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Targeted consultation on the functioning of the Money Market Fund Regulation

Fields marked with * are mandatory.

Introduction

The money market funds Regulation, fully applicable since January 2019, aims at preserving the integrity and stability of the internal market, by addressing credit and liquidity risks challenges experienced by MMFs during the 2008 crisis, increasing the protection of MMFs investors and enhancing the supervision of MMFs.

The MMF Regulation (EU Regulation 2017/1131) requires the Commission to submit a report to the co-legislators assessing the adequacy of this Regulation from a prudential and economic point of view by summer 2022. This should be based on a robust and comprehensive evaluation of current rules. The following questionnaire aims at complementing the information collected by other initiatives and work (ESMA, ESRB/ECB, FSB) on the functioning of the existing rules on money market funds.

Please note: In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-money-market-funds@ec.europa.eu.

More information on

- this consultation
- the consultation document
- the abbreviations used in this consultation
- money market funds
- the protection of personal data regime for this consultation

About you

* Language of my contribution

- ○ Bulgarian
- ○ Croatian
- ○ Czech
- ○ Danish
- ○ Dutch
- ◉ English
- ○ Estonian
- ○ Finnish
- ○ French
- ○ German
- ○ Greek
- ○ Hungarian
- ○ Irish
- ○ Italian
- ○ Latvian
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- ○ Swedish

* I am giving my contribution as

- ○ Academic/research institution
- ○ Business association
- ◉ Company/business organisation
- ○ Consumer organisation
- ○ EU citizen
- ○ Environmental organisation
- ○ Non-EU citizen
- ○ Non-governmental organisation (NGO)

- ○ Public authority
- ○ Trade union
- ○ Other

* First name

Carey

* Surname

Evans

* Email (this won't be published)

carey.evans@blackrock.com

* Organisation name

255 character(s) maximum

BlackRock

* Organisation size

- ○ Micro (1 to 9 employees)
- ○ Small (10 to 49 employees)
- ○ Medium (50 to 249 employees)
- ● Large (250 or more)

Transparency register number

255 character(s) maximum

Check if your organisation is on the transparency register. It's a voluntary database for organisations seeking to influence EU decision-making.

51436554494-18

* What type of entity are you?

- ● Financial entity
- ○ Non-financial corporate
- ○ Institutional investor
- ○ Other

* What type of financial entity are you?

- AIFM
- UCITS management company
- Association representing asset managers
- Bank or credit institution
- Insurance
- Other (selected)

* Please specify what other type of financial entity you are:

255 character(s) maximum

BlackRock is an independent diversified asset manager; in Europe, our regulated entities relevant to this questionnaire include MiFID licenced investment firms, UCITS ManCos, AIFMs, and underlying individual investment funds.

Please describe your entity, including elements with regard to its size (if applicable):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

BlackRock is one of the world's leading asset management firms. We manage assets on behalf of institutional and individual clients worldwide, across equity, fixed income, liquidity, real estate, alternatives, and multi-asset strategies. Our client base includes pension plans, endowments, foundations, charities, official institutions, insurers and other financial institutions, as well as individuals around the world. We are a global leader in cash and liquidity management; in Europe we manage Public Debt Constant NAV (CNAV) MMFs, Low-Volatility NAV (LVNAV) MMFs, short-term Variable NAV (VNAV) MMFs, and Standard VNAV MMFs (which we market as Ultra-Short Duration Bond Funds) in all three main currencies (EUR, USD, GBP).

* Country of origin

Please add your country of origin, or that of your organisation.

- Afghanistan
- Åland Islands
- Albania
- Algeria
- American Samoa
- Andorra
- Angola
- Anguilla
- Antarctica
- Antigua and Barbuda
- Argentina
- Armenia
- Aruba

- Australia
- Austria
- Azerbaijan
- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Belize
- Benin
- Bermuda
- Bhutan
- Bolivia
- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Chile
- China

- Christmas Island
- Clipperton
- Cocos (Keeling) Islands
- Colombia
- Comoros
- Congo
- Cook Islands
- Costa Rica
- Côte d’Ivoire
- Croatia
- Cuba
- Curaçao
- Cyprus
- Czechia
- Democratic Republic of the Congo
- Denmark
- Djibouti
- Dominica
- Dominican Republic
- Ecuador
- Egypt
- El Salvador
- Equatorial Guinea
- Eritrea
- Estonia
- Eswatini
- Ethiopia
- Falkland Islands
- Faroe Islands
- Fiji
- Finland
- France
- French Guiana
- French Polynesia

- French Southern and Antarctic Lands
- Gabon
- Georgia
- Germany
- Ghana
- Gibraltar
- Greece
- Greenland
- Grenada
- Guadeloupe
- Guam
- Guatemala
- Guernsey
- Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Israel
- Italy
- Jamaica
- Japan
- Jersey
- Jordan

- Kazakhstan
- Kenya
- Kiribati
- Kosovo
- Kuwait
- Kyrgyzstan
- Laos
- Latvia
- Lebanon
- Lesotho
- Liberia
- Libya
- Liechtenstein
- Lithuania
- Luxembourg
- Macau
- Madagascar
- Malawi
- Malaysia
- Maldives
- Mali
- Malta
- Marshall Islands
- Martinique
- Mauritania
- Mauritius
- Mayotte
- Mexico
- Micronesia
- Moldova
- Monaco
- Mongolia
- Montenegro
- Montserrat

- Morocco
- Mozambique
- Myanmar/Burma
- Namibia
- Nauru
- Nepal
- Netherlands
- New Caledonia
- New Zealand
- Nicaragua
- Niger
- Nigeria
- Niue
- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
- Pakistan
- Palau
- Palestine
- Panama
- Papua New Guinea
- Paraguay
- Peru
- Philippines
- Pitcairn Islands
- Poland
- Portugal
- Puerto Rico
- Qatar
- Réunion
- Romania

- Russia
- Rwanda
- Saint Barthélemy
- Saint Helena Ascension and Tristan da Cunha
- Saint Kitts and Nevis
- Saint Lucia
- Saint Martin
- Saint Pierre and Miquelon
- Saint Vincent and the Grenadines
- Samoa
- San Marino
- São Tomé and Príncipe
- Saudi Arabia
- Senegal
- Serbia
- Seychelles
- Sierra Leone
- Singapore
- Sint Maarten
- Slovakia
- Slovenia
- Solomon Islands
- Somalia
- South Africa
- South Georgia and the South Sandwich Islands
- South Korea
- South Sudan
- Spain
- Sri Lanka
- Sudan
- Suriname
- Svalbard and Jan Mayen
- Sweden
- Switzerland

- Syria
- Taiwan
- Tajikistan
- Tanzania
- Thailand
- The Gambia
- Timor-Leste
- Togo
- Tokelau
- Tonga
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda
- Ukraine
- United Arab Emirates
- United Kingdom
- United States
- United States Minor Outlying Islands
- Uruguay
- US Virgin Islands
- Uzbekistan
- Vanuatu
- Vatican City
- Venezuela
- Vietnam
- Wallis and Futuna
- Western Sahara
- Yemen
- Zambia
- Zimbabwe

* In which jurisdiction are you domiciled?

