

**IMMFA Response to the Commission de Surveillance du Secteur Financier Consultation Paper
'Guidance on Money Market Fund Weekly Liquid Asset Levels'**

30 July 2026

IMMFA welcomes the opportunity to respond to the Luxembourg Commission de Surveillance du Secteur Financier (CSSF) Consultation Paper on national guidance for enhanced money market fund liquidity management, 'Guidance on Money Market Fund Weekly Liquid Assets Levels' ('the Guidance'). Following the European Commission's May report on the adequacy of Regulation (EU) 2017/1131 (EU MMFR)¹ and accompanying Notice, we now look forward to a conclusion to the long-standing debate about money market fund (MMF) reforms and the closure that this will provide to all stakeholders, especially investors. We welcomed the Commission's decision to adopt a targeted non-legislative approach and the EU coordination with the UK authorities which will avoid market fragmentation and ensure that vital access to the UK market is maintained. Similarly, we now welcome the cross-jurisdictional alignment shown by the three national competent authorities (NCAs) in their coordinated consultations on implementation of the Commission's findings. We continue to support a well-functioning and robust MMF sector and trust that the end result will now be enhanced resilience and the preservation of investor choice.

Luxembourg is a very important jurisdiction for IMMFA MMFs with 20% of IMMFA funds domiciled there. Luxembourg's historic and close association with MMFs is also illustrated on the investor side where Luxembourg accounts for 7% of IMMFA distribution. As a result, we have enjoyed a long-standing relationship with the CSSF which we continue to value highly. Our ongoing engagement has provided an important channel for discussion, particularly in recent years in the context of MMF reforms.

IMMFA assets under management (AuM) are currently EUR1,321bn equivalent and consistently account for almost 60% of the total European market in EUR equivalent terms.² 97% of IMMFA MMFs fall into the stable NAV categories of Low Volatility Net Asset Value (LVNAV) (81%) and Public Debt Constant Net Asset Value (PDCNAV) (16%). This Guidance therefore has particular significance for IMMFA MMFs.

The Institutional Money Market Fund Association

The Institutional Money Market Fund Association (IMMFA) represents the European short term money market fund (MMF) industry. Our mission is to promote and support the development and integrity of the MMF industry by engaging with and informing policy makers, educating investors and providing a primary point of contact for data and expertise. IMMFA has 33 members, consisting of 17 asset managers and 16 service providers such as credit rating agencies, custodial banks and technology providers. IMMFA AuM as of July 2026 were EUR1,321bn EUR equivalent, comprised almost exclusively of institutional funds, denominated in USD (USD813bn), GBP (GBP273bn) and EUR (EUR290bn).³ As noted, 97% of IMMFA MMFs are stable NAV in the form of either LVNAV (81%) or PDCNAV (16%). All IMMFA MMFs are rated AAA by one or more authorised credit rating agency. They are distributed globally to a wide range of institutional investors, with 75% located within Europe.

¹ (COM (2026) 350 final, Report from the Commission to the European Parliament and the Council on the adequacy of Regulation (EU) 2017/1131 of the European Parliament and of the Council on money market funds from a prudential and economic point of view.

² As of 30 March 2026, the ECB recorded total European MMF AuM as EUR2,162bn. IMMFA AuM were EUR1,276bn, 59% of the total, consistent over time.

³ A small number of IMMFA MMFs are denominated in AUD, CAD and SGD.

