

Cadelux S.A. Response to the CSSF Consultation on Guidance on Money Market Fund Weekly Liquid Asset Levels

This file contains the **response** from **Cadelux S.A.** 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 appreciate the opportunity to provide comments on the CSSF's consultation paper on the guidance relating to Weekly Liquid Asset (WLA) levels for Money Market Funds ([The CSSF consults on Guidance on Money Market Fund Liquid Asset Levels – CSSF](#)).

We fully support the objective of enhancing the resilience of MMFs and promoting consistent supervisory practices across the EU.

However, we would like to highlight that focusing predominantly on WLA levels as a supervisory trigger may, in our view, be somewhat reductive when assessing the overall liquidity risk profile of a MMF.

In particular, WLA represents a static metric at a given point in time and does not fully capture the dynamic aspects of liquidity risk management, especially in stressed market conditions.

A more holistic approach could better reflect the actual resilience of MMFs.

In this respect, we believe it would be beneficial for supervisory assessments to give greater consideration to the results of regulatory stress tests, notably those performed under RST-02 and RST-03 scenarios.

These stress tests provide forward-looking insights into the ability of a fund to withstand significant redemption shocks and therefore constitute a more comprehensive measure of liquidity risk than WLA levels alone.

Furthermore, the investor base of a fund is a key determinant of its liquidity risk profile.

Funds with a highly diversified and predominantly retail investor base typically exhibit more stable redemption patterns, even during periods of market stress.

For such funds, maintaining significantly higher WLA buffers may not necessarily be warranted from a risk management perspective.

Introducing supervisory expectations primarily anchored on WLA resilience thresholds could therefore lead to:

- an unnecessary increase in operational and portfolio management constraints, and
- additional workload for management companies, without a commensurate improvement in risk mitigation in all cases.

In light of the above, we would suggest that the proposed guidance explicitly recognises:

- the importance of stress testing outcomes (in particular RST-02 and RST-03) in the supervisory assessment framework, and
- the role of investor base composition and diversification as key factors in determining appropriate liquidity buffers.

We believe that such a more risk-sensitive and proportionate approach would better align supervisory expectations with the actual liquidity risk profile of MMFs, while avoiding unnecessary operational burden.”