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September 2017

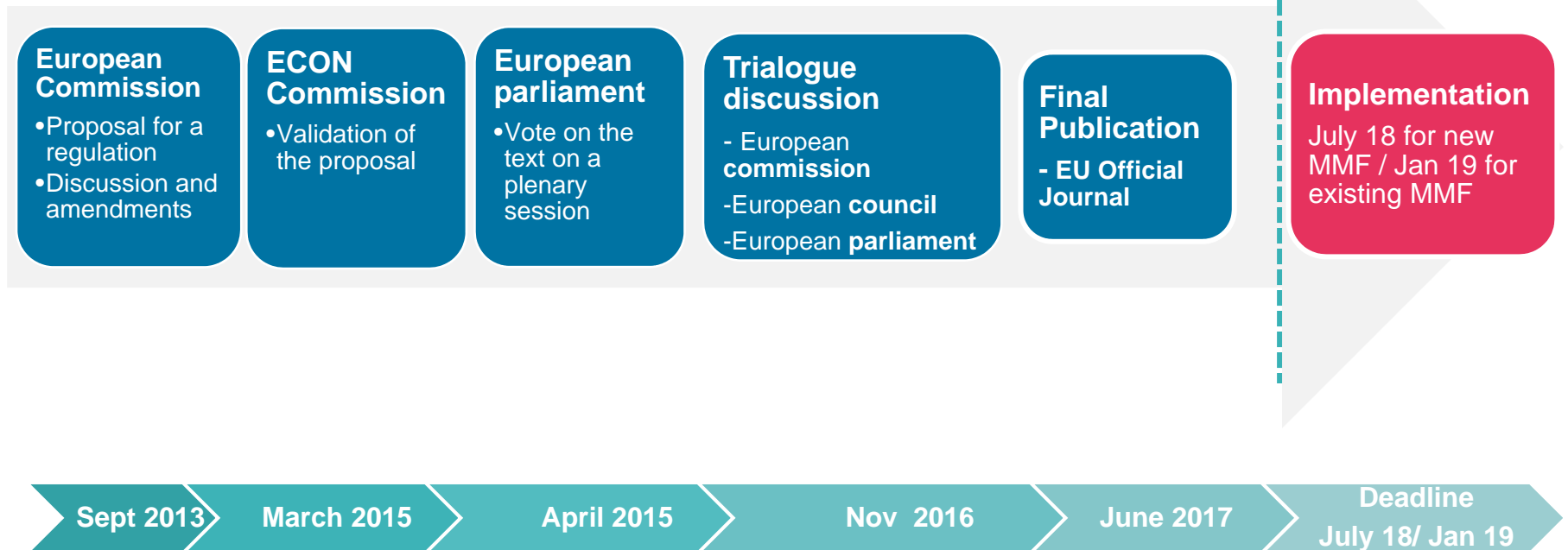
# EU Money Market Fund Reform: **Where do we stand?**

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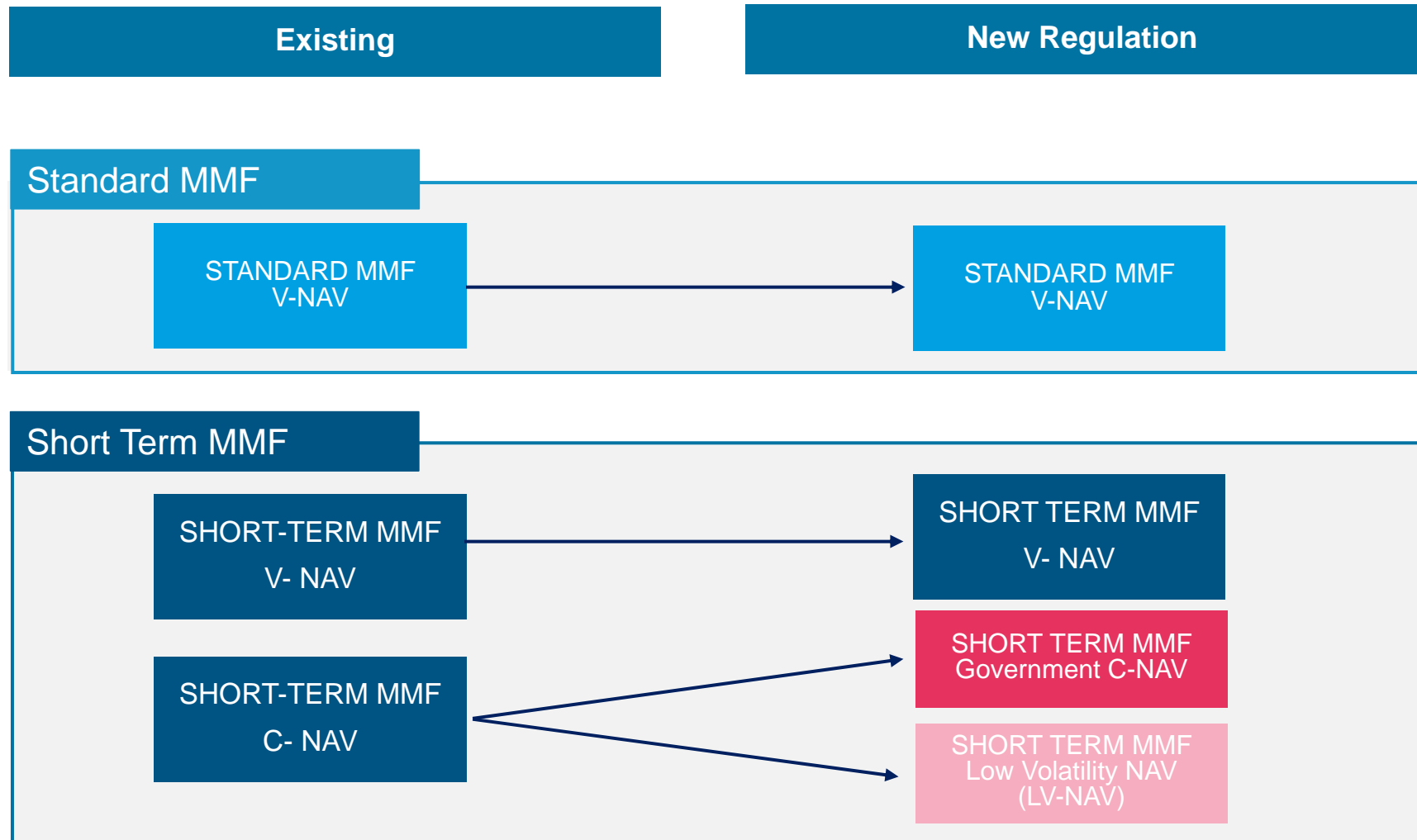
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# EU MMF Reform due for Change in 2018/2019