- ◯ an EU or an EEA Member State
- ◯ United States of America
- ◯ United Kingdom
- ◉ Other

* Please specify the country you are domiciled in:

255 character(s) maximum

The entities most relevant to this questionnaire include EU-domiciled investment funds, and client teams both inside the EU and in the UK

* Field of activity or sector (if applicable)

- [ ] Accounting
- [ ] Auditing
- [ ] Banking
- [ ] Credit rating agencies
- [ ] Insurance
- [ ] Pension provision
- [x] Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- [ ] Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- [ ] Social entrepreneurship
- [ ] Other
- [ ] Not applicable

The Commission will publish all contributions to this targeted consultation. You can choose whether you would prefer to have your details published or to remain anonymous when your contribution is published. **For the purpose of transparency, the type of respondent (for example, 'business association, 'consumer association', 'EU citizen') is always published. Your e-mail address will never be published.** Opt in to select the privacy option that best suits you. Privacy options default based on the type of respondent selected

* Contribution publication privacy settings

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

- [ ] **Anonymous**
  Only the organisation type is published: The type of respondent that you responded to this consultation as, your field of activity and your contribution will be published as received. The name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your name will not be published. Please do not include any personal data in the contribution itself if you want to remain anonymous.
- [x] **Public**
  Organisation details and respondent details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published. Your name will also be published.

- [x] I agree with the personal data protection provisions

1. Questions addressed to all

Question 1. In your view, what is the impact of the MMFR on the MMF industry in the EU?

a) Effectiveness: Has the Regulation been overall effective in delivering on its objective in terms of

	1 (least effective)	2 (rather not effective)	3 (neutral)	4 (rather effective)	5 (most effective)	Don't know - No opinion - Not applicable
Ensuring the liquidity of the fund is adequate to face redemption requests				X		
Preventing risk of contagion					X	
Enhancing the financial stability of the internal market				X		
Increasing MMF investor protection				X		
Reducing first mover advantage incentives in times of stress					X	
Transparency				X		
Supervision				X		
Other aspects						

Please explain your answer to question 1 a), providing quantitative information to the extent possible:

3000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The MMFR has provided a strong framework for the European MMF sector since implementation. The improvements in transparency, uniform framework on portfolio composition and liquidity, and comprehensive requirements for credit and risk management have delivered a high degree of investor protection. At the same time, the MMFR provides a suite of fund structures that meet the different needs of a range of MMF investors.

The MMFR brought together two existing MMF markets: the first the largely cross-border, IRE and LUX domiciled short-term CNAV market; the second the largely French domestic longer-dated VNAV market. While the MMFR codified these frameworks (which had previously been based on national guidelines and interpretations of the UCITS framework), it was the short-term CNAV market that underwent more significant reforms as a result of the MMFR. The framework was able to retain the features that investors valued most (in many cases, fundamentally needed) in these funds while delivering key reforms aimed at preserving financial stability.

In March 2020, the MMFR underwent a real live ‘stress test’ in a market-wide liquidity stress event. While most European MMFs had to deal with extremely challenging market conditions, no fund breached regulatory limits, nor was any fund unable to meet investor redemptions.

The newly-created MMF structures (Public Debt CNAV and LVNAV) did not exhibit unique vulnerabilities during the market turmoil. Outflows from LVNAV and Standard VNAV MMFs (public debt funds did not experience the same outflows as credit MMFs) were largely similar, and the empirical evidence does not support the hypothesis that MTM deviations in LVNAV MMFs either correlated to or caused investor redemptions – meaning the supposed ‘cliff edge’ risk did not materialize even in the highly stressed markets of March 2020.

The MMFR not only ensured that European MMFs were well-positioned to meet the market disruption in March of 2020, importantly, it ensured that MMFs were able to function as an important source of liquidity that users were able to access to help meet their ongoing cash needs during the exceptional circumstances (e.g. the need to continue paying staff salary and other overhead costs even when revenue streams had diminished, or the need to fund margin requirements in light of the volatile market conditions). Had more users relied on cash management tools outside of the regulated EU MMF sector (eg holding portfolios of underlying money market instruments directly), the effect of the liquidity shock in the underlying short-term markets may arguably have had a more severe impact.

This evidences the fact that the MMFR has been highly successful in mitigating the contagion risks observed in MMFs during the 2007 financial crisis. That it was able to underpin this resilience, while offering end users a high degree of both investor protection and investor choice, is strong proof of the overall effectiveness of the regime.

What factors have reduced the effectiveness / rendered the framework less effective than anticipated? Which rules have proven less effective than anticipated?

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe the rules around the Weekly Liquid Assets (WLA) buffer could be further optimised to reduce procyclical incentives.

Liquidity buffers are perhaps the most important feature of MMFs. Unlike most mutual funds, which generally sell a representative selection of assets from their portfolio to pay redemptions, MMFs are designed to meet redemptions using cash on hand. This is recognised in the Daily Liquid Assets (DLA) minimums set out in regulation around the world, including the MMFR.

In March 2020, we saw no short-term MMF (the part of the market ecosystem with robust data) experience redemptions in excess of their DLA levels, which would have required them to sell assets to meet outflows. That said, we did see many MMFs seeking to raise their levels of WLA through asset sales in March 2020 in an effort to ensure that WLA (normally, an important metric for an MMF’s ability to generate cash in hand in the near term) remained well above minimum levels to reassure investors that there was no risk of funds needing to impose redemption gates or fees.

