is involved. This escalation procedure should permit the senior management to take rapid remedy

	actions.

Or. en

Amendment 16

Proposal for a regulation
Recital 47

Text proposed by the Commission	*Amendment*
(47) External support provided to a MMF other than a CNAV MMF with the intention of ensuring either liquidity or stability of the MMF or de facto having such effects increases the contagion risk between the MMF sector and the rest of the financial sector. Third parties providing such support 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 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***, MMFs should not rely on external support in order to maintain their liquidity and the stability of their NAV per unit or share ***unless the competent authority of the MMF has specifically allowed the external support in order to***	(47) External support provided to a MMF other than a CNAV MMF with the intention of ensuring either liquidity or stability of the MMF or de facto having such effects increases the contagion risk between the MMF sector and the rest of the financial sector. Third parties providing such support 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 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.

maintain stability of financial markets.	
	Unless the procedure of Article 35 is followed, MMFs should not rely on external support ***as defined in point (22b) of Article 2, irrespective of the form that such support takes,*** in order to maintain their liquidity and the stability of their NAV per unit or share.

Or. en

Amendment 17

Proposal for a regulation
Recital 48

Text proposed by the Commission	*Amendment*
(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 if the MMF is of a CNAV type or not. 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. CNAV MMFs should clearly explain to investors the buffer mechanism they are applying to maintain the constant NAV per unit or share.	(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 if the MMF is of a CNAV type or not. 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 ***and that they do not benefit from any explicit or implicit sponsor support as defined in point (22 b) of Article 2, unless the procedure under Article 35 is respected***. CNAV MMFs should clearly explain to investors the buffer mechanism***, as well as the liquidity fee and redemption gate system,*** they are applying to maintain the constant NAV per unit or share. ***Investors should clearly acknowledge their understanding of the risk of this investment product.***

Or. en

Amendment 18

Proposal for a regulation
Recital 49

Text proposed by the Commission	*Amendment*
(49) 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, in addition to reporting already required under Directives 2009/65/EC or 2011/61/EU. 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.	(49) 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, in addition to reporting already required under Directives 2009/65/EC or 2011/61/EU. 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. ***This central database should be up and running by 31 December 2016.***

Or. en

Amendment 19

Proposal for a regulation
Recital 53

Text proposed by the Commission	*Amendment*
(53) ESMA should be able to exercise all the powers conferred under Directives 2009/65/EC and 2011/61/EU with respect to this Regulation. It is also entrusted with developing draft regulatory and implementing technical standards.	(53) ESMA should be able to exercise all the powers conferred under Directives 2009/65/EC and 2011/61/EU with respect to this Regulation. It is also entrusted with developing draft regulatory and implementing technical standards. ***ESMA should be charged with the setting-up of a new department supervising and advising on the functioning of MMFs. This new department should be financed***

	by contributions of the MMF.

Or. en

Amendment 20

Proposal for a regulation
Recital 54

Text proposed by the Commission	*Amendment*
(54) ***It is essential to carry out a review of this Regulation in order to assess the appropriateness of exempting certain CNAV MMFs that concentrate their investment portfolios on debt issued by the Member States from the requirement to establish a capital buffer that amounts to at least 3 % of the total value of the CNAV MMF's assets. Therefore, during the three years after the entry into force of this Regulation, the Commission should analyse the experience acquired in applying this Regulation and the impacts on the different economic aspects attached to the MMFs.*** The debt issued or guaranteed by the Member States represents a distinct category of investment displaying specific credit and liquidity traits***.*** In addition, sovereign debt plays a vital role in financing the Member States***. The Commission should evaluate the evolution of the market for sovereign debt issued or guaranteed by the Member States and the possibility to create a special framework for MMF that concentrate their investment policy on that type of debt.***	(54) ***As*** the debt issued or guaranteed by the Member States represents a distinct category of investment displaying specific credit and liquidity traits ***and as,*** in addition, sovereign debt plays a vital role in financing the Member States***, EU public debt CNAV MMFs as defined in point (22 a) of Article. 2 should, by 2020, invest 80% of the assets under their management in EU public debt instruments as defined in point (22 c) of Article 2.***

Or. en

Amendment 21

Proposal for a regulation
Article 1 – paragraph 1 – subparagraph 2

Text proposed by the Commission	*Amendment*
This Regulation applies to collective investment undertakings that require authorisation as UCITS under Directive 2009/65/EC or are AIFs under Directive 2011/61/EU**,** invest in short term assets ***and have as*** distinct or cumulative objectives offering returns in line with money market rates or preserving the value of the investment.	This Regulation applies to collective investment undertakings that***:***
	i. require authorisation as UCITS under Directive 2009/65/EC or are AIFs under Directive 2011/61/EU***;***
	ii. invest in short term assets***;***
	iii. have distinct or cumulative objectives offering returns in line with money market rates or preserving the value of the investment.

Or. en

Amendment 22

Proposal for a regulation
Article 1 a (new)

Text proposed by the Commission	*Amendment*
	Article 1 a
	Types of CNAV MMF
	As from the date of the entry into force of this Regulation, CNAV MMFs shall operate in the Union only as either an EU public debt CNAV MMF or as a Retail CNAV MMF . All references in this Regulation to CNAV MMFs shall mean both EU public debt CNAV MMFs and Retail CNAV MMFs, unless otherwise

	specified.

Or. en

Amendment 23

Proposal for a regulation
Article 2 – paragraph 1 – point 12 a (new)

Text proposed by the Commission	*Amendment*
	(12 a) "Retail Constant Net Asset Value Money Market Fund" (Retail CNAV MMF) means a CNAV MMF that is available for subscription only to charities, non-profit organisations, public authorities, public foundations and natural persons.

Or. en

Amendment 24

Proposal for a regulation
Article 2 – paragraph 1 – point 22

Text proposed by the Commission	*Amendment*
(22) **'**short selling**'** means the uncovered sale of money market instruments**.**	(22) *"*short selling*"* means the uncovered sale of money market instruments and ***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 a sale where, at the time of entering into the agreement to sell, the MMF has borrowed or agreed to borrow the money market instrument for delivery at settlement.***

Or. en

Amendment 25

Proposal for a regulation
Article 2 – paragraph 22 a (new)

Text proposed by the Commission	*Amendment*
	(22 a) "EU public debt CNAV MMF" means a CNAV MMF which, by 2020, invests at least 80% of its assets in EU public debt instruments as defined in point (22 c).