## Timeline



# EU MMF Reform: New Investment Options



# EU MMF Reform: Key Take Aways

## What is changing?

### Investment

- **Liquidity requirements** : V-NAV → 15% weekly, includes 7.5% daily  
C-NAV/ LV-NAV → 30% weekly includes 10% daily
- **Liquidity fees, redemption gates** for C-NAV and LV-NAV under conditions\*
- **Stricter diversification** requirements introduced on top of UCITS limits →  
max issuer's group 5% (vs 20%) and up to 10% (V-NAV) if all issuers above 5% represent < 40%
- Limits on use of **ABCP** : 15% and 20% targeted with STS format
- Use of Derivatives for **hedging purpose only**
- Internal **credit assessment requirements**

### Valuation

- V-NAV: amortized cost < 3 M (AMF\*\* tolerance) not allowed anymore
- C-NAV: amortized cost < 397D, LV-NAV amortized cost < 75D only

### Legal/Risk

- Fund of Funds and Master/Feeders not allowed anymore
- No sponsor support anymore
- Strengthened risk management (monitoring of shareholders) and reporting (weekly reporting)
- Regulation reviewed 5 years post implementation

\* Under illiquidity conditions

\*\* AMF: French Market Authority

# EU MMF Rules at a Glance

	Short-Term MMFs			Standard MMFs
	Government C-NAV	LV-NAV	V-NAV	V-NAV
<b>Eligible assets for investment</b>	99.5% gov. assets, cash or reverse repo backed by gov. assets.	Money market instruments, Asset Backed Commercial Paper (ABCP), instantly accessible deposits, short-dated reverse repo, other MMFs provided no circularity, currency and interest derivatives for hedging purposes only.		
<b>Min daily liquidity</b>	10%		7.5%	
<b>Min weekly liquidity</b>	30%		15%	
<b>Weekly liquidity eligible assets</b>	Highly liquid assets from SSA < 190 days and up to 17.5% provided 1-day settlement.		MMFs up to 7.5%, or any security which can be sold and settled in 5 business days	
<b>Max asset maturity</b>	397 days			2Y
<b>Max WAM</b>	60 days			6 months
<b>Max WAL</b>	120 days			12 months
<b>Diversification<sup>1</sup></b>	-	• Max 5% per issuer.	• Max 10% per issuer and max 40% aggregate in issuers > 5%.	
	-	• Max 10% per deposit counterparty. • Max 5% risk exposure per derivative counterparty. • Max 5% per MMF.		
		• Max 15% per reverse repo counterparty. • Max 100% per sovereign, agency or European supranational, across at least 6 issues, max 30% per issue.		
<b>Aggregate diversification</b>	-	• Max 15% overall exposure on a single body in securities, deposit and counterparty risk • Max 15% overall exposure to securitization and ABCPs, 20% targeted with STS format • Max 17.5% overall MMF exposure.		
<b>Credit quality</b>	Favorable assessment based on internal credit quality assessment. Credit rating agency ratings as inputs to internal assessment, among others.			
<b>Security level valuation</b>	Amortized cost.	Mark-to-market/mark-to-model >75 days maturity. <sup>2</sup>	Mark-to-market/mark-to-model only. <sup>2</sup>	
<b>Portfolio valuation</b>	Amortized cost.	Amortised cost for assets < 75 days and with a gap vs mark-to-market < 10 bps.	Mark-to-market.	
<b>NAV</b>	C-NAV rounded to 2 decimals ie 1.00	C-NAV rounded to 2 decimals. Move to 4 decimal V-NAV when M2M NAV valuation gap >20bps (ie 0,0020).	V-NAV rounded to 4 decimals ie 1.0000	
<b>Liquidity fees/ Redemption gates</b>	1. Discretionary liquidity fees, gates or temporary suspension of redemptions may be introduced if weekly liquidity < 30% and daily net redemptions > 10% 2. Mandatory fee or temporary gate will be imposed if the weekly liquid assets fall below 10%. 3. If suspension of redemptions exceeds 15 days over 90 consecutive days, move to V-NAV.		No (existing UCITS provisions on fund suspensions apply)	

<sup>1</sup> Companies included in the same group for the purpose of consolidated accounts shall be regarded as a single body for the purpose of diversification requirements.

<sup>2</sup> Use of mark-to-model valuation method where use of mark-to-market method not possible or where market data is not of sufficient quality.