Summary of IMMFA Response

- There are a number of positive aspects to the Guidance which we particularly welcome, including:
 - A harmonised supervisory approach which seeks to achieve cross jurisdictional alignment.
 - Coordination with the UK which helps ensure the continued access of EU funds to the critically important UK market.
 - The decision to adopt an approach which is pragmatic, targeted and proportionate.
- In our view, the market resilience levels recommended by the Commission represent a proportionate measure to enhance resilience. The crucial thing is that liquidity be usable, i.e. that there should not be a new and higher bright line. Success of the non-legislative approach is heavily dependent upon clarity of guidance to ensure the additional liquidity is not trapped and that managers do not feel they have to run a buffer on top of the buffer.
- The new market resilience levels should not be considered hard lines.
- We welcome the clarity provided by the Commission's Notice in question 3 that the intention is that managers should be able to access their liquidity. We suggest the NCAs echo the Commission in explicitly referencing and interpreting the relevant liquidity provisions in MMFR. This will help correct any misconception that a drop below thresholds automatically triggers the use of liquidity management tools and will support industry efforts to change investor perception.
- We note the importance that *all* buffers be usable, including regulatory *minima*.
- The Guidance on enhanced supervisory scrutiny formalises some of the touchpoints and channels already in place and should be helpful for both managers and NCAs in avoiding unnecessary scrutiny and making appropriate intervention targeted. We recognise this is an opportunity to codify processes which we agree are a good foundation for engagement.
- Additional data requirements, though reasonable within the parameters outlined, should not become a matter of course and we urge the NCAs to avoid duplication.
- Once adopted, consistent implementation will also be important.
- We ask that funds be given some time to fully operationalise the new market resilience levels.

IMMFA Response

Context

MMFs play a vital role in providing short term finance to a range of borrowers including governments, financial institutions, non-financial corporations and asset-backed issuers. MMFs also provide investors with an invaluable cash management tool. As noted, IMMFA champions the stable NAV MMF in particular and is firmly convinced of its value to investors. Given that 97% of IMMFA MMFs are stable NAV, this Guidance has particular relevance to our members.

The Commission recognised the importance of the LVNAV to end users in its 2023 Report, noting that the LVNAV had demonstrated resilience and that a move to a variable NAV would greatly reduce its utility value. Since the events of March 2020 and the ‘dash-for-cash’ we have consistently advocated for preservation of the LVNAV in its current form. We based our argument on the fact that LVNAVs, although, like other MMFs, subject to elevated redemptions, had continued to meet their regulatory requirements during a highly exceptional and acute stress event. We contended that LVNAVs should not be treated more punitively than VNAVs as there was no evidence that fund type was a significant factor in outflows. The LVNAV’s ability to withstand stress was again demonstrated during the LDI crisis. We therefore welcome an outcome which, as the Guidance notes, applies levels uniformly, calibrated for fund types.

IMMFA also argued that increases to minimum liquidity thresholds were not necessary *provided that* the regulatory link between liquidity thresholds and the possible imposition of gates and fees, which applies in the case of stable NAV MMFs, be removed. Removing the link would enhance the resilience of stable NAV MMFs by allowing managers to access their liquidity to meet elevated redemptions. The Commission’s 2026 report and accompanying Notice with FAQs clarify that a fall below regulatory *minima* does not automatically trigger the use of liquidity management tools (LMTs) and firmly establishes that managers should be able to use their liquidity buffers. We welcome this clarification and would recommend that this be clearly restated in the Guidance.

We recognise that the non-legislative approach reflects an accommodation between, on the one hand, a fundamental tenet on the part of regulators and policy makers that resilience must be enhanced through increased liquidity levels, and on the other, a gradual acceptance in recent years that a wider overhaul of MMFR would not only be disproportionate but would also potentially be deeply disruptive. Given funds’ proven ability to manage their liquidity prudently, specifically recognised by the Commission in their May Report⁴, we welcome the final decision to adopt a pragmatic approach.

Lastly, we trust that the Commission’s recommendations and the coordinated effort on the part of the three NCAs to implement the liquidity management requirements will be helpful with respect to the Financial Stability Board’s stock-take of measures adopted to enhance MMF resilience which is planned for the end of this year.

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

We welcome the proportionate approach taken in enhancing the resilience, calibrated by fund type. With respect to the specific increases to weekly liquid assets (WLA), we agree that at the new market resilience levels of 40% WLA for stable NAV and 20% for VNAV MMFs, funds will be able to withstand ‘severe redemption shocks’ and be likely to maintain daily liquid assets (DLA) above the regulatory *minima*.⁵ With respect to the Guidance laid out by the three NCAs, we are supportive of

⁴ COM (2026) 350 final, refers to ‘generally prudent approach’, ‘stable over time’, p. 6.