Or. en

Amendment 26

Proposal for a regulation
Article 2 – paragraph 22 b (new)

Text proposed by the Commission	*Amendment*
	(22 b) "External support "means direct or indirect support offered by a third party that is intended for, or 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) the purchase by a third party of assets of the MMF at an inflated price;
	(c) the purchase by a third party of units or shares of the MMF in order to provide liquidity to the fund;
	(d) the 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.

Or. en

Amendment 27

Proposal for a regulation
Article 2 – paragraph 22 c (new)

Text proposed by the Commission	*Amendment*
	(22 c) "EU public debt instruments" means public debt instruments that are cash, government assets or reverse repos secured with government debt of the Member States. For the purpose of a consistent application of this point, ESMA shall develop draft regulatory technical standards specifying quantitative and qualitative liquidity requirements applicable to public debt instruments and quantitative and qualitative credit quality requirements applicable to public debt instruments. ESMA shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission at the latest one year after the entry into force of this Regulation. Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.

Or. en

Amendment 28

Proposal for a regulation
Article 8 – paragraph 2 – point c

Text proposed by the Commission	*Amendment*
(c) taking direct or indirect exposure to ***equity*** or commodities, including via derivatives, certificates representing them, indices based on them or any other ***mean***	(c) taking direct or indirect exposure to ***equities*** 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;	***or instruments*** that would give an exposure to them;

Or. en

Amendment 29

Proposal for a regulation
Article 9 – paragraph 2

Text proposed by the Commission	*Amendment*
2. Standard MMFs shall be allowed to invest in a money market instrument that undergoes regular yield adjustments in line with money market conditions every 397 days or on a more frequent basis ***while not having a residual maturity exceeding 2 years***.	2. Standard MMFs shall be allowed to invest in a money market instrument that undergoes regular yield adjustments in line with money market conditions every 397 days or on a more frequent basis.

Or. en

Amendment 30

Proposal for a regulation
Article 10 – paragraph 1 – point b

Text proposed by the Commission	*Amendment*
(b) the ***underlying*** corporate debt is of high credit quality and liquid;	(b) the corporate debt is of high credit quality and liquid, ***and the pool of exposures is sufficiently diversified according to the principle of risk spreading and as demonstrated by a low average default correlation;***

Or. en

Amendment 31

Proposal for a regulation
Article 10 – paragraph 2 – subparagraph 1 – point b

Text proposed by the Commission	Amendment
(b) conditions and numerical thresholds determining when corporate debt is of high credit quality and liquid.	(b) conditions and numerical thresholds determining when corporate debt is of high credit quality and liquid***, and the limits for tranching, which shall not exceed three tranches***.

Or. en

Amendment 32

Proposal for a regulation
Article 10 – paragraph 2 – subparagraph 2

Text proposed by the Commission	Amendment
ESMA shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission ***by […]***.	ESMA shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission ***at the latest one year after the entry into force of this Regulation***.

Or. en

Amendment 33

Proposal for a regulation
Article 12 – paragraph 1 – introductory part

Text proposed by the Commission	Amendment
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 are in any case fulfilled:	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, provided that all of the following conditions are in any case fulfilled:

Or. en

Amendment 34

Proposal for a regulation
Article 12 – paragraph 1 – point c

Text proposed by the Commission	*Amendment*
(c) the counterparties to ***OTC*** derivative transactions are institutions subject to prudential regulation and supervision and belonging to the categories approved by the competent authorities of the MMF's home Member State;	(c) the counterparties to derivative transactions are institutions subject to prudential regulation and supervision and belonging to the categories approved by the competent authorities of the MMF's home Member State;

Or. en

Amendment 35

Proposal for a regulation
Article 12 – paragraph 1 – point d

Text proposed by the Commission	*Amendment*
(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.	(d) the 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.

Or. en

Amendment 36

Proposal for a regulation
Article 14 – paragraph 3

Text proposed by the Commission	*Amendment*
3. The aggregate risk exposure to the same counterparty of the MMF stemming from ***OTC*** derivative transactions shall not exceed 5% of its assets.	3. The aggregate risk exposure to the same counterparty of the MMF stemming from derivative transactions shall not exceed 5% of its assets.

Or. en

Amendment 37

Proposal for a regulation
Article 14 – paragraph 5 – introductory part

Text proposed by the Commission	*Amendment*
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 ***10%*** of its assets in a single body, any of the following:	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 ***5%*** of its assets in a single body, any of the following:

Or. en

Amendment 38

Proposal for a regulation
Article 14 – paragraph 5 – point c

Text proposed by the Commission	*Amendment*
(c) ***OTC*** financial derivative instruments giving counterparty risk exposure to that body.	(c) financial derivative instruments giving counterparty risk exposure to that body.

Or. en

Amendment 39

Proposal for a regulation
Article 14 – paragraph 6

Text proposed by the Commission	*Amendment*
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 by a central, regional or local authority or central bank of a Member State, the	***deleted***

European Central Bank, the Union, the European stability mechanism or the European Investment Bank, a central authority or central bank of a third country, or by a public international body 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 central, regional or local authority or central bank of a Member State, the European Central Bank, the Union, the European stability mechanism or the European Investment Bank, a central authority or central bank of a third country, or the public international body 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;

(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 authority or central bank of a Member State, the European Central Bank, the Union, the European stability mechanism, the European Investment Bank, a central authority or central bank of a third country, or the public international body 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.

Or. en

Amendment 40

Proposal for a regulation
Article 15 – paragraph 1

Text proposed by the Commission	*Amendment*
1. A MMF may not hold more than ***10%*** of the money market instruments issued by a single body.	1. A MMF may not hold more than ***5%*** of the money market instruments issued by a single body.

