

New rules make cash flow investments by start-ups and SMEs safer

Plenary sessions [05-04-2017 - 13:14]

New rules to make money market funds (MMFs) more resistant to crises and market turbulence were approved on Wednesday. MMFs supply easily accessible liquid assets to business start-ups and small and medium-sized enterprises (SMEs), but can be vulnerable to panic runs on their money.

To improve MMFs' stress resistance, the new rules require them MMFs to diversify their asset portfolios, invest in higher-quality assets, meet liquidity and concentration requirements and have in place sound stress testing processes conducted at least quarterly.

MMFs assets will have to be valued at least once a day and the result should be published daily on the MFF's website.

Rapporteur Neena Gill (S&D, UK) said: "I believe this is a win-win deal for both major European MMF sectors, variable and constant net asset value MMFs (VNAV and CNAV) respectively. The key aims of preventing future systemic risks and runs on funds have been addressed. I am particularly pleased that we found a viable operational model for low volatility net asset value MMFs, which was included at the European Parliament's initiative".

LVNAV: a new type of MMF proposed by MEPs

Parliament proposed a new category of MMF: Low Volatility Net Asset Value MMF (LVNAV MMF) designed specifically to work for small firms in the real economy.

Its key features include:

- a diversified portfolio with stringent concentration requirements to reduce risk, assets described more precisely and subject to strict conditions,
- only limited use of the amortised accounting method to value assets,
- strict daily and weekly liquidity requirements to fulfil potential redemption requests, and
- improved transparency, to ensure that investors and supervisors get better and earlier information.

LVNAV MMFs should only be authorised for a period of five years, says the text. The EU Commission is to assess whether these rules are fit for purpose four years after they enter into force and propose whether LVNAV MMFs should be authorised further or indefinitely.

Further information

- EP Think Tank: Money market funds background information : http://www.eprs.sso.ep.parl.union.eu/eprs/auth/en/product_2.html?id=326418&ref_id=undefined&src=2&q=id%3A326418%2BAND%2Bsrc%3A2
- Adopted text 2013/0306(COD) will soon be available here (05.04.2017): <http://www.europarl.europa.eu/plenary/en/texts-adopted.html>
- Video recording of debates (04.04.2017): <http://www.europarl.europa.eu/ep-live/en/plenary/search-by-date>
- Steps of the procedure: [http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2013/0306\(COD\)&l=en](http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2013/0306(COD)&l=en)

Press release

- Committee on Economic and Monetary Affairs:
<http://www.europarl.europa.eu/committees/en/econ/home.html>

Political groups

- News pages of the EPP group: <http://bit.ly/1WuQLqB>
- News pages of the S&D group: <http://bit.ly/1WWG6F4>
- News pages of the ECR group: <http://bit.ly/1Y0YFrj>
- News pages of the ALDE group: <http://bit.ly/2ikk6qK>
- News pages of the GUE/NGL group: <http://bit.ly/1UrAIM9>
- News pages of the Greens/EFA group: <http://bit.ly/2m6JiBA>
- News pages of the EFDD group: <http://bit.ly/1TUnDFU>
- News pages of the ENF group: <http://bit.ly/2cxzxcR>

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