

RESPONSE TO CONSULTATION

CSSF CONSULTATION REGARDING GUIDANCE ON
MONEY MARKET FUND WEEKLY LIQUID ASSET LEVELS

Luxembourg, 3 August 2026

We thank the CSSF for the opportunity to participate in this consultation regarding guidance on money market fund (MMF) weekly liquid asset (WLA) levels. We are at your disposal to further discuss our response and answer any questions you may have.

Response to consultation

Part 1 of the guidance on liquidity risk management

Question 1:

Do you agree with the proposed Guidance on liquidity risk management set out in Part 1 of the above guidance document?

Please explain your response.

ALFI response:

We welcome the European Commission (EC) report on the adequacy of the Money Market Fund Regulation (MMFR) and the CSSF's proposal to issue guidance in the context of the market resilience levels set out in the EC report.

We fully support the overarching objective of the guidance to strengthen the resilience of Luxembourg-domiciled MMFs. Nonetheless, it is in our view important that the key finding 2 of the EC report is adequately addressed, i.e. that the identified market resilience levels are used as a benchmark and not as de-facto new regulatory minima. In this context we would like to share some proposals with regard to the suggested guidance by the CSSF.

We understand that where a MMF falls below the market resilience levels for more than 10 business days, the manager shall notify the CSSF and submit relevant explanations and justifications. Nonetheless, in line with the EC's view that the resilience levels should serve as benchmarks and early-warning indicators rather than new prudential minima, the guidance could explicitly state that the market resilience levels apply as a **"comply or explain" framework** that allows fund managers to demonstrate why a temporary breach of the resilience level remains justified in light of the fund's specific circumstances, such as investor concentration, liquidity profile, robust liquidity stress testing outcomes, market conditions, etc.

Furthermore, as the **ESMA Guidelines on liquidity stress testing for MMFs foresee two redemption fulfilment methodologies** (pro-rata and waterfall), we suggest adding a specific remark mentioning these methodologies in the CSSF Guidance. The two methodologies capture well realistic fund liquidation dynamics and produce fund-specific outputs on the minimum buffer needed to cope with a given redemption scenario.

Part 2 of the guidance on increased supervisory scrutiny and engagement

Question 2:

Do you agree with the proposed Guidance on increased supervisory scrutiny and engagement set out in Part 2 of the above guidance document?

Please explain your response.

ALFI response:

With regard to the 10-days-requirement, we would welcome more details regarding the notification process.

Concerning additional reporting, as per the ALFI long-standing position, we generally agree that under stressed conditions, a more frequent reporting could be useful. This could be covered by additional ad hoc reporting as needed, including WLA levels and other relevant aspects as mentioned above. To our knowledge, the additional ad hoc reporting that was introduced by NCAs (such as the IFM notification on fund issues and large redemptions that was launched by the CSSF) at the onset of the pandemic proved to be very effective and useful to monitor developments.

We would like to highlight the importance of consistently applying the requirements across the jurisdictions. We appreciate that the guidance proposed by the CSSF in collaboration with the AMF and CBI provides for a **harmonization** of the supervisory expectations among NCAs in this regard.

However, it could be further clarified in the second part of the guidance that apart from a prolonged decline of the market resilience levels, enhanced reporting would only be performed in line with the existing supervisory practice, i.e. in times of **stressed market conditions**. The last paragraph on periodic engagement and further ad-hoc reporting does not seem to differentiate in this sense.

In addition, we would suggest a **template for additional deep-dive reporting** which could help to ease the reporting processes. During Covid-19, a template was provided by the CSSF which could be used for this purpose as well.

Overall, we propose to involve the industry when developing details on the notification process and additional reporting, e.g. via a dedicated consultation.

About ALFI

The Association of the Luxembourg Fund Industry (ALFI) represents the face and voice of the Luxembourg asset management and investment fund community. The Association is committed to the development of the Luxembourg fund industry by striving to create new business opportunities, and through the exchange of information and knowledge.

Created in 1988, the Association today represents over 1,400 Luxembourg domiciled investment funds, asset management companies and a wide range of business that serve the sector. Luxembourg is the largest fund domicile in Europe and a worldwide leader in cross-border distribution of funds. Luxembourg domiciled investment funds are distributed in more than 80 countries around the world.