We conclude that the MMFR has been effective in ensuring that sufficient liquidity is available through DLA requirements and while the calibration of WLA are likely sufficient to ensure that portfolios that are designed to have evolving liquidity through maturity roll down, the functionality of the WLA buffer can be further improved by de-linking the trigger for the MMF to consider imposing redemption gates or fees.

b) Efficiency: Has the framework been cost efficient?

- ○ 1 - Least efficient
- ○ 2 - Rather not efficient
- ◉ 3 - Neutral
- ○ 4 - Rather efficient
- ○ 5 - Most efficient
- ○ Don’t know / no opinion / not applicable

Please explain your answer to question 1 b), providing quantitative information to the extent possible:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Implementing the MMFR involved significant cost for MMF managers: migrating existing funds to a new regulatory regime involves, at a minimum, legal and operational costs, the time and manpower resources to navigate fund governance procedures, investment and costs incurred from custodians, transfer agents, fund accountants and many other external vendors to build new platforms, operating and oversight procedures, controls, etc.

Whilst the largest explicit cost of implementing MMFR has, rightly, been borne by MMF managers, considerable time and resources were required from MMF users as well to build investment policies, controls and oversight around the framework, and ensure accountants and auditors were comfortable with the new MMF fund structures from a cash & cash equivalence perspective.

Where a new regulatory regime is necessary to ensure the resilience of the market, these costs are warranted. However, we think investors will share our opinion that a policy response which requires a wholescale revisiting of these efforts and costs (e.g. through the explicit or de facto elimination of specific MMF types) is not appropriate unless there is clear evidence that this resulted in a specific vulnerability that is unaddressed by the current regime.

Is there any undue burden created by the MMFR? What scope is there to realise cost efficiencies via further simplification?

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Should enforcement of the rules and supervision be strengthened?

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

c) Relevance: Is the framework overall relevant (in terms of evolving objectives and needs, has the market significantly evolved compared to when the MMFR was designed?)?

- ○ 1 - Least relevant
- ○ 2 - Rather not relevant
- ○ 3 - Neutral
- ◉ 4 - Rather relevant

- 5 - Most relevant
- Don’t know / no opinion / not applicable

Please explain your answer to question 1 c), providing quantitative information to the extent possible:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

How relevant is it, or what needs to change, in light of market developments?

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The MMFR remains relevant but as the regime is revisited, two important structural changes in the market should be considered as they intersect with potential areas of reform:

1) We continue to see challenging market liquidity conditions around quarter-ends and especially year-end. This is due to cyclical cash flow pressures across the market, at a time when banks look to minimize their balance sheet risk due to capital reporting and various tax/ levy dates. This means it is challenging for market participants, MMFs included, to place cash with a bank on an unsecured (deposit) or secured (reverse repo) basis over these dates. MMFs cannot hold cash without being able to place it overnight; on these dates, finding the counterparty balance sheet capacity to do so can be challenging. Ensuring regulatory cash levels can be maintained may force MMF to turn away subscriptions. Any changes to liquidity buffer rules should recognise these regular (albeit brief) periods of disruption to market liquidity and ensure managers have the tools to manage around them.

2) Unlike during previous reforms, we are in a likely rate increase cycle. As a result, MTM movements of fixed income securities (even short dated MMI) can be more volatile than was normal when the MMFR was legislated. This makes the LVNAV structure’s ability to round off a some of the unrealised gains or losses in the underlying portfolio all the more valuable to investors.

d) Coherence

	1 (least coherent)	2 (rather not coherent)	3 (neutral)	4 (rather coherent)	5 (most coherent)	Don't know - No opinion - Not applicable
Is the legislative framework coherent with other related frameworks, at EU level?	○	○	●	○	○	○
Are existing EU provisions coherent with each other?	○	○	●	○	○	○

Please explain your answers to question 1 d), providing quantitative information to the extent possible:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The MMFR complements the existing UCITS and AIFMD regimes by setting out a clear framework for those UCITS and AIFs which are marketed as MMFs. In our opinion, there are few clear instances of 'incoherence' between these frameworks.

That said, we feel that, given the robust EU regulatory regime around them, MMFs could be more clearly referenced in other pieces of EU legislation where users need cash and liquidity management tools. For example, rules around collateral for uncleared margin, EMIR, and MiFID client money rules.

In some ways, clearer recognition of MMFs in other parts of the EU regulatory framework could even further underpin MMF resilience.

For example, many MMF investors use them to hold cash that they need for margining purposes – in some cases, bilateral counterparties (and even some CCPs) will also hold their cash positions in MMFs. Reducing regulatory frictions could allow the transfer of MMF shares from one counterparty to another, instead of forcing one to redeem from the MMF, transfer the cash to the other counterparty, and then in turn, have that counterparty look to place the cash back with an MMF. This could be of notable financial stability benefit by decreasing the redemption pressures on MMFs at the same time as there are strong margin pressures across the market.

e) EU value-added: Has intervention at EU level been justified, and does it continue to be justified?

- 1 - Least successful
- 2 - Rather not successful
- 3 - Neutral
- 4 - Rather successful
- 5 - Most successful
- Don't know / no opinion / not applicable

Please explain your answer to question 1 e), providing quantitative information to the extent possible:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

What has been the value-added compared to national frameworks?

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 2. a) To what extent has MMFR made MMFs more resilient during March 2020 and compared to 2007 (i.e. considering equivalents to MMFs at that time)?

- ○ 1 - Least successful
- ○ 2 - Rather not successful
- ○ 3 - Neutral
- ● 4 - Rather successful
- ○ 5 - Most successful
- ○ Don’t know / no opinion / not applicable

Please explain your answers to question 2 a), in case you have the experience /information to make such a comparison:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

2020 and 2007/8 were market events of a fundamentally different nature. The crisis of 2007/8's impact on money markets and MMFs was driven by credit concerns (and indeed, defaults) by notable issuers active in the short-term credit markets. This resulted in investor confidence issues in MMFs with exposures to those markets. More broadly, a lack of transparency caused investors to be concerned about potential exposures to those issuers most affected by the market turmoil.

