cssf

Commission de Surveillance
du Secteur Financier

Guidance on Money Market Fund Weekly Liquid Asset Levels

Consultation Paper

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Introduction

1. Background and Objectives

On 11 May 2026, the European Commission (the "EC") published a report (the "2026 MMF report") to the European Parliament and the Council on the adequacy of the Money Market Funds Regulation (MMFR) from a prudential and economic point of view and related frequently asked questions (FAQs) on the interpretation and implementation of certain legal provisions of the MMFR.

In its communication, the EC informs that the EU's regulatory framework for money market funds (MMFs) continues to function well overall and mentions that the market would benefit from additional guidance to support more consistent and well-calibrated supervision of MMFs across the EU, strengthening the resilience of the sector.

In this context, the EC identified a "market resilience" level of Weekly Liquid Assets (WLA). From a market wide perspective, the report indicated that these WLA levels would enable EU authorised MMFs to withstand future market stress events based on historical data and to mitigate against the potential transmission of shocks to the rest of the financial system and the real economy.

The CSSF is proposing to issue guidance setting out its expectations for MMFs to align their liquidity risk frameworks and WLA with the market resilience levels set out in the EC's 2026 MMF report. This would also be supported by increased supervisory scrutiny and engagement where a fund's WLA fall below the market resilience level for a prolonged period of time.

MMFs are open-ended collective investment schemes that play an important role in both the financial and non-financial sectors of the economy acting as a cash management facility for their investors and are an important source of short-term financing for financial institutions, corporations and governments.

Most Luxembourg-domiciled MMFs are UCITS. As of end of December 2025, the total net assets of Luxembourg MMFs reached EUR 631 billion.

1.1. European Framework for MMFs

A dedicated regulatory framework for MMFs, Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds (MMFR), entered into force in 2017 and sets down rules for MMFs established, managed or marketed in the EU covering eligible assets, portfolio composition, valuation rules, credit quality assessments, stress testing and disclosure and reporting obligations.

The MMFR defines distinct MMF categories as short-term or standard MMFs, designed to accommodate different investment objectives and risk tolerances. Short-term MMFs include Public Debt Constant Net Asset Value (CNAV) MMFs, Low Volatility Net Asset Value (LVNAV) MMFs and Variable Net Asset Value (VNAV) MMFs, while Standard MMFs only include VNAV MMFs.

The portfolio rules established under the MMFR place a particular emphasis on liquidity thresholds as a central mechanism for EU MMFs with specific requirements to hold liquidity buffers designed to enable MMF managers to continue to meet investor withdrawals even at times of liquidity stress and to mitigate against the need for distressed asset sales that could amplify market dysfunction and contagion risks.

The MMFR specifies the following thresholds:

- Public Debt CNAV MMFs and LVNAV MMFs must maintain at least 10% of Daily Liquid Assets (DLA) alongside 30% WLA in their portfolio; and
- VNAV MMFs must maintain at least 7.5% DLA alongside 15% WLA in their portfolio.

1.2. MMFR Recommendations

The onset of the COVID-19 pandemic in early 2020 and the resulting "dash for cash" highlighted certain vulnerabilities among pockets of MMFs amid high levels of market stress, constrained liquidity and increased redemption pressure.

In the aftermath of the COVID stress, substantial policy work was carried out at international and European level, such as the FSB's 2021 MMF Policy Proposals, the ESRB's 2021 Recommendation on MMFs and ESMA's 2022 Opinion on the MMFR.

1.3. European Commission Article 46 Review

Under Article 46 of the MMFR, the EC was required to undertake a comprehensive review of the adequacy of the framework from a prudential and economic perspective within approximately five years of the Regulation's entry into force.

The EC published a first review in July 2023 (the "2023 MMF report") which indicated that EU MMFs generally performed well during market disruptions including the COVID-19 pandemic, periods of interest rate fluctuations and asset revaluations and that the overall safeguards established in the MMFR were effective. The EC's 2023 MMF report further suggested that regulatory liquidity thresholds functioned adequately and prevented major systemic failures during these market stress events. However, the EC also identified in that context shortcomings to be further assessed in order to enhance the overall resilience of EU MMFs.

The 2026 MMF report sets out the EC's further analysis of the MMF sector in Europe building on its 2023 MMF report, along with FAQs addressing a number of areas of interpretation related to the MMFR text. A key finding from the 2026 MMF report is that EU MMFs generally take a cautious approach by maintaining liquidity buffers exceeding the minimum regulatory thresholds set out in the MMFR, typically 19% in DLA and 29% in WLA for VNAV MMFs (compared to the minimum 7.5% DLA and 15% WLA) and 36% in DLA and 54% in WLA for Public Debt CNAV MMFs and LVNAV MMFs (compared to the minimum of 10% DLA and 30% WLA).

In this context, the FAQs mention that it can be necessary for the portfolio composition of an MMF to go beyond the regulatory percentages having regard notably to the requirements of the "know your customer" under Article 27, and the outcomes of the MMFs stress tests under Article 28 of the MMFR.

1.4. Market Resilience Levels

Based on stress testing exercises conducted as part of the 2026 MMF report, the EC concluded that market resilience WLA levels of 20% for VNAV MMFs and 40% for Public Debt CNAV MMFs and LVNAV MMFs provide greater protection for funds during market stress conditions. These levels are calibrated to enable MMFs to absorb severe redemption shocks without the need to sell assets, while maintaining DLA at their current level set out in the MMFR.

The EC recommended that MMF managers should use the market resilience levels as a benchmark for liquidity risk management, and that NCAs could use them as early warning indicators for supervisory engagement when MMFs persistently hold WLA below the market resilience level supporting greater market resilience.

1.5. Guidance on MMF Weekly Liquid Asset Levels

Following the 2026 MMF report and in close coordination with the EC, the French AMF, the Central Bank of Ireland and the CSSF are consulting on national guidance for enhanced MMF liquidity risk management practices based on the Commission-suggested market resilience levels, supported by increased supervisory scrutiny and engagement where MMFs fall below the market resilience levels of liquidity – the "Guidance on Money Market Fund Weekly Liquid Asset Levels" (the "Guidance").

The purpose of this Consultation Paper is to set out details of the proposed Guidance and to seek feedback from stakeholders on the proposals.

2. Proposal/Format of the Consultation Paper

The Consultation Paper sets out in the Appendix the following:

- the guidance on Money Market Fund WLA levels; and
- the questions addressed to the industry on the proposed guidance.

3. Consultation Responses

The CSSF invites all stakeholders to provide responses to the questions on the proposed Guidance within this Consultation Paper. Responses should be submitted electronically by email to opc_prud_risk@cssf.lu no later than **3 August 2026**. The CSSF will review all feedback received on this Consultation Paper and publish an associated feedback statement.

The CSSF intends to make feedback available on its website after the deadline for receiving responses has passed. Please do not include commercially sensitive material in your response, unless you consider it essential. If you do include such material, please highlight it clearly, so that reasonable steps may be taken to avoid publishing that material. This may involve publishing feedback with the sensitive material deleted and indicating the deletions.

While as indicated above, the CSSF will take reasonable steps to avoid publishing confidential or commercially sensitive material, the CSSF accepts no liability whatsoever for the stakeholders' consultation responses that are subsequently published by the CSSF. Please be aware that you are making a submission on the basis that you consent to the CSSF publishing it in full.

Appendix

1. Guidance on Money Market Fund Weekