

## Consultation Response:

### Guidance on Money Market Fund Weekly Liquid Asset Levels

August 2026

#### **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.***

We agree with the proposed Guidance on liquidity risk management in principle. In our view, the new WLA market resilience levels are useful and appropriate for inclusion in MMF liquidity risk management frameworks as internal monitoring indicators. Their main value is to provide an early-warning signal where WLA levels approach or move below levels that may warrant enhanced internal scrutiny, escalation and management attention.

On that basis, we support the use of the 20% WLA level for VNAV MMFs and the 40% WLA level for public debt CNAV and LVNAV MMFs as internal monitoring indicators, provided that they remain supervisory and risk management benchmarks rather than new binding regulatory minima. The MMFR framework already requires managers to apply fund-specific judgement through Article 27 know-your-customer procedures and Article 28 stress testing. The proposed indicators should therefore support, rather than replace, a fund-specific assessment of liquidity risk.

We would welcome clarification in the final guidance that operating below a market resilience level should not, by itself, be interpreted as a breach, deficiency or weakness in the liquidity risk management framework. The assessment should remain dependent on the fund's investor profile, observed and expected redemption behaviour, liquidity stress testing outcomes and internal escalation arrangements.

We would also welcome confirmation that market resilience levels are intended primarily as normal-market monitoring and supervisory engagement indicators, rather than as levels that must be maintained throughout a stress event. Liquidity buffers are designed to be usable in stress. A supervisory expectation that funds should seek to maintain a non-binding benchmark during stress may reduce portfolio flexibility, create unnecessary pro-cyclicality and increase crowding into a narrower set of very short-dated liquid assets.

#### **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.***

We agree with the objective of proportionate supervisory scrutiny and engagement where WLA levels indicate a potential need for closer review, particularly where deviations from the market resilience levels are material and persistent. We also recognise the benefit of early supervisory dialogue in periods of market stress or where liquidity conditions deteriorate across the sector.

We would welcome further clarification on the proposed notification trigger where WLA remains below the market resilience level for more than 10 business days. While we recognise that a simple day-count may serve as an

effective early-warning indicator, it would be helpful to confirm that the trigger is intended to support supervisory dialogue and explanation rather than create an expectation that the market resilience levels should be treated as minimum operating levels.

We would also welcome clarification on how the 20%/40% market resilience levels should be reflected in Article 28 stress testing. In particular, we believe the guidance should confirm that managers may assess stress-test outcomes against these benchmarks, including where liquidity buffers are appropriately used in stressed conditions, provided the fund remains compliant with MMFR requirements and appropriate governance and risk management actions are in place. We would welcome confirmation that such stressed outcomes do not automatically trigger regulatory notification or corrective measures solely because the market resilience benchmark has been breached.

More generally, we recommend that the final guidance distinguishes clearly between: (i) operating below a market resilience level in normal market conditions; (ii) using WLA buffers in stressed market conditions; and (iii) falling below the binding MMFR thresholds. This distinction is important because WLA buffers are designed to be usable in stress. The final guidance should therefore make clear that the use of liquidity buffers in stressed conditions, where appropriately justified and managed, should not in itself be viewed as evidence of a weakness in the fund's liquidity risk management framework.