The events of March 2020 were driven by a market-wide reaction to the public health crisis and resulting halt in economic activity caused by lockdowns. Participants across all markets focused on risk reduction and preservation of liquidity – in many MMFs, this manifested itself in strong redemption pressures.

Due to improvements in bank capital rules since 2008, there were no credit events in the short-term markets, and March 2020 remained purely a liquidity stress event, not a more destabilizing credit crisis. In Europe, the MMFR framework ensured that MMFs had sufficient liquidity provisioning to meet even these heightened strains (though we believe there is a strong case that de-linking gates and fees from WLA would make them even more resilient).

Unlike in 2007/8, there is no evidence that redemption pressures on European MMFs exacerbated the overall market liquidity stress, and it's clear that European investors did not lose confidence in the fund structures or regulatory framework around them.

Question 2. b) Through which channels has MMFR made MMFs more resilient during March 2020 and compared to 2007?

	1 (least successful)	2 (rather not successful)	3 (neutral)	4 (rather successful)	5 (most successful)	Don't know - No opinion - Not applicable
MMFR rules on credit risk	○	○	○	●	○	○
MMFs asset composition	○	○	○	●	○	○
Definition of liquidity	○	○	○	○	●	○
Other	○	○	○	○	●	○

Please specify to what other channel(s) you refer in your answer to question 2 b):

1500 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Transparency requirements

Please explain your answers to question 2 b), in case you have the experience /information to make such a comparison:

1500 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As outlined above, we see the events of March 2020 as a significant liquidity stress event. An MMF's ability to cope with these market conditions is primarily a function of its own liquidity provisioning (the ability of its DLA levels to meet daily outflows; the ability of the rest of its portfolio, including WLA, to organically generate cash to continue replenishing DLA levels). Therefore, we see the MMFR rules on liquidity as the most important factor underpinning the resilience of MMFs in March 2020.

The rules on credit risk and asset composition were also positives for MMFs as they further underpinned investor confidence in funds, in particular ensuring that it was far less likely that a fund would be exposed to destabilizing credit issues should they have manifested in the market.

Finally, we would emphasise the role that the transparency provisions in the MMFR playing in ensuring the resilience of MMFs. As we highlighted in a), we observed many investor concerns in 2007 that stemmed from a lack of clarity as to whether or not the MMFs they were invested in were exposed to the particular issuers most affected by the broader credit issues in the market. This lack of transparency certainly heightened investor redemptions in 2007/8 and it should be noted that the greater improved transparency in the current regulatory regime played a strong role in making MMFs more resilient in March 2020.

Question 3. If LVNAV were not available anymore, what impacts would you expect on you, and other relevant stakeholders? Please explain:

1500 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As a manager of all 4 types of MMF, if LVNAV weren't available we would continue to offer clients access to MMF in VNAV form.

That said, the impact on many MMF users, were LVNAV no longer available, would likely be greater and is arguably of greater concern from a public policy perspective. The LVNAV is the only non-public-debt fund structure in Europe that the vast majority of investors are comfortable with as cash & cash equivalent; the ability to round the share price within the 20bps collar means that investors do not need to recognise the very small unrealised capital gains and losses in the portfolio when they redeem cash.

While some LVNAV investors may be able to get comfortable with VNAV MMFs as cash & cash equivalent, it is entirely possible that many will not. Losing these investors will negatively impact the scale and liquidity in MMFs overall, further reducing their utility even for those investors able to migrate to VNAV.

The ESMA and ESRB opinions, while not recommending the outright elimination of the LVNAV structure, would have the effect of turning them into VNAV MMFs. This would create a confusing regulatory regime with, essentially, three distinct VNAV MMFs, each with combinations of different maturity and liquidity profiles, yet all three marketing themselves as MMFs, and with the same daily redemption profiles.

This would be a strong step backwards from the current regime which provides a high level of both investor protection and choice.

Question 4. If Public Debt CNAV MMFs were not available anymore, what impacts would you expect on you, and other relevant stakeholders? Please explain:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Many investors use Public Debt (PD)CNAV MMFs due to lack of appetite, or inability to invest in credit portfolios. This is commonly due to particular collateral, capital or regulatory requirements of their own, (e.g. requirements that cash positions be collateralised only with government debt, or regulatory requirements like High Quality Liquidity Assets (HQLA))

Removing PDCNAV MMFs would not remove the preference of these investors to limit their exposure to public debt, and it would obviously remain possible for managers to offer public debt portfolios in other MMF structures. Many of these investors also value the Stable NAV feature of PDCNAVs – while LVNAVs offer (today) an approximation of that feature within the 20bp collar, many would likely prefer to keep the CNAV fund structure, allowing for full use of Amortised Cost Accounting (ACA) in the portfolio; which is how many would value the underlying securities if they were held directly.

If no fund structure existed that could deliver these benefits, many investors would need to consider other non-EU or non-MMF alternatives, such as US Domiciled CNAVs, Stablecoins, or directly investing in public debt portfolios. Direct investment may be a more costly alternative for some uses, and many investors in PDCNAV do so due to operational ease and a lack of 'in-house' trading capabilities and custodial infrastructure to gain public debt exposure.

Question 5. What elements of the MMFR could in your view be improved?

Please select as many answers as you like

- [ ] Know your customer policy
- [x] Disclosure / transparency
- [ ] Role of credit rating
- [x] Limitations on the use of amortised cost method
- [x] Regulatory triggers for LMTs
- [ ] Data sharing
- [ ] Scope
- [x] Other

To what degree is it important to improve the disclosure and/or the transparency?

- ○ 1 - Not important
- ○ 2 - Rather not important
- ● 3 - Neutral
- ○ 4 - Rather important
- ○ 5 - Very important
- ○ Don’t know / no opinion / not applicable

Please explain your answer about the improvement of the disclosure and/or the transparency:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Many MMFs make more frequent and granular disclosures than is required today under the MMFR. We consider this of great benefit to investors, regulators and the market as a whole.

At a minimum, we believe that the data points which MMFs must make publicly available today (under Art. 36 of the MMFR) on a weekly basis should be required for all MMFs to disclose on a daily basis.

To what degree is it important to improve the limitations on the use of amortised cost method?