Or. en

Amendment 41

Proposal for a regulation
Article 15 – paragraph 2

Text proposed by the Commission	*Amendment*
2. The limit laid down in paragraph 1 shall not apply in respect of holdings of money market instruments issued or guaranteed by a central, regional or local authority or central bank of a Member State, the European Central Bank, the Union, the European stability mechanism or the European Investment Bank, a central authority or central bank of a third country, or the public international body to which one or more Member States belongs.	***deleted***

Or. en

Amendment 42

Proposal for a regulation
Article 16 – paragraph 1

Text proposed by the Commission	*Amendment*
1. A manager of a MMF shall ***establish, implement and consistently apply a prudent and rigorous internal*** assessment ***procedure for determining the credit quality of money market instruments,*** taking into account the issuer of the instrument and the characteristics of the instrument itself.	1. A manager of a MMF shall ***ensure that the information used when assigning an internal credit*** assessment ***is of sufficient quality, up-to-date and from reliable sources. That manager shall implement and maintain an effective process to obtain and update relevant information,*** taking into account the issuer of the instrument and the characteristics of the instrument itself.

Or. en

Amendment 43

Proposal for a regulation
Article 16 – paragraph 2

Text proposed by the Commission	*Amendment*
2. The internal assessment procedure shall be based on ***an internal rating system and on*** prudent, rigorous, systematic and continuous assignment methodologies. The ***assignment*** methodologies shall be subject to validation by the manager based on historical experience and empirical evidence, including back testing.	2. The internal assessment procedure shall be based on prudent, rigorous, systematic and continuous assignment methodologies. The methodologies ***used*** shall be subject to validation by the manager based on historical experience and empirical evidence, including back testing.

Or. en

Amendment 44

Proposal for a regulation
Article 16 – paragraph 3 – point b

Text proposed by the Commission	*Amendment*
(b) a manager of a MMF shall adopt and implement adequate measures to ensure that the ***assignment of its internal ratings***	(b) a manager of a MMF shall adopt and implement adequate measures to ensure that the ***credit assessment*** is based on a

is based on a thorough analysis of all the information that is available and pertinent, and includes all relevant driving factors that influence the creditworthiness of the issuer;	thorough analysis of all the information that is available and pertinent, and includes all relevant driving factors that influence the creditworthiness of the issuer;

Or. en

Amendment 45

Proposal for a regulation
Article 16 – paragraph 3 – point c

Text proposed by the Commission	*Amendment*
(c) a manager of a MMF shall monitor its ***assignments of internal ratings*** on an ongoing basis and review all ***assignments of internal rating*** at least ***annually***. That manager shall ***review the assignment*** every time there is a material change that could have an impact on ***an internal*** credit ***rating***. The manager shall establish internal arrangements to monitor the impact on its internal ***credit ratings*** of changes in macroeconomic, financial market or issuer specific conditions;	(c) a manager of a MMF shall monitor its ***internal assessment procedure*** on an ongoing basis and review all ***credit assessments*** at least ***every six months***. That manager shall ***reconsider its internal assessment*** every time there is a material change that could have an impact on ***its*** credit ***assessment of the issuer***. The manager shall establish internal arrangements to monitor the impact on its internal ***assessment*** of changes in macroeconomic, financial market or issuer specific conditions;

Or. en

Amendment 46

Proposal for a regulation
Article 16 – paragraph 3 – point d

Text proposed by the Commission	*Amendment*
(d) where a credit rating agency registered with the European Securities and Market Authority (ESMA) assigns a credit rating to an issuer of money market instruments, the downgrade below the two highest short term credit ratings used by that agency	(d) where a credit rating agency registered with the European Securities and Market Authority (ESMA) assigns a credit rating to an issuer of money market instruments, the downgrade below the two highest short term credit ratings used by that agency

shall be considered to be material change for the purposes of point (c) and require the manager to undertake a new ***assignment procedure***;	shall be considered to be material change for the purposes of point (c) and require the manager to undertake a new ***credit assessment***;

Or. en

Amendment 47

Proposal for a regulation
Article 16 – paragraph 3 – point e

Text proposed by the Commission	*Amendment*
(e) ***assignment*** methodologies shall be reviewed at least annually to determine whether they remain appropriate for the current portfolio and external ***conditions;***	(e) ***credit assessment*** methodologies shall be reviewed at least annually to determine whether they remain appropriate for the current portfolio and external ***conditions, and shall be transmitted to the competent authorities. The competent authorities shall send the assessment methodologies to ESMA.***

Or. en

Amendment 48

Proposal for a regulation
Article 16 – paragraph 3 – point f

Text proposed by the Commission	*Amendment*
(f) when methodologies, models or key rating assumptions used in the internal assessment procedures are changed, the manager of a MMF shall review all affected internal credit ***ratings*** as soon as possible and no later than one month after the change;	(f) when methodologies, models or key rating assumptions used in the internal assessment procedures are changed, the manager of a MMF shall review all affected internal credit ***assessments*** as soon as possible and no later than one month after the change;

Or. en

Amendment 49

Proposal for a regulation
Article 16 – paragraph 3 – point g

Text proposed by the Commission	*Amendment*
(g) ***assignments of internal ratings*** 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.	(g) ***internal credit 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.

Or. en

Amendment 50

Proposal for a regulation
Article 17 – paragraph 1

Text proposed by the Commission	*Amendment*
1. Each issuer of a money market instrument in which a MMF intends to invest shall be assigned an internal rating pursuant to the internal assessment procedure.	1. Each issuer of a money market instrument in which a MMF intends to invest shall be assigned an internal rating pursuant to the internal assessment procedure. ***This internal rating system shall be approved by the national competent authority and communicated to ESMA beforehand***.

