



Commission de Surveillance  
du Secteur Financier

# Money Market Funds Regulation - FAQ

FREQUENTLY ASKED  
QUESTIONS CONCERNING  
REGULATION (EU)  
2017/1131 OF THE  
EUROPEAN PARLIAMENT AND  
OF THE COUNCIL OF 14 JUNE  
2017 ON MONEY MARKET  
FUNDS

## Money Market Funds Regulation - FAQ

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### **Preliminary remarks**

The following Frequently Asked Questions (FAQs) aim at highlighting some of the key aspects of the Money Market Fund Regulation (“MMFR”) from a Luxembourg perspective. The FAQs are therefore primarily addressed to managers of money market funds and money market funds (“MMFs”) that are established in Luxembourg.

This document will be updated from time to time and the CSSF reserves the right to alter its approach to any matter covered by the FAQs at any time. You should regularly check the website of the CSSF in relation to any matter of importance to you to see if questions have been added and/or positions have been altered.

## Money Market Funds Regulation - FAQ

### 1. General provisions

- A. Does the distribution policy (accumulating / distributing) at the level of the share classes impact on the type of MMF (VNAV MMF, public debt CNAV MMF, LVNAV MMF) as referred to in article 3(1) of the MMFR?**

No.

All types of MMFs can have accumulating/distributing share classes. The type of MMF is not determined by the distribution policy of its share classes, but by a number of specific rules as defined in the MMFR, including valuation rules (Art. 29 to 33).

- B. Does circular CSSF 08/356 on certain techniques and instruments relating to transferable securities and money market instruments (securities lending, repurchase agreements, reverse repurchase agreements) still apply to MMF authorised under the MMFR?**

No.

- C. Given the changes to be operated at the level of existing funds as a result of the entry into force of the MMFR, will the CSSF impose a one-month prior notice with redemptions free of charge?**

The changes to be operated at the level of existing funds will be assessed by the CSSF on a case by case basis, thereby giving due consideration to the provisions of circular CSSF 14/591 relating to the protection of investors in case of a material change to an open-ended undertaking for collective investment.

In this context, updates initiated to establish compliance with the MMFR are distinguished from updates involving material changes affecting the interest of the investors in the fund.

For instance:

- a 1 month prior notice with redemptions free of charge is in principle not required for a CNAV MMF under the CESR guidelines on a common definition of European money market funds (Ref. ESMA/2014/1103) which converts to a LVNAV MMF or public debt CNAV MMF under the MMFR, unless there are material changes to its investment policy (e.g. the 1 month prior notice would be required for a CNAV MMF converting to a public debt CNAV MMF if it does currently invest in both public and corporate debt);
- a fund which is currently not operating as a CESR MMF and that will have to be authorised under the MMFR will not be systematically considered as a material change in accordance with circular CSSF 14/591, unless there are material changes to its investment policy.

**D. Do all AIFs that are to be authorised under the MMFR have to designate an authorised AIFM? Does a Luxembourg AIF to be authorised under the MMFR and managed by a third country manager have to designate an EU authorised AIFM?**

Yes.

In accordance with article 5(1) of the MMFR, an AIF can be authorised as MMF if its AIFM has been authorised to manage MMFs. Therefore, an AIF managed by a non-EU AIFM will have to appoint an EU authorised AIFM to manage the MMF as the non-EU AIFM regime under AIFMD is currently not applicable.

**E. Does a non-EU fund that is i) managed by a non-EU investment fund manager delegating portfolio management to an investment firm or a bank established in the EU and ii) not marketed in the Union fall under the scope of the MMFR?**

No.

**F. Does the MMFR apply to a Luxembourg AIF qualifying as MMF in accordance with article 1(1) of the MMFR that is marketed exclusively outside Luxembourg?**

Yes.

## 2. Obligations concerning the investment policies of MMFs

**A. Are Master/Feeder structures other than those outlined in article 16(5) of the MMFR allowed?**

No.