- ○ 1 - Not important
- ○ 2 - Rather not important
- ○ 3 - Neutral
- ● 4 - Rather important

- ◯ 5 - Very important
- ◯ Don’t know / no opinion / not applicable

Please explain your answer about the improvement of the limitations on the use of amortised cost method:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Amortised cost (ACA) is a recognised valuation method for many short-term securities. Both the EU and US frameworks provide for the use of ACA when valuing public debt instruments in a public debt CNAV structure. The use of ACA is important to be able to offer a true CNAV, and we are supportive of its continued use in these structures.

In Europe, the LVNAV also allows the possible use of ACA to value some assets. However, an LVNAV can be run without the use of ACA; its distinguishing feature is the ability to use a price that is rounded to 2dp so long as it is within the 20bps ‘collar’. This price can, like the 4dp rounded price, be based on mark-to-market accounting (MTM).

To be clear, while we see potential merits in requiring LVNAVs to move away from ACA, removing the ability for them to deal at a 2dp rounded NAV (as suggested by ESMA and the ESRB) would de facto ban the structure and we do not support the elimination of that feature.

There can be operational resiliency benefits in removing the ability of LVNAVs to use ACA and require the pricing (for both the 2dp and 4dp rounded NAV) to rely solely on MTM. This would mean it would be impossible to run an LVNAV as if it were a CNAV. It could continue to provide a high degree of investor utility as a fund which is effective a VNAV where a limited degree of potential volatility can be rounded off (because MMFs do not sell assets to fund redemptions, MTM fluctuations in the portfolio are unrealised by the the MMF).

To what degree is it important to improve the regulatory triggers for LMTs?

- ◯ 1 - Not important
- ◯ 2 - Rather not important
- ◯ 3 - Neutral
- ◯ 4 - Rather important
- ◉ 5 - Very important
- ◯ Don’t know / no opinion / not applicable

Please explain your answer about the improvement of the regulatory triggers for LMTs:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

LMTs are very important to MMF managers, and their application is of great importance to investors. To evidence this, it has been widely observed that concern over the potential applications of redemption gates or fees once an MMF breached the WLA minimums played a strong role in the behaviour of many investors and MMFs in March 2020. ESMA identifies this as key driver of investor concern in LVNAV funds:

"Splitting LVNAVs into high and low WLA groups, ESMA (2021) shows that MMFs with low WLAs record higher outflows than MMFs with high WLAs. This analysis can be interpreted as evidence that institutional investors redeem from MMFs to avoid being subject to fees and gates." (p.14 ESMA opinion)

While we believe there is some merit in clarifying the LMT toolkit for MMF managers (and strongly support removing the linkage between WLA thresholds that require the MMF Board to consider imposing an LMT), we have concerns that regulatory triggers for LMTs could lead to the perception of a first-mover advantage in times of stress.

Fund Boards – who are charged with acting in the best interest of investors – are the appropriate place for the governance around LMTs to sit. Investor confidence that LMTs are applied in ways that are primarily designed to protect them is crucial to ensuring that do not have added incentives to redeem from funds when they believe there is a risk that an LMT will be imposed that adversely affects them.

Please specify to what other element(s) of the MMFR you refer in your answer to question 5:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

LVNAV upside collar

To what degree is it important to improve this/these other element(s) of the MMFR?

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- (selected) 5 - Very important
- Don't know / no opinion / not applicable

Please explain your answer about the improvement of this/these other element(s) of the MMFR:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The 20bps collar is the defining feature of the LVNAV MMF. As we have outlined, we believe that it is highly valued fund structure by investors because it preserves their ability to come in and out of the fund at a share price which, in normal conditions, mutes some of the volatility caused by unrealized gains and losses in the fund's portfolio.

From a financial stability perspective, the structure is an improvement on the former prime CNAV model because in the event of a credit issue in the fund, the fund would need to move to a fully Variable NAV well before it 'broke the buck', which would result in a broader financial stability event.

However, the MMFR sets the 20bps collar in absolute terms, which means that an LVNAV must move to a fully Variable NAV if the price deviates by 20bps either below or above the 2dp rounded share price. While the financial stability merits of this move are clear when a fund deviates by 20bps below the rounded NAV, there is no clear reason for a similar move if the unrealized gains of the portfolio move 20bps above that price. This risks incentivizing investors to redeem to try to realise a gain that the fund itself has not realised.

This is an important consideration given some of the most material price deviations in LVNAV MMFs in March 2020 were actually deviations on the upside, and we see clear merit in clarifying that the collar can only be breached by 20bps deviations below the 2dp rounded share price.

Question 6. What regulatory developments at international level should be taken into account in the MMFR and why? Please explain:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The short-term markets, and the options available to many investors who need market-based cash and liquidity management tools, are increasingly global. The investors who use EU MMFs are both EU-based and from elsewhere in the world (including the UK, where the overwhelming majority of British MMF users are currently invested in EU MMFs). All of these investors contribute to a depth and scale of EU MMFs and short-term markets that are of great benefit to all users.

We believe that the MMFR should be conscious to create the most robust, resilient and investor-centric framework possible to be able to continue crowding in users from across Europe and from elsewhere in the world.

Were changes to the framework to remove fund structures that investors find valuable, and they were able to continue to access these in other jurisdictions, the loss of those assets would diminish the capacity of EU MMFs to provide all the benefits they currently provide to EU investors. Beyond the value investors place on specific fund structures themselves (outlined further below), the scale of EU MMFs today allow them to provide high degrees of liquidity, operational ease of use, and the ability for users to access cash on an intraday basis – highly valued features by all MMF users irrespective of preferences for fund type.

Question 7. Would the proposal on Liquidity Management Tools under the AIFMD/UCITS review contribute to strengthen the liquidity risk management in MMFs?

- ○ Yes
- ○ Partially
- ○ No
- ● Other
- ○ Don’t know / no opinion / not applicable

Please explain your answer to question 7:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Although we are not able to prejudge the outcome of the AIFMD/ UCITS negotiations, we do not necessarily see the need for an MMF-specific framework for Liquidity Management Tools (LMTs) above and beyond that provided for in the AIFMD UCITS rules.

However, this toolkit needs to recognise that MMFs, due to their unique purpose, construction, and way of funding redemptions (by using cash on hand instead of selling assets), many LMTs which are highly valuable for other types of mutual funds (such as swing pricing) are not implementable or appropriate for MMFs.