⁵ COM (2026) 350 final, p. 20.

this non-legislative approach but urge the supervisory authorities to provide as much clarity as possible in order to ensure that the additional liquidity is made usable.

Ensuring that buffers are usable is vital to making the changes effective

We support the Commission's pragmatic, non-legislative approach and agree with the principle that targeted, proportionate enhancements to the current framework can be achieved without legislative changes to the level 1 text. This does, however, put the onus on guidance to provide critical clarity. It also highlights the importance of consistent application across jurisdictions. We welcome the issuance of coordinated, aligned consultations and the efforts to achieve supervisory convergence, as this is crucial. Maintaining alignment in implementation will be equally important.

We welcome the clarity provided by the Commission in their May Report that managers should feel able to access their liquidity buffers. Truly enhancing resilience cannot be achieved by increased liquidity levels alone, since unless managers can use their buffers effectively when required by market conditions or other unforeseen circumstances to do so, increasing the amount held will not achieve the desired result.

As the Commission have restated, EU MMFR foresees that buffers may in certain circumstances fall below the regulatory limits. In our view, **ensuring that buffers are usable is the most effective method of increasing fund resilience.**

We agree that managers should have regard to the requirements of 'know your customer' (KYC) under Article 28. Investor behaviour can vary by cohort, as illustrated in the various stress events. We believe that IMMFA managers already take these requirements into account and will certainly continue to exercise prudent care in anticipating likely investor needs and behaviour, managing liquidity accordingly. We therefore agree that managers can be expected to manage their DLA and WLA levels taking into account likely investor behaviour. We caveat this by noting that managers can only base their assumptions on what is 'typical' and typical behaviour may still be subject to unexpected change, for instance in a stress event or other material change in circumstance. Hence the importance of being able to use buffers.

The new market resilience levels should not be considered hard lines

As noted in the Commission's May Report, EU MMFs have a 'generally prudent approach' to liquidity management which is 'stable over time'.⁶ The industry has indeed, as the Commission observed, adjusted to managing both daily and weekly liquid assets in excess of regulatory *minima*. Whilst this is a powerful argument for setting new 'market resilience levels', it is essential that the new levels should not be considered hard lines. In particular, given market misconceptions about the regulatory link which applies in stable NAV MMFs, it is important that the 40% applied in their case should not be considered a hard line.

Investor perception of a 'bright line' at the regulatory threshold of 30% was a significant factor in driving redemptions in March 2020. To replace the 30% bright line with one at 40% would be counterproductive as liquidity would remain trapped. It would result in managers feeling obligated to run a buffer over and above the existing buffer in order to avoid inadvertently dipping below the new benchmark. We trust that the Commission and the relevant NCAs are aligned with us in wishing to avoid this outcome but feel it cannot be stated strongly enough.

Clarity of guidance is critical

We have noted in our past discussions that an important factor in the perception of the 30% bright line was driven by US investor misconceptions about the relative nuance of EU MMFR in comparison with the more binary US Securities and Exchange Commission (SEC) rules. This resulted in USD denominated LVNAVs experiencing more pressure on redemptions than either GBP or EUR

⁶ COM (2026) 350 final, p. 6.

LVNAVs in March 2020. Offshore USD investors also had the option of pivoting into PDCNAVs. The fact that the SEC has formally delinked the WLA threshold from liquidity fees and removed the ability to impose gates should help underpin a change of perception on the part of this investor sector.

The fact remains, however, that one of the strengths of MMFs is their transparency and that the WLA threshold is a simple and very visible fund metric. Changing investor perception will take time and effort on the part of the industry. Again, this makes guidance critical. Clear guidance that the existing buffers are usable, and that the new benchmark is not a hard line, will form the foundation of industry efforts to reduce the focus on WLA thresholds and encourage investors to take a more holistic view of fund resilience.