Or. en

Amendment 51

Proposal for a regulation
Article 17 – paragraph 2 – point a

Text proposed by the Commission	*Amendment*
(a) the internal rating system shall be based on a single rating scale which exclusively reflects quantification of the credit risk of the issuer. ***The rating scale shall have six grades for non-defaulted issuers and one***	(a) the internal rating system shall be based on a single rating scale which exclusively reflects quantification of the credit risk of the issuer.

for defaulted issuers;

Or. en

Amendment 52

Proposal for a regulation
Article 18 – paragraph 1 – introductory part

Text proposed by the Commission	*Amendment*
1. A manager of a MMF shall document its internal assessment procedure and the internal rating system. Documentation shall include:	1. A manager of a MMF shall document its internal ***credit*** assessment procedure and the internal rating system. Documentation shall include:

Or. en

Amendment 53

Proposal for a regulation
Article 18 – paragraph 1 – point c

Text proposed by the Commission	*Amendment*
(c) all major changes in the internal assessment procedure, including identification of the triggers of changes;	(c) all major changes in the internal ***credit*** assessment procedure, including identification of the triggers of changes;

Or. en

Amendment 54

Proposal for a regulation
Article 18 – paragraph 1 – point d

Text proposed by the Commission	*Amendment*
(d) the organisation of the internal assessment procedure, including the rating assignment process and the internal control structure;	(d) the organisation of the internal ***credit*** assessment procedure, including the rating assignment process and the internal control structure;

Or. en

Amendment 55

Proposal for a regulation
Article 21 – paragraph 1 – point c

Text proposed by the Commission	*Amendment*
(c) at least ***10%*** of its assets shall be comprised of daily maturing assets. A short-term MMF shall not acquire any asset other than a daily maturing asset when such acquisition would result in the short-term MMF investing less than ***10%*** of its portfolio in daily maturing assets;	(c) at least ***15%*** of its assets shall be comprised of daily maturing assets. A short-term MMF shall not acquire any asset other than a daily maturing asset when such acquisition would result in the short-term MMF investing less than ***15%*** of its portfolio in daily maturing assets;

Or. en

Amendment 56

Proposal for a regulation
Article 21 – paragraph 1 – point d

Text proposed by the Commission	*Amendment*
(d) at least ***20%*** of its assets shall be comprised of weekly maturing assets. A short-term MMF shall not acquire any asset other than a weekly maturing asset when such acquisition would result in the short-term MMF investing less than ***20%*** of its portfolio in weekly maturing assets.	(d) at least ***30%*** of its assets shall be comprised of weekly maturing assets. A short-term MMF shall not acquire any asset other than a weekly maturing asset when such acquisition would result in the short-term MMF investing less than ***30%*** of its portfolio in weekly maturing assets.

Or. en

Amendment 57

Proposal for a regulation
Article 22 – paragraph 1 – point c

Text proposed by the Commission	*Amendment*
(c) at least ***10%*** of its assets shall be comprised of daily maturing assets. A standard MMF shall not acquire any asset other than a daily maturing asset when such acquisition would result in the standard MMF investing less than ***10%*** of its portfolio in daily maturing assets;	(c) at least ***15%*** of its assets shall be comprised of daily maturing assets. A standard MMF shall not acquire any asset other than a daily maturing asset when such acquisition would result in the standard MMF investing less than ***15%*** of its portfolio in daily maturing assets;

Or. en

Amendment 58

Proposal for a regulation
Article 22 – paragraph 1 – point d

Text proposed by the Commission	*Amendment*
(d) at least ***20%*** of its assets shall be comprised of weekly maturing assets. A standard MMF shall not acquire any asset other than a weekly maturing asset when such acquisition would result in the standard MMF investing less than ***20%*** of its portfolio in weekly maturing assets..	(d) at least ***30%*** of its assets shall be comprised of weekly maturing assets. A standard MMF shall not acquire any asset other than a weekly maturing asset when such acquisition would result in the standard MMF investing less than ***30%*** of its portfolio in weekly maturing assets.

Or. en

Amendment 59

Proposal for a regulation
Article 22 – paragraph 3 – point c

Text proposed by the Commission	*Amendment*
(c) ***OTC*** financial derivative instruments giving counterparty risk exposure to that body.	(c) financial derivative instruments giving counterparty risk exposure to that body.

Or. en

Amendment 60

Proposal for a regulation
Article 23

Text proposed by the Commission	*Amendment*
The ***MMF or the manager*** of the MMF ***shall not solicit or finance a credit rating agency for rating the MMF.***	The ***risk management of MMFs may not be affected by short-term decisions influenced by the possible rating*** of the MMF***. Where a MMF seeks an external credit rating, this shall be subject to, and carried out in accordance with, the requirements of the national competent authority of the credit rating agency.***

Or. en

Amendment 61

Proposal for a regulation
Article 25 – paragraph 1 – subparagraph 1

Text proposed by the Commission	*Amendment*
For each MMF there shall be in place sound stress testing processes that allow identifying possible events or future changes in economic conditions that could have unfavourable effects on the MMF. The manager of a MMF shall ***regularly*** conduct stress testing and develop action plans for different possible scenarios.	For each MMF there shall be in place sound stress testing processes that allow identifying possible events or future changes in economic conditions that could have unfavourable effects on the MMF. The manager of a MMF shall conduct stress testing ***every three months*** and develop action plans for different possible scenarios.

Or. en

Amendment 62

Proposal for a regulation
Article 25 – paragraph 2

Text proposed by the Commission	*Amendment*
2. In addition, in the case of CNAV MMFs,	2. In addition, in the case of CNAV 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, including the impact of the difference on the NAV buffer.	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, including the impact of the difference on the NAV buffer. ***Based on the outcomes of the stress test, the manager shall develop recovery plans for different possible scenarios. The recovery plans shall be approved by the competent authorities.***

Or. en

Amendment 63

Proposal for a regulation
Article 25 – paragraph 4

Text proposed by the Commission	*Amendment*
4. Stress tests shall be conducted at a frequency determined by 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 ***yearly***.	4. Stress tests shall be conducted at a frequency determined by 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 ***quarterly***.

