

Aberdeen Investments Response to the CSSF Consultation on Guidance on Money Market Fund Weekly Liquid Asset Levels

This file contains the **response** from **Aberdeen Investments** to the CSSF Consultation on Guidance on Money Market Fund Weekly Liquid Asset Levels which was obtained in the form of an e-mail.

"We welcome the opportunity to respond to the CSSF's consultation on the draft Guidance on Money Market Fund Weekly Liquid Asset Levels (the "Guidance"), published on 8 June 2026 and prepared in coordination with the European Commission, the Autorité des marchés financiers and the Central Bank of Ireland.

As manager of Luxembourg-domiciled money market funds, we have a direct interest in ensuring that the framework strengthens sector resilience in a proportionate and workable manner.

We support the overarching objective of the Guidance, namely, to reinforce the liquidity resilience of Luxembourg-domiciled MMFs, and we welcome the use of the market resilience levels identified in the European Commission's 2026 report as a benchmark for liquidity risk management and supervisory engagement.

Our comments are made in that constructive spirit.

Our central point of concern is the interaction between the market resilience levels (20% weekly liquid assets ("WLA") for VNAV MMFs and 40% for Public Debt CNAV and LVNAV MMFs) and the proposed trigger of a fall below those levels for a period exceeding 10 business days.

We are concerned that, taken together, these two elements would cause the resilience levels to operate in practice as de-facto regulatory minima and as a hard limit, rather than as the practical reference points and benchmark that the European Commission intended (see key finding 2 of the 2026 report).

We develop this point in our answers below.

Question 1 - Part 1: Guidance on liquidity risk management

"Do you agree with the proposed Guidance on liquidity risk management set out in Part 1 of the guidance document? Please explain your response."

We broadly support the intent of Part 1 and, in particular, the use of the market resilience levels as a benchmarking and supervisory tool. We do not, however, support the proposed trigger design

based on a fall below the market resilience level for a period exceeding 10 consecutive business days.

Our preference is for the assessment to be based on an average WLA level measured over a longer horizon (for example, a monthly or quarterly average) rather than on a point-in-time count of consecutive days below the benchmark.

By way of context, WLA represents a snapshot of the assets in the portfolio that will mature or can be liquidated within one week. It is not, on its own, a direct measure of a fund's capacity to meet a given redemption shock, which also depends on factors such as investor and redemption concentration, the speed of redemptions, and secondary market liquidity and the fund's ability to access it. A trigger built solely on the number of consecutive days below a single WLA figure does not capture these elements, and we would suggest adding clarifying language to this effect.

We consider that a fixed 10 business day trigger, applied without differentiation as to the size of the deviation, its trajectory (improving or deteriorating), its cause (deliberate repositioning as opposed to market dislocation) or the fund's broader liquidity profile, would in practice convert the benchmark into an internal de-facto limit. This gives rise to a cliff-edge effect in which behavior is driven by the threshold rather than by underlying risk.

In particular:

- Managers may be incentivized to hold WLA well above the resilience levels (for example, approaching 50% for Public Debt CNAV and LVNAV MMFs) as a precaution against breaching the trigger, which is neither necessary nor desirable and which can itself increase concentration risk.
- The design risks forcing sub-optimal portfolio actions, such as selling assets rather than allowing them to mature, which is contrary to the objective of preserving a usable liquidity buffer.
- MMFs falling below the resilience level, even briefly, may feel constrained from acting counter-cyclically and may instead prioritize rebuilding WLA buffers, with an adverse impact on yield that is not to the benefit of investors.

We would illustrate the point with a simple example. A VNAV fund holds 22% WLA in normal conditions. A temporary build-up of short-dated assets approaching maturity causes WLA to fall to 19.5% for 12 business days before recovering. Under the draft Guidance this would trigger a mandatory notification to the CSSF, notwithstanding that the deviation is small (0.5 percentage points below the 20% resilience level), temporary, and fully explained by ordinary portfolio dynamics. The resulting administrative burden would be disproportionate to the actual risk. Managers would be incentivized to impose internal limits above the resilience level in order to avoid the risk of breaching the threshold and triggering supervisory engagement. In practice, this would cause the resilience level to operate as a de facto hard limit rather than as a benchmark intended to support supervisory assessment and risk management discussions.

An average-based assessment would, in our view, be materially preferable, for the following reasons:

- It captures persistent deterioration in liquidity profile rather than short-term, self-correcting fluctuations, which is the risk the Guidance is properly concerned with.
- It avoids creating a mechanistic trigger that behaves like a hard limit and the associated cliff-edge dynamics.
- It reduces the risk of value-destructive portfolio actions, such as forced selling with a negative client impact.
- It preserves the usability of the liquidity buffer in practice, which is essential to effective liquidity management and is a stated objective of the European Commission.
- It is more consistent with a risk-based framework than point-in-time monitoring.

We would add that, where a fund operates below the benchmark in certain periods, this may reflect legitimate differences in its client base and expected yield profile, differences in investment strategy and liquidity management approach, and a deliberate choice to optimize client outcomes by avoiding the unnecessary costs associated with forced actions. Being temporarily below a benchmark does not, in itself, indicate weaker liquidity risk management, and in some cases reflects a more efficient and client-focused approach.

Question 2 - Part 2: Guidance on increased supervisory scrutiny and engagement

"Do you agree with the proposed Guidance on increased supervisory scrutiny and engagement set out in Part 2 of the guidance document? Please explain your response."

We recognize the need for enhanced supervisory engagement where a fund experiences a sustained deterioration in liquidity, and we welcome the coordination between the CSSF, the AMF and the Central Bank of Ireland as a means of harmonizing supervisory expectations across national competent authorities.

Consistency of approach across jurisdictions is important in order to avoid regulatory arbitrage and an uneven playing field between EU MMF domiciles.

We are concerned, however, that the framework as drafted may lead to supervisory interactions that are more frequent than intended and that are triggered by short-term movements rather than by structural liquidity issues.

Our principal concerns are as follows:

- The 10 business day trigger risks generating frequent engagement on non-persistent deviations that are explicable by normal portfolio dynamics, diverting supervisory and manager resources away from cases of genuine concern.
- The design creates an operational burden, including a likely shift towards daily monitoring and reporting against the resilience levels, which is disproportionate for deviations that are minor, temporary or self-correcting.
- There is a conceptual tension between a benchmarking framework, which is intended to inform judgement, and a quasi-automatic escalation trigger, which operates mechanically.

We would therefore suggest that Part 2 clarify that, aside from a prolonged decline below the market resilience levels, enhanced or more frequent reporting would be expected only in line with existing supervisory practice, that is, in times of stressed market conditions.

As currently drafted, the paragraph on periodic engagement and further ad-hoc reporting does not appear to draw that distinction. Our long-standing position, consistent with the industry, is that more frequent reporting can be useful under genuinely stressed conditions, and can be delivered effectively through targeted ad-hoc reporting. The ad-hoc reporting introduced by the CSSF at the onset of the COVID-19 pandemic (for example the IFM notification on fund issues and large redemptions) proved to be an effective and proportionate tool for that purpose.

Finally, to ease the reporting process and support consistency, we would suggest that the CSSF provide a standard template for any additional deep-dive or ad-hoc reporting. The template made available by the CSSF during the COVID-19 period could serve as a useful basis. A common template would also reinforce the harmonization of supervisory data across the CSSF, the AMF and the Central Bank of Ireland.”