**B. Does the CSSF authorise Luxembourg MMFs to invest more than 10% of its assets in deposits with the same credit institution as foreseen under certain conditions under article 17(1) (b) of the MMFR?**

No.

The CSSF considers that the conditions as laid down in article 17(1)(b) of the MMFR are not met for Luxembourg domiciled MMFs because:

- there are sufficient viable credit institutions in Luxembourg;
- it is economically feasible for the MMF to make deposits in another Member State.

**C. The MMFR allows an MMF to invest, in accordance with article 17(7) of the MMFR, up to 100% of its assets in different MMIs complying with the provisions of that article. Is this limitation based on total assets or net assets?**

Investment restrictions applicable to MMF, including the limits foreseen under article 17 of the MMFR, apply on the basis of the net assets.

**D. Does the limit of article 18(1) of the MMFR "*An MMF shall not hold more than 10% of the money market instruments, securitisations and ABCPs issued by a single body.*" apply on a consolidated group basis?**

No.

This limitation applies on a single issuer basis in accordance with article 18(1) of the MMFR.

- E. In relation to the disclosure requirements laid down in article 21(3) of the MMFR, do MMFs also have to detail the internal credit quality assessment procedure in the sales prospectus?**

Yes.

The CSSF considers that the sales prospectus should provide information on the internal credit quality assessment procedure.

### **3. Obligations concerning the risk management of MMFs**

- A. Can deposits with a 1 week or 1 month term be considered as daily maturing assets pursuant to articles 24(1) and 25(1) of the MMFR when they can be withdrawn by giving prior notice of one working day?**

Yes.

- B. Can reverse repos with a fixed term that can be terminated by giving prior notice of one working day be considered as daily maturing assets under articles 24(1) and 25(1) of the MMFR?**

Yes.

- C. Do non-compliance issues with WAL and WAM limits fall in the scope of the CSSF Circular 02/77 concerning the protection of investors in case of NAV calculation error and correction of the consequences resulting from non-compliance with the investment rules applicable to undertakings for collective investment?**

Yes.

- D. Do non-compliance issues with the daily and weekly minimum liquidity thresholds fall in the scope of the CSSF Circular 02/77 concerning the protection of investors in case of NAV calculation error and correction of the consequences resulting from non-compliance with the investment rules applicable to undertakings for collective investment?**

Yes.



#### 4. Valuation rules

- A. With respect to the valuation rules laid down in article 29 of the MMFR, can different sub-funds of the same MMF umbrella use different methods to price the same security on the ground that those sub-funds are public debt CNAV MMF, LVNAV MMF or VNAV MMF?**

Yes.

#### 5. Transparency requirements

- A. Can the information under article 36(2) (e.g. maturity breakdown of the portfolio of MMF, credit profile of the MMF) of the MMFR be provided by means of a website indicated in the sales prospectus?**

Yes.

- B. Can the MMF / manager decide at its discretion on the timing (e.g. each Monday) for the weekly disclosure of article 36(2) (e.g. maturity breakdown of the portfolio of MMF, credit profile of the MMF) of the MMFR?**

Yes.

The MMFR does only require to have at least a weekly disclosure with regard to the information laid down.

- C. In relation to the information item “the credit profile of the MMF” that has to be made available to investors pursuant to article 36(2) of the MMFR, has the MMF / manager to provide information relating to the internal credit quality assessment?**

Yes.

However, the manager of an MMF may complement this information by external ratings provided by a registered and certified credit rating agency.

**D. Shall the information disclosure requirement of article 36(2) of the MMFR apply as of 21 July 2018 to all funds to be authorised under the MMFR?**

No.

Only the MMF authorised in accordance with the MMFR as of 21 July 2018 have to apply all MMFR requirements. MMFs benefiting from the transitional provisions of article 44(1) of the MMFR do not have to meet the MMFR requirements as of 21 July 2018 (including the disclosure requirements).



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