Or. en

Amendment 64

Proposal for a regulation
Article 25 – paragraph 7

Text proposed by the Commission	*Amendment*
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	7. ESMA shall ***develop draft regulatory technical standards after consultation with the European Systemic Risk Board (ESRB) specifying the economic scenarios, including baseline, adverse,***

1. The ***guidelines*** shall be updated at least every year taking into account the latest market developments.	***and severely adverse scenarios, that are to be used in MMF stress testing and other*** common reference parameters of the stress test scenarios to be included in the stress tests taking into account the factors ***referred to*** in paragraph 1. The ***regulatory technical standards*** shall be ***reviewed and if required*** updated at least every year taking into account the latest market ***and macro financial*** developments. ***ESMA shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission by [...].*** ***Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.***

Or. en

Amendment 65

Proposal for a regulation
Article 26 – paragraph 1

Text proposed by the Commission	*Amendment*
1. The assets of a MMF shall be valued at least on a daily basis.	1. The assets of a MMF shall be valued at least on a daily basis. ***The result of this valuation shall be published daily on the website of the MMF.***

Or. en

Amendment 66

Proposal for a regulation
Article 26 – paragraph 5

Text proposed by the Commission	*Amendment*
5. ***In addition to the marking to market***	5. ***Amortised cost accounting shall be***

***method referred to in paragraphs 2 and 3 and marking to model method referred to in paragraph 4, the assets of a CNAV MMF may also be valued by using the amortised cost method*.**	***applied only where it allows for an appropriate approximation of the price of the instrument. The use of amortisation shall be restricted to instruments with low residual maturity not exceeding 60 days and not presenting significant vulnerability to credit or market risks.*** ***Materiality thresholds of 10 basis points and escalation procedures shall be in place to ensure that corrective actions are promptly taken when the amortised cost no longer provides a reliable approximation of the price of the instruments.*** ***In addition, a review of discrepancies between the market value and the amortised cost value of the money market instruments shall be carried out on a weekly basis*.**

Or. en

Amendment 67

Proposal for a regulation
Article 27 – paragraph 4

Text proposed by the Commission	*Amendment*
4. The 'constant NAV per unit or share' shall be calculated as the difference between the sum of all assets of a CNAV MMF and the sum of all liabilities of a CNAV MMF valued in accordance with the amortised cost method, divided by the number of outstanding units or shares of the CNAV MMF.	4. The 'constant NAV per unit or share' shall be calculated as the difference between the sum of all assets of a CNAV MMF and the sum of all liabilities of a CNAV MMF valued ***over the last 60 days before maturity*** in accordance with the amortised cost method, divided by the number of outstanding units or shares of the CNAV MMF.

Or. en

Amendment 68

Proposal for a regulation
Article 27 – paragraph 6

Text proposed by the Commission	*Amendment*
6. The difference between the constant NAV per unit or share and NAV per unit or share of a CNAV MMF shall be continuously monitored.	6. The difference between the constant NAV per unit or share and NAV per unit or share of a CNAV MMF shall be continuously monitored ***and published daily on the website of the MMF*** .

Or. en

Amendment 69

Proposal for a regulation
Article 29 – paragraph 2 – point f

Text proposed by the Commission	*Amendment*
(f) the CNAV MMF has established clear and effective communication tools towards investors that ensure prompt information in relation to any use or replenishment of the NAV buffer and the conversion of the CNAV MMF;	(f) the CNAV MMF has established clear and effective communication tools towards investors that ensure prompt information in relation to any use or replenishment of the NAV buffer, ***as well as short term public debt instruments*** and the conversion of the CNAV MMF;

Or. en

Amendment 70

Proposal for a regulation
Article 29 – paragraph 2 – point g

Text proposed by the Commission	*Amendment*
(g) the rules or instruments of incorporation of the CNAV MMF state clearly that the CNAV MMF cannot receive external support other than through the NAV buffer.	(g) the rules or instruments of incorporation of the CNAV MMF state clearly that the CNAV MMF cannot receive external support other than through the NAV buffer ***provided the procedure of***

	***Article 35 is respected*.**

Or. en

Amendment 71

Proposal for a regulation
Article 29 – paragraph 2 a (new)

Text proposed by the Commission	*Amendment*
	2a. Points (a) to (c) of paragraph 2 do not apply to Retail CNAV MMFs.

Or. en

Amendment 72

Proposal for a regulation
Article 29 a (new)

Text proposed by the Commission	*Amendment*
	Article 29 a
	Liquidity fees and redemption gates
	The manager of a MMF, other than an EU public debt CNAV MMF, shall establish, implement and consistently apply a prudent, rigorous, systematic and continuous internal assessment procedure for determining the weekly liquidity thresholds applicable to the MMF. In managing the weekly liquidity thresholds, the following procedures shall apply:
	1. Whenever the proportion of weekly maturing assets falls below 30% of the total assets of the MMF, the manager and the board of the MMF shall comply with the following :
	The manager shall immediately inform the board of the MMF, the competent authority and ESMA, and the competent authority and ESMA shall undertake a

documented and well-reasoned assessment of the situation. On the basis of this assessment, the competent authority and ESMA shall decide whether to apply one or more of the following measures:

(a) liquidity fees of up to 2% on redemptions;

(b) redemption gates which limit the amount of shares or units to be redeemed on any one business day to 10% of shares or units in the MMF for any period up to 15 business days;

(c) suspension of redemptions for any period up to 15 business days; or

(d) take no immediate action.

2. Whenever the proportion of weekly maturing assets falls below 20% of the total assets of the MMF, the manager and the board of the MMF shall comply with the following :

The manager shall immediately inform the board of the MMF, the competent authority and ESMA, and the competent authority and ESMA shall undertake a documented and well-reasoned assessment of the situation. On the basis of this assessment, the competent authority and ESMA shall impose either:

(a) liquidity fees of at least 1% and not exceeding 2% on redemptions; or

(b) a suspension of redemptions for a period of up to 15 days.

3. When, within a period of 90 days, suspensions exceed 15 business days, a Retail CNAV MMF shall automatically cease to be a Retail CNAV MMF and shall be prohibited from using the amortised cost or rounding method.

4. The Retail CNAV MMF shall immediately inform in writing each investor of the steps taken, in a clear and comprehensible way.

	The assets of a Retail CNAV MMF shall comprise at least 30% of weekly maturing assets.