Most MMFs would look to use a liquidity fee structure as the primary ex post LMT (given the nature of how MMFs fund redemptions, liquidity buffers can be considered an ex ante LMT) as these would continue to allow the provision of same-day liquidity. These fees would be the best tool to able to account for the cost of selling assets were an MMF to be unable to fund redemptions out of their cash on hand, while allowing the fund to continue functioning. Fund suspensions could also be used, but only in the most extreme circumstances

Provided the AIFMD/UCITS framework provides the option to use the right tool for MMFs (and recognising that MMFs would be unlikely to use a wider suite of inappropriate tools) and, as outlined above in our answer to Q5, the fund Board retains responsibility and oversight of its use, we think that the AIFMD/UCITS framework would provide a strong basis for managing liquidity risk in MMFs.

Question 8 a) Do you have any comment on the impact of the MMFR on the functioning of short-term markets (via investments in short-term instruments issued by banks, insurances, non-financial corporates, etc.), both in terms of costs/convenience, but also in terms of financial stability/contagion in times of crisis?

Please explain further and provide quantitative information if possible:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

MMFR indirectly benefits the functioning of short-term markets. MMFs are a key part (we believe less than half) of the investor base in European short-term markets and the resilience the MMFR brings to this segment has a positive impact on the overall market.

The first benefit is transparency, where the MMFR’s disclosure requirements provide some visibility into an otherwise largely opaque market.

The second is by reducing liquidity pressures on the overall market. In March 2020, we saw investors with both MMF holdings and direct investments in the short-term securities turn to MMFs to meet their cash needs as most were unable to sell their direct investments in the stressed markets. Without the overall resiliency benefits of MMFs being able to provide this function (underpinned by the DLA/ WLA framework), selling pressure in markets in March 2020 would have been far worse.

That said, the linkage between WLA and the potential imposition of gates/ fees created an additional pressure on MMFs to shorten the maturity of their portfolios and increase WLA. Many MMFs did this by selling longer-dated assets where they were able, but many equally stopped rolling over positions. This did not have a contagion effect into market functioning, but it did mean that many issuers found it difficult to issue new CP during this period of stress. As previously outlined, we believe that removing this link will make MMFs more resilient, with positive effect on the short-term market.

Question 8 b) In your view, is there sufficient transparency both in terms of issuance, underlying collateral and rates of short-term money market instruments in the EU insofar as covered by the MMFR?

- ○ Yes
- ◉ Partially
- ○ No
- ○ Don’t know / no opinion / not applicable

Please explain your answer to question 8 b):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that short-term markets can be improved in order to operate more efficiently. This includes more transparency over the size and scale of all issuance in the market, better transparency around pricing and market liquidity and more clarity around market participants. However, many of these structural improvements are not likely to come about by regulating on MMFs through the MMFR. For the most part, the segment of the market which is comprised of MMFs is already the most transparent part of short-term markets (at least the data ecosystem around short-term MMFs), and therefore, these improvements are most likely to be necessary outside of the MMFR framework.

In short, we would be supportive of greater standardisation in CP issuance, and of more transparency from dealers, Standard MMFs, and other investors. Over time, we believe that the CP and CD market should be able to benefit from greater electronification and the use of all-to-all trading venues. This should help market functioning during times of stress when banks are reluctant to use balance sheet capacity to make markets in the underlying instruments.

2. Questions addressed to investors in MMFs

Question 9. In which type(s) of EU MMFs do you invest?

Please indicate in the respective cell, approximately, the total amount of your holdings in EU MMF converted in EUR:

	Public debt CVNAV	LVNAV	Standard VNAV	Short-term VNAV
Amount in EUR as of 31/12/2021				

Question 10. Which currency do you mostly invest in and for what reasons?

Please indicate the percentage share of your holdings at the end of 2021:

	EUR	GPB	US Dollars	Other currencies
In LVNAV				
In public debt CNAV				
In VNAV				

Please explain your answer to question 10:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 11. a) What are the reasons/needs for investing in public debt CNAV ?

Please select as many answers as you like

- Short-term investment: optimise returns while preserving liquidity
- Margin call management
- Operational use (payment of invoices and bills, etc.)
- Other cash management reasons
- As part of investment products offered to retail investors (life insurance product, pensions products, fund of funds – please specify which one(s) and why
- Regulatory incentives, please specify which one(s) and why
- Tax reasons, please specify which one(s) and why
- Accounting reasons (e.g. Classification in “cash and cash equivalents” investment, others.)
- Other

Question 11. b) What are the reasons/needs for investing in LVNAV?

Please select as many answers as you like

- Short-term investment: optimise returns while preserving liquidity
- Margin call management
- Operational use (payment of invoices and bills, etc.)
- Other cash management reasons
- As part of investment products offered to retail investors (life insurance product, pensions products, fund of funds – please specify which one(s) and why

- Regulatory incentives, please specify which one(s) and why
- Tax reasons, please specify which one(s) and why
- Accounting reasons (e.g. Classification in "cash and cash equivalents" investment, others.)
- Other

Question 11. c) What are the reasons/needs for investing in standard VNAV?

Please select as many answers as you like

- Short-term investment: optimise returns while preserving liquidity
- Margin call management
- Operational use (payment of invoices and bills, etc.)
- Other cash management reasons
- As part of investment products offered to retail investors (life insurance product, pensions products, fund of funds – please specify which one(s) and why
- Regulatory incentives, please specify which one(s) and why
- Tax reasons, please specify which one(s) and why
- Accounting reasons (e.g. Classification in "cash and cash equivalents" investment, others.)
- Other

Question 11. d) What are the reasons/needs for investing in short-term VNAV?

Please select as many answers as you like

- Short-term investment: optimise returns while preserving liquidity
- Margin call management
- Operational use (payment of invoices and bills, etc.)
- Other cash management reasons
- As part of investment products offered to retail investors (life insurance product, pensions products, fund of funds – please specify which one(s) and why
- Regulatory incentives, please specify which one(s) and why
- Tax reasons, please specify which one(s) and why

- [ ] Accounting reasons (e.g. Classification in “cash and cash equivalents” investment, others.)
- [ ] Other

Question 12. What is your investment horizon when investing in these MMFs?