It is therefore critically important that the Commission's message regarding the use of buffers be consistently applied in the full spirit of its intention i.e. that buffers be made usable. In the FAQs which accompanied the May Report, question 3 opens with an explicit statement of regulatory intent: 'The intention of setting minimum liquidity buffers is to ensure that MMFs can address redemptions and to prevent the assets of an MMF from being liquidated at heavily discounted prices'. This is a vital point in that it clarifies that the intention is that buffers should be used if required. We agree that managers should have the discretion of using buffers rather than being forced sellers of assets since managers are in the best position to judge what is in the best interest of fund shareholders.

The Commission then clarifies that Articles 24, 25 and 34 of EU MMFR 'provide for and envisage that the portfolio composition of MMFs may fall below the regulatory limits, including the minimum liquid asset requirements, due to exercising subscription or redemption rights, or for reasons beyond the control of the MMF manager'. This reinforces the point that liquidity may be used, noting that stressed market conditions, although arising rarely, are to be seen as beyond the manager's control.

Question 3 goes on to address and correct any misconception about the link between thresholds and liquidity management tools (LMTs) by stating that falling below the limits set out in Articles 24, 25 and 34 does not automatically require the manager to activate LMTs.

We suggest that the Guidance, like the questions in the Commission's Notice, explicitly refer to the provisions in EU MMFR and restate the intended interpretation. Given the importance of ensuring usability and the challenge in changing investor perception, the fact that buffers are intended to be used should be made abundantly clear. Although the Commission have already provided clarity, it would be helpful to have both the provisions and the Guidance in one place. This includes the provision that managers should adopt as a priority, the objective of correcting the situation, taking into account the interests of investors.

For avoidance of doubt, our understanding of the Guidance is that the manager's goal should be to maintain the new resilience levels to the extent possible i.e. unless circumstances justify a fall below the target level. At the same time, as noted above, it is important that investors should not view the new resilience levels as hard lines. In addition to how investors may initially understand the requirements, there is also a risk that the levels subsequently become entrenched as hard lines *because* managers never fall below them. The fact that the Guidance refers to the levels as 'benchmarks' should be helpful in managing investor expectations and mitigating the risk of a new bright line. The Guidance highlights that 'These market resilience levels are a benchmark to identify situations that warrant further attention/scrutiny by MMF managers, particularly within their risk management teams, and the activation of increased supervisory scrutiny and engagement.'⁷ Similarly, the Commission referred to the resilience levels as 'supervisory and risk management

⁷ CSSF Consultation Paper, Appendix, p. 7.

tools’ for ensuring regulatory compliance ‘capable of serving as tools to ensure compliance with MMF regulation’.⁸

Importance of clarifying that *all buffers* are usable

As noted, the Commission’s question 3⁹ helpfully states that Articles 24, 25 and 34 ‘provide for and envisage that the portfolio composition of MMFs may fall below **the regulatory minimums, including the minimum liquidity asset requirements**’. We draw attention to this as it will be important to remove any residual ambiguity about the usability of buffers. The message should be clear that *all buffers* are usable - not just the additional increased amounts which funds must maintain in order to meet the market resilience levels. Since the regulatory minimums will continue to apply, and LMTs will continue to be available, it is important to clarify that with respect to the liquidity held in accordance with those minimums, EU MMFR clearly provisions for a series of steps before the Board is required to impose fees or gates. A simple breach does not automatically trigger such draconian measures. In the event of a breach of regulatory minimums, the manager must prioritise correction, taking due account of the unitholders’ best interests (Article 24.2). Whilst the use of LMTs remains available under the regulation, the increased liquidity enhances resilience, thereby further reducing the risk of gates and fees being applied which should provide investors with reassurance.

In our view, the Guidance should be crystal clear on ‘delinking’ regulatory thresholds and the possible imposition of liquidity management tools. As noted above, we would suggest restating this in detail, echoing the Commission by citing and expounding the relevant articles in EU MMFR, as it provides the industry with a foundation for the educational work we will do with investors.