Or. en

Amendment 73

Proposal for a regulation
Article 30 – paragraph 1 – subparagraph 1

Text proposed by the Commission	*Amendment*
1. ***Each*** CNAV MMF shall establish and maintain ***a NAV buffer amounting at all times to at least 3%*** of the ***total value*** of the ***CNAV MMF's assets***. ***The total value*** of the ***CNAV MMF's assets*** shall be ***calculated as the sum of the values of each asset of the MMF determined*** in accordance with ***Article 26(3) or (4***).	1. ***An EU public debt*** CNAV MMF shall establish and maintain ***a capital buffer of up to 3%, to be built up by 2020, which shall be calculated in accordance with the risk weightings assigned to the assets classes the MMF has invested in. The buffer shall only apply to the proportion of assets not invested in government debt.***
	ESMA shall develop draft regulatory technical standards after consultation with the ECB to determine the risk weightings and the level of the buffer for the ***different assets under management by the MMF. The regulatory technical standards*** shall be ***reviewed and, if required, updated at least every year taking into account the latest market and macro financial developments.***
	ESMA shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission by [...].
	The risk profile of investments made in EU public debt instruments as defined in point (22c) of Article 2 shall not be taken into consideration in determining the capital buffer.
	Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with ***Articles 10 to 14 of Regulation (EU***) ***No 1095/2010***.

Or. en

Amendment 74

Proposal for a regulation
Article 35 – title

Text proposed by the Commission	*Amendment*
External Support	***Ban on external support***

Or. en

Amendment 75

Proposal for a regulation
Article 35 – paragraph 1

Text proposed by the Commission	*Amendment*
1. A CNAV MMF ***may not*** receive ***external support other than in the form and under the conditions laid down in Articles 30 to 34***.	***1. Neither*** a CNAV MMF ***nor a VNAV MMF shall*** receive ***any kind of explicit or implicit form of external support, as defined in point 22 b of Article 2, unless it is notified to and approved in advance by the European Commission***.

Or. en

Amendment 76

Proposal for a regulation
Article 35 – paragraph 2

Text proposed by the Commission	*Amendment*
2. MMFs other than CNAV MMFs shall not be allowed to receive external support, except under the conditions laid down in Article 36.	***deleted***

Or. en

Amendment 77

Proposal for a regulation
Article 35 – paragraph 3

Text proposed by the Commission	*Amendment*
3. External support shall mean a direct or indirect support offered by a third party 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.	***deleted***
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.	

Or. en

Amendment 78

Proposal for a regulation
Article 36

Text proposed by the Commission	*Amendment*
Article 36	***deleted***
Exceptional circumstances	
1. In exceptional circumstances justified	

by systemic implications or adverse market conditions the competent authority may allow a MMF other than a CNAV MMF to receive external support referred to in Article 35 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 provided that all of the following conditions are fulfilled:

(a) the MMF duly justifies the necessity of external support and demonstrates through conclusive evidence the urgent need for external support;

(b) the external support is limited in terms of the amount provided and the period of time when it is made available;

(c) the competent authority is satisfied that the provider of the external support is financially sound and has sufficient financial resources to withstand without any adverse effects possible losses resulting from the external support granted.

2. For the purposes of paragraph 1(c), in case the provider of the external support is an entity subject to prudential supervision the agreement of the supervisory authority of that entity shall be sought in view of ensuring that the support to be granted by the entity is subject to adequate own funds provided by that entity and is in line with the risk management system of that entity.

3. Where the conditions referred to in paragraph 1 for receiving external support are fulfilled the MMF shall immediately inform each investor thereof in writing and in a clear and comprehensible way.

Or. en

Amendment 79

Proposal for a regulation
Article 37 – paragraph 1 – subparagraph 2 a (new)

Text proposed by the Commission	*Amendment*
	A MMF shall provide to investors on its website, and update at least monthly, the portfolio of investment of the MMF. ***A MMF shall provide to investors on its website, and update at least weekly, the liquidity levels of the fund, the WAM, the WAL and the aggregated percentage of the top five clients of the MMF.***

Or. en

Amendment 80

Proposal for a regulation
Article 37 – paragraph 2 – point c a (new)

Text proposed by the Commission	*Amendment*
	(c a) that investors can obtain information on the investment portfolio and the liquidity levels of the MMF on the website of the MMF.

Or. en

Amendment 81

Proposal for a regulation
Article 37 – paragraph 4 a (new)

Text proposed by the Commission	*Amendment*
	4 a. Investors in a MMF shall, at least monthly, receive the following information: ***a) the liquidity profile of the MMF including the cumulative percentage of***

	investments maturing overnight and within one week and how that liquidity is achieved; ***b) the credit profile and portfolio composition;*** ***c) the WAM and WAL of the MMF;*** ***d) the cumulative concentration of the top five investors in the MMF.***

Or. en

Amendment 82

Proposal for a regulation
Article 37 – paragraph 5 a (new)

Text proposed by the Commission	*Amendment*
	5 a. A CNAV MMF shall transmit to its competent authority its NAV per unit or share and the amount of its NAV buffer on a daily basis.

Or. en

Amendment 83

Proposal for a regulation
Article 38 – paragraph 1

Text proposed by the Commission	*Amendment*
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. 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.	1. For each MMF managed, the manager of the MMF shall report information to the competent authority of the MMF ***on a monthly*** 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.

Or. en

Amendment 84

Proposal for a regulation
Article 38 – paragraph 3 – subparagraph 1

Text proposed by the Commission	*Amendment*
ESMA shall develop draft implementing technical standards to establish a reporting template that shall contain all the information listed in paragraph 2.	ESMA shall develop draft implementing technical standards to ***specify uniform formats, frequencies, reporting dates, definitions and IT solutions to be applied in the Union and*** establish a reporting template that shall contain all the information listed in paragraph 2. ***ESMA shall submit these implementing technical standards to the Commission by 1 January 2016***.

Or. en

Amendment 85

Proposal for a regulation
Article 38 – paragraph 4 – subparagraph 1

Text proposed by the Commission	*Amendment*
Competent authorities shall transmit to ESMA all information received pursuant to this Article, and any other notification or information exchanged with the MMF or its manager by virtue of this Regulation. Such information shall be transmitted to ESMA no later than 30 days after the end of the reporting ***quarter***.	Competent authorities shall transmit to ESMA all information received pursuant to this Article, and any other notification or information exchanged with the MMF or its manager by virtue of this Regulation. Such information shall be transmitted to ESMA no later than 30 days after the end of the reporting ***period***.