Please specify time frame and please indicate "on demand" when you invest in MMF due to keeping a liquid cash balance:

	Investment horizon
Public debt CVNAV	
LVNAV	
Standard VNAV	
Short-term VNAV	

Please explain your answer to question 12:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 13. Do the levels of DLA and WLA profile published by MMFs play a role in your investment/disinvestment decision?

- Yes
- Partially
- No
- Don’t know / no opinion / not applicable

Please explain your answer to question 13:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 14. Except for immediate cash needs, what are the most typical reasons why you would divest from a given MMF?

a) Drift of risk indicators (WAM, WAL, DLA, WLA)

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don’t know / no opinion / not applicable

Please explain your answer to question 14 a):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

b) Fund’s recent performance

Volatility of the NAV and MTM (shadow) NAV

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don’t know / no opinion / not applicable

Please explain your answer to question 14 b) on volatility of the NAV and MTM (shadow) NAV:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Difference between constant NAV and MTM (shadow) NAV that widens (question relevant for LVNAV and Public Debt CNAV)

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don’t know / no opinion / not applicable

Please explain your answer to question 14 b) on the difference between constant NAV and MTM (shadow) NAV that widens (question relevant for LVNAV and Public Debt CNAV):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

c) By anticipation due to the market context

Risk of non-accessibility or partial access to the cash in case of LMTs being triggered (e.g. suspension, gates)

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don’t know / no opinion / not applicable

Please explain your answer to question 14 c) on risk of non-accessibility or partial access to the cash in case of LMTs being triggered (e.g. suspension, gates):

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Emerging risks, anticipation of further markets deterioration that may affect the MMF’s performance

- 1 - Not important
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don’t know / no opinion / not applicable

Please explain your answer to question 14 c) on emerging risks, anticipation of further markets deterioration that may affect the MMF's performance:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 15. Would the mandatory availability of LMTs to pass on the cost of liquidity to redeeming investors be a reassurance to the remaining investors?

- Yes
- Partially
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 15:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 16. If LVNAV were not available anymore, or not available in your preferred currency, what alternative investment(s) would correspond to your needs?

Please select as many answers as you like

- Bank deposits
- Short-term VNAV
- Standard VNAV
- Public debt CNAV
- EU investment funds other than MMFs
- Non-EU MMFs

- Non-EU investment funds other than MMFs
- Direct investments in money market instruments (such as short-term treasury bills, etc.)
- Other financial instruments
- Other

Please further explain your answers to question 16 if necessary:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 17. If Public Debt CNAV MMFs were not available anymore, or not available in your preferred currency, what alternative investment(s) would correspond to your needs?

Please select as many answers as you like

- Bank deposits
- Short-term VNAV
- Standard VNAV
- EU investment funds other than MMFs
- Non-EU MMFs
- Non-EU investment funds other than MMFs
- Direct investments in money market instruments (such as short-term treasury bills, etc.)
- Other financial instruments
- Other

Please further explain your answers to question 17 if necessary:

1500 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 18. Do you already invest in these alternative investments? If so, in which ones?

	Percentage share invested (end 2021)	Further comment if necessary
Alternative investments		
Bank deposits		
Non-EU MMFs		
Non-EU investment funds other than MMFs (please specify which ones)		
Direct investments in money market instruments		
Other financial instruments (please specify which ones)		
Other (please specify which ones)		

Question 18 a) Would it be feasible for you to transfer all your MMF holdings into these instruments?

- Yes
- No
- Don’t know / no opinion / not applicable

3. Questions addressed to MMFs asset managers

Question 19. Which type(s) of MMFs do you manage, in which currency and for which amount (end of 2021 position converted in EUR)?

	CNAV - Total NAV EUR	LVNAV - Total NAV in EUR	Standard VNAV - Total NAV in EUR	Short-term VNAV - Total NAV in EUR
Euro-denominated	51,766,606	41,196,462,666	6,145,550,225	6,426,065,771
USD-denominated	14,302,132,667	53,025,262,382	2,832,549,423	4,503,589,134
GBP-denominated	2,681,848,591	45,587,497,829	2,401,692,979	8,203,260,729
Other currencies (please specify)				

Question 20. Do the MMFs you manage invest in debt issued or guaranteed by public authorities or institutions?

Please select as many answers as you like

- [x] Debt issued or guaranteed by EU public issuers
- [x] Debt issued or guaranteed by non-EU public issuers

a) Debt issued or guaranteed by EU public issuers

	Public debt CNAV	LVNAV	VNAV
Total amount of debt in EUR	41,500,000	6,582,645,602	30,782,761
% of this debt acquired on primary market compared to the NAV of all MMFs	8%	<2%	<1%
Country(ies) of issuance	France, Germany	France, Germany, Belgium, the Netherlands, Austria, Denmark	France, Germany, Belgium, Netherlands

b) Debt issued or guaranteed by non-EU public issuers

	Public debt CNAV	LVNAV	VNAV
Total amount of debt in EUR	7,599,914,185	2,500,188,893	407,700,901
% of this debt acquired on primary market compared to the NAV of all MMFs	36%	2%	2%
Country(ies) of issuance	USA, United Kingdom	USA, United Kingdom, Norway	USA, United Kingdom, Norway

Question 21. When monitoring the evolution of the difference between the constant NAV and MTM (shadow) NAV, on a regular basis or during the March 2020 crisis, what actions were/are taken to maintain this difference below the threshold mentioned in Article 33(2)(b) of Regulation 2017/1131 for LVNAV or to maintain a constant NAV for public debt CNAV?

	Action taken on a day to day basis	Specific actions taken during the March 2020 crisis
Public debt CNAV	Unlike the LVNAV, the Public Debt CNAV does not have intraday NAV valuation points. Monitoring of the divergence between the constant NAV and MTM NAV is completed at the end of the fund trading day (the "shadow NAV"). For consistency, we apply the same monitoring thresholds as we do to the LVNAV which are far more conservative than the implied 50 bps collar on this fund type.	Based on our monitoring procedures, we did not need to take specific actions on the Public Debt CNAVs during the March 2020 crisis, other than the day-to-day oversight actions described.