We note that the Guidance is intended to ‘allow usage in times of liquidity stress to ensure that MMFs are capable of withstanding market conditions and to mitigate against the potential transmission of shocks’¹⁰. We recommend that the Guidance expressly recognise that drawdowns of WLA, including below the 40% and 20% levels, may not only be appropriate but also envisaged during periods of heightened redemption activity or market stress. This would again help reduce any stigma attached to the use of liquidity buffers.

It would also be helpful in avoiding stigma if the Guidance were to clarify that temporary deviations below the resilience levels do not in and of themselves indicate weakness and should not give rise to adverse supervisory or market interpretation.

We note the Guidance refers to allowing usage ‘in times of liquidity stress’. We welcome the fact that usage is not limited narrowly to ‘stressed market conditions’ since, as noted by the Commission, EU MMFR envisages other circumstances beyond the manager’s control.¹¹ The language should be clear that circumstances are not limited only to a market wide stress event as we understand it to be the intention that idiosyncratic reasons would also qualify. Again, we note that funds will endeavour to maintain the new resilience levels, but there may arise occasions, outside broader stress events, when unanticipated redemptions occur and it is appropriate to use liquidity buffers. It is important that this should not raise investor concerns. Managers will, as per MMFR, adopt, as a priority, correction of the situation.

⁸In this regard, in the 2026 MMF Report, the European Commission identified resilience levels based on weekly liquid assets capable of serving as supervisory and risk management tools to ensure compliance with MMF regulation’, Commission Notice on interpretation and implementation of certain legal provisions of the money market fund regulation, C (2026) 2510 final, Q2, p. 2.

⁹ Commission Notice C (2026) 2510 final, p. 3.

¹⁰ CSSF, Appendix 1, Guidance on MMF WLA, pp. 6-7.

¹¹ Commission Notice C (2026) 2510 final, p. 3.

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

In our view, the proposed Guidance on supervisory scrutiny is proportionate. Some of the supervisory touchpoints and channels are effectively already in place and have been built up as the basis for conversations on prudent liquidity management. We recognise that this is an opportunity to codify those processes which we agree provide a good foundation for engagement.

We understand that it would be appropriate for the NCA to request key metrics in the event of a fund failing to meet the market resilience levels for a period exceeding 10 days. We suggest that the provision of such data be confined within the proposed parameters to avoid it becoming a more routine requirement. We note that in line with the Commission's simplification agenda, duplication of reporting should also be avoided. We also understand that the level of scrutiny will depend upon duration and frequency of deviation.

We trust that having a formalised approach to supervisory engagement should be helpful to both managers and NCAs in that it should avoid NCAs conducting unnecessary scrutiny and allow their intervention to be targeted and efficient.

The 10-day time frame allows for funds passively breaching the supervisory benchmarks due to unexpected redemptions or stressed conditions but gives them time to rebalance liquidity in the best interests of shareholders. It should be remembered that outflows are a sign of MMFs serving their purpose. Should outflows persist beyond the 10 days or in the case of a prolonged and/or substantial deviation, then we agree it would be appropriate for the manager to engage with their NCA and that it is a reasonable expectation that they have a 'relevant explanation or justification'. Likewise, if such a prolonged period of deviation is anticipated by the manager, it is appropriate to communicate this to the NCA.

As noted above, we welcome efforts to harmonise the application of Guidance and note that once adopted, the guidance should be interpreted and applied consistently across the three major EU jurisdictions. It will also be important to continue to coordinate with the UK to ensure that approaches are broadly aligned.

We note that managers may need time to fully operationalise the new 'market resilience levels'. We suggest that sufficient lead time be provided to ensure that the higher levels are consistently accommodated.

Conclusion

We commend the three NCAs for their efforts to work together and provide supervisory convergence. We look forward to the Guidance providing further clarity and to continuing our engagement with the CSSF on the implementation as we enter this important final stage of reforms which will further enhance MMF resilience.