Or. en

Amendment 86

Proposal for a regulation
Article 38 – paragraph 4 – subparagraph 2

Text proposed by the Commission	*Amendment*
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.	ESMA shall collect the information to create a central database of all MMFs established, managed or marketed in the Union. The European Central Bank ***and the ESRB*** shall have ***the*** right to access this database for statistical purposes only.
	This central database shall be up and running by 31 December 2016.

Or. en

Amendment 87

Proposal for a regulation
Article 39 – paragraph 1

Text proposed by the Commission	*Amendment*
1. The competent authorities shall supervise compliance with this Regulation on an on-going basis.	1. The competent authorities shall supervise compliance with this Regulation on an on-going basis. ***Authorisation of a MMF shall be withdrawn in the case of a breach of the ban on sponsor support.***

Or. en

Amendment 88

Proposal for a regulation
Article 40 – paragraph 1

Text proposed by the Commission	*Amendment*
1. Competent authorities shall have all supervisory and investigatory powers that are necessary for the exercise of their functions pursuant to this Regulation.	1. Competent authorities ***and ESMA*** shall have all supervisory and investigatory powers that are necessary for the exercise of their functions pursuant to this Regulation.

Or. en

Amendment 89

Proposal for a regulation
Article 42 – paragraph 2

Text proposed by the Commission	*Amendment*
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.	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. ***In the event of a disagreement between competent authorities regarding the implementation of this Regulation, any relevant home, host or the fund manager's competent authority may request ESMA to proceed to a binding mediation in accordance with Article 19 of Regulation (EU) No 1095/2010.***

Or. en

Amendment 90

Proposal for a regulation
Article 43 – paragraph 1

Text proposed by the Commission	*Amendment*
1. Within the ***six*** months following 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.	1. Within ***three*** months of 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.

Or. en

Amendment 91

Proposal for a regulation
Article 43 – paragraph 3 – point a

Text proposed by the Commission	*Amendment*
(a) 1% of ***the total value*** of the CNAV MMF's assets, within one year from the entry into force of this Regulation;	(a) 1% of ***the capital buffer based upon the risk profile*** of the CNAV MMF's assets, within one year from the entry into force of this Regulation ; ***EU public debt CNAV MMFs, funds should be exempted for the proportion invested in public debt from the requirement toestablish a capital buffer;***

Or. en

Amendment 92

Proposal for a regulation
Article 43 – paragraph 3 – point b

Text proposed by the Commission	*Amendment*
(b) ***2%*** of the ***total value*** of the CNAV MMF's assets, within two years from the entry into force of this Regulation***;***	(b) ***2%*** of the ***capital buffer based upon the risk profile*** of the CNAV MMF's assets, within two years from the entry into force of this Regulation***. EU public debt CNAV MMF funds should be exempted for the proportion invested in public debt from the requirement to establish a capital buffer;***

Or. en

Amendment 93

Proposal for a regulation
Article 43 – paragraph 3 – point c

Text proposed by the Commission	*Amendment*
(c) ***3%*** of the ***total value*** of the CNAV MMF's ***assets, within*** three years from the date of entry into force of this Regulation	(c) ***3 %*** of the ***capital buffer based upon the risk profile*** of the CNAV MMF's ***assets within*** three years from the date of entry into force of this Regulation***. EU public debt CNAV MMF funds should be exempted for the proportion invested in public debt from the requirement to establish a capital buffer.***

Or. en

Amendment 94

Proposal for a regulation
Article 45 – paragraph 1 – introductory part

Text proposed by the Commission	*Amendment*
By three 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. In particular the review shall consider the operation of the ***CNAV buffer*** and the ***operation*** of the ***CNAV buffer to those CNAV MMFs that, in future, might concentrate their portfolios on debt issued or guaranteed by the Member States. The review shall:***	By three 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. In particular the review shall consider ***whether changes should be made to the regime for Retail CNAV MMFs,*** the operation of ***EU public debt CNAV MMF funds*** and the ***building up*** of ***EU public debt investment by these EU public debt CNAV MMF funds.***

Or. en

Amendment 95

Proposal for a regulation
Article 45 – paragraph 1 – point b

Text proposed by the Commission	*Amendment*
(b) assess the role that MMFs play in purchasing debt issued or guaranteed by	***deleted***

the Member States;

Or. en

Amendment 96

Proposal for a regulation
Article 45 – paragraph 1 – point c

Text proposed by the Commission	*Amendment*
(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;	***deleted***

Or. en

EXPLANATORY STATEMENT

I. Background:

Europe is experiencing significant investment and funding gaps.[1] The establishment of a European capital markets union (CMU) is therefore a priority for the Commission for 2014-2019. Money market funds (MMFs) could be instrumental in bridging this gap. Therefore further development and integration of European capital markets would cut the cost of raising capital, notably for SMEs, and help reduce European dependency on bank financing. Furthermore it will increase the attractiveness of Europe as a place to invest.

MMFs are an important short term investment instrument. They have the potential to play a crucial role in the setting up of a European CMU and in revitalising a European industrial policy. Within this context, it’s the rapporteur's opinion that a competitive MMF market will contribute to a well-functioning CMU.

II. Rapporteurs approach:

During the last months, the rapporteur has had an intensive dialogue with a cross section of stakeholders and organised a roundtable on the 4th of November which was well attended by MEPS, regulators, investors and the fund industry.

The rapporteur fully recognises the role MMFs play as a short term cash management instrument for investors as well as for borrowers and she also appreciates that a significant proportion of industries, local authorities, charities and foundations make use of MMFs to manage their excess of cash. Therefore her objective is to have a well regulated, supervised and transparent European MMF market in line with the political aim to boost economic growth and forge a capital markets union, to maximise the benefits of capital markets and

[1]Conservative estimates of the impact of new prudential capital and liquidity rules for banks in Europe indicate a minimum €4 trillion gap in funding for the economy in the next 5 years. The necessity of such new prudential rules is not in question, but unless this funding gap can be bridged, Europe faces the potential of an economic wasted decade.

non-bank financial institutions for the real economy.

However, it is important to understand that MMFs remain investment funds, susceptible to different risks. It is the rapporteur’s opinion that this regulation should tackle the vulnerability of MMFs to investor runs and the risk to tax payers' money on the one hand and ensure an important source of short term funding for banks and European industry remains alive on the other hand.