LVNAV	At BlackRock, we apply the same valuation operating model to our LVNAV MMF's as we do our Short-Term VNAV MMF's, with the difference being that LVNAVs can round their NAV per share to 2 instead of 4 decimal places (which is what a VNAV price must be rounded to) when within the 20bps collar. Article 30 of the MMFR requires an LVNAV fund to calculate and publish a MTM NAV per Share, at least daily. We use MTM as the sole basis for pricing the LVNAV funds. As with our VNAV MMFs, we calculate the MTM multiple times per day. The MTM NAV per share is produced to 4 decimal places. If the MTM is within the 20 bps LVNAV collar (i.e. falls within the range of 0.9980 to 1.0020), then the LVNAV will deal at a share price on a rounded basis (i.e. to 2 decimal places to 1.00). The operating model is built around the need to ensure that intraday liquidity can continue to be provided even in a worst-case scenario, whereby we can price and continue to process LVNAV redemptions & subscriptions to an unrounded (or variable) NAV per Share to 4 decimal places on a forward pricing basis in the event of a breach of the collar. As part of the implementation of MMFR, we have agreed monitoring and escalation procedures with the MMF Board with predetermined escalation points as the divergence between the rounded and unrounded NAV per Share increases or decreases. These thresholds are monitored throughout the day so that action can be taken and implemented on an intraday basis, if necessary.	The March 2020 crisis did, at certain points, cause the divergence between the rounded and unrounded to move beyond some of the predetermined thresholds that require us to notify the Board. Across March 2020, our peak MTM divergences in our LVNAV funds were: • USD: max +9bps, min -6bps • EUR: max +2bps, min -3bps • GBP: MTM remained elevated between +5 and +1bps throughout the month As a result, none of the divergences were significant enough to warrant any action on the part of the MMF Board (e.g., move the pricing of a LVNAV to the unrounded NAV per Share). This is largely because of the positive impact to portfolio construction that was addressed and improved acutely with the implementation of the MMFR.

Question 22. Can you explain the direct and indirect impacts (on the type of MMF and on the broader markets) of the central banks' intervention since March 2020 up to now?

a) CNAV:

	1 (low impact)	2 (rather low impact)	3 (neutral)	4 (rather high impact)	5 (very high impact)	Don't know - No opinion - Not applicable
Impact of outright purchases of CP by central banks on cumulative MMFs outflows/inflows	○	○	○	○	○	●
On prices of short-term financial instruments bought by the ECB /BoE/FED	○	○	○	○	○	●
Impact on market confidence -decreasing outflows (EUR)	○	○	○	○	○	●
Other impact(s)	○	○	○	○	○	○

Please specify the central bank your answer to question 22 a) refers to (ECB, BoE, FED):

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Our answer refers to all Central Banks (ECB, BoE and FED). CP is an ineligible asset class for the PDCNAV fund. There was no lack of confidence in government debt in EUR, GBP or USD during March 202, nor was there the same volatility levels experienced in other asset classes.

B) LVNAV:

	1 (low impact)	2 (rather low impact)	3 (neutral)	4 (rather high impact)	5 (very high impact)	Don't know - No opinion - Not applicable
Impact of outright purchases of CP by central banks on cumulative MMFs outflows/inflows	◉	○	○	○	○	○
On prices of short-term financial instruments bought by the ECB /BoE/FED	◉	○	○	○	○	○
Impact on market confidence -decreasing outflows (EUR)	○	○	◉	○	○	○
Other impact(s)	○	○	○	○	○	○

Please specify the central bank your answer to question 22 b) refers to (ECB, BoE, FED):

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The liquidity of the entire short-term market ecosystem in the US improved quickly and dramatically upon the introduction of the U.S. Federal Reserve’s Money Market Mutual Fund Liquidity Facility (MMLF) and other facilities which both provided bank dealers with a dedicated liquidity backstop and ensured any liquidity they provided to the market was capital neutral. In Europe, however, USD-denominated MMFs could not directly access the MMLF, so the impact was more indirect in terms of the MMLF’s impact on the overall liquidity conditions in short-term dollar markets.

In EUR and GBP, the market interventions by the European Central Bank (ECB) and Bank of England (BoE) had a far more indirect effect on MMF portfolios; as a result, the European short-term market ecosystem did not return to more normal liquidity conditions for months. Both the ECB and BoE purchase programmes restricted eligible CP to only non-financial corporate issuers (these represent a very small portion – roughly 2% - of instruments in short-term MMF portfolios), and the overwhelming majority of these purchases were made in primary markets as opposed to secondary markets.

So while these programmes had a general effect of reassuring markets (not just short-term markets, but all segments of fixed income and even equity markets) that central banks would support the economy during the COVID crisis, they had very little direct impact on MMFs and the liquidity conditions in European short-term markets. The most direct effect of the ECB and BoE programmes was that corporate issuers who were able to raise cash in the CP markets because of the primary market purchases, as a result, did not need to draw down their existing liquidity reserved (which included MMFs).

C) VNAV:

	1 (low impact)	2 (rather low impact)	3 (neutral)	4 (rather high impact)	5 (very high impact)	Don't know - No opinion - Not applicable
Impact of outright purchases of CP by central banks on cumulative MMFs outflows/inflows	X					
On prices of short-term financial instruments bought by the ECB /BoE/FED	X					
Impact on market confidence -decreasing outflows (EUR)			X			
Other impact(s)						

Please specify the central bank your answer to question 22 c) refers to (ECB, BoE, FED):

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The portfolios of our LVNAV and short-term VNAV MMFs are run with the same investable universe of issuers based on our credit assessments. Therefore, we see the same impact as we have outlined in our response to 22 b).

Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) below. **Please make sure you do not include any personal data in the file you upload if you want to remain anonymous**.

The maximum file size is 1 MB.

You can upload several files.

Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

Useful links

More on this consultation (https://ec.europa.eu/info/publications/finance-consultations-2022-money-market-funds_en)

Consultation document (https://ec.europa.eu/info/files/2022-money-market-funds-consultation-document_en)

Abbreviations (https://ec.europa.eu/info/files/2022-money-market-funds-abbreviations_en)

More on money market funds (https://ec.europa.eu/info/business-economy-euro/growth-and-investment/investme funds_en#mmf)

Specific privacy statement (https://ec.europa.eu/info/files/2022-money-market-funds-specific-privacy-statement_e

More on the Transparency register (http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

Contact

fisma-money-market-funds@ec.europa.eu