Given this double objective, the legislative proposal of the EC to regulate the sector of MMFs is crucial to achieve a stable financial service sector. Indeed the proposal strengthens the regulatory framework. Firstly, there is greater emphasis on the assets MMFs can invest in, more focus on transparency and disclosure rules; stress testing of the funds; clarification of the rules on diversification and concentration, customer profiling policies to help anticipate large redemptions and the introduction of an internal credit risk assessment by the MMF manager to avoid overreliance on external ratings.

Nevertheless, the rapporteur still notes significant scope for improvement regarding the tackling of liquidity and maturity transformation and in making the MMF more stable without putting into danger their important short term financing role of the real economy.
Due to the experiences during the financial crisis, both CNAV as well as VNAV MMFs proved to be risky and needed different kinds of support. It is the rapporteur's opinion that the intrinsic vulnerabilities of both types of MMF should be tackled and that the rules should be applied to both where appropriate.

The rapporteur recognises the benefits of CNAV MMFs, both for investors using these funds as well as for the Member States in which the largest part of this type of MMF are domiciled. The rapporteur also notes that some investors prefer CNAVs over VNAVs for a variety of reasons: a) same day settlement, b) stable price of their short term cash, b) accountancy ease, c) for tax reasons and d) investors are legally not allowed to invest in VNAVs. However, the rapporteur is concerned about the long term future of the CNAV industry to deliver a constant net asset value in a perpetual low interest rate environment. To address the risks that pose this structural stability issue, the rapporteur distinguishes different options.

1. The European Commission proposal addresses this through the introduction of a capital buffer. However the rapporteur believes this proposal should be amended.

2. It is the rapporteur's opinion that a new category of CNAVS should be established in the coming years: EU government CNAV MMF funds.

EU government CNAV MMFs offer the option of a CNAV fund which invests a majority of its assets into EU government debt. This would have several benefits relative to a VNAV fund. The majority of the funds would be invested in government debt - high quality and liquid; EU governments would benefit from a healthy demand for their short-term debt; the balance of the funds would still be available to invest in high quality banks/corporates or via ABCP, in the SME sector. Furthermore, the rapporteur proposes to introduce stringent diversification and concentration requirements to ensure that these funds are deployed across the EU.

The mechanics of an EU government CNAV MMF would be to increasingly invest into a greater percentage of European public debt until the percentage reaches at least 80% by 2020. As a consequence, EU government CNAV MMFs would be exempt from any form of capital buffer requirement. The capital buffer will be based on the risk profile of the assets and have a sliding scale in terms of the percentage. The capital buffer would be applied proportionally until the fund reaches the 80% of EU public debt investment. The EU public debt needs to be defined in a broad way: it should be defined as cash, government assets or reverse repos secured with government debt.

The rapporteur appreciates that there needs to be a transition period for the EU government CNAV MMFs to be built up. During this period, CNAV funds will still face difficulties to keep the constant NAV, in particular during the low interest rate environment.

Therefore, a package of extra measures is required to be implemented to ensure stability of the market.

One of these will be on sponsorship. MMFs need to demonstrate that they are able to stand alone, independently from its parent or sponsor bank and that every type of explicit and implicit sponsoring will be prohibited (except for the building up of the capital buffer). It is understood that more than $12 billion was invested by sponsors to maintain the constant value of CNAV funds during the crisis. Therefore any exception to this principle should be interpreted restrictively and be subject to a transparent procedure, in order to avoid contagion. The concept of sponsoring should be interpreted as widely as possible: every type of supporting measure by a parent or linked bank should therefore be notified, in advance, to the EC and ESMA for approval. Breaking this rule should be sanctioned by withdrawal of the MMF authorisation.

Secondly, increased transparency is a top priority for the rapporteur. Firstly the actual net asset value of CNAVs should be subject to daily disclosure requirements, including publication on the fund's websites; stress tests should take place on a quarterly basis; additionally, all documents targeted at investors of the fund should clearly state that the fund is an investment product which is not guaranteed by any kind of sponsor support and that there are risks to the investor's capital. The investor should sign a statement confirming that they have clearly understood this.

The rapporteur is mindful of the necessity for some investors, like foundations, municipalities, charities, housing companies and individual investors who are unable to invest in VNAVs. In particular, the fact that the statutes of these organisations make it difficult or prohibit investment in floating funds. For this reason, it is the rapporteur's opinion that a 'retail' category of investors should be recognised. That should be allowed to continue using CNAV MMFs provided a comprehensive package is put into place including a very stringent system of liquidity fees and redemption gates that will be applied in times of serious stress. The European Commission will be asked to review the macro-economic impact of this exception after 3 years.

After lengthy discussions with the representatives from the CNAV industry on their proposal to establish a system of liquidity fees and redemption gates, as an alternative to the capital buffer, the rapporteur still has reservations if this was the only instrument. On its own, it is not

the most effective way to prevent the risk of investor flight. In practice the onus is completely on the fund manager to decide when to impose such a measure, if at all. During the earlier crisis such measures were not used by CNAV MMFs despite their availability under the UCITS directives.
A liquidity fee is akin to a decrease in the redemption price, so can therefore be deployed as and when necessary. The rapporteur is concerned that these instruments could cause strong pro-cyclical effects. However they could be form part of the total package, provided that the discretionary element for using liquidity fees and redemption gates is taken away and that the moment of triggering is clearly defined and disclosed.

Finally, the internal assessments made by the MMF of the credit quality of the assets it invests in are a crucial instrument to make the MMF as stable and resilient as possible. Therefore, to make sure these assessment procedures are properly developed, they should be approved in advance by the competent authority and ESMA.

ESMA should be charged with the setting-up of a new department supervising and advising on the functioning of MMFs; this new department should be financed by contributions from the MMF sector.

To conclude, MMFs should continue to play a crucial role in financing the economy and in particular in establishing the capital markets union. Both CNAV and VNAV funds should have the same regulatory treatment, with the exception of the capital buffer for VNAV funds. Excessive risks in CNAV and VNAV MMFs should be tackled properly to avoid investor runs; the real economy should be protected from regulatory gaps and loopholes and excessive systemic risks, resulting in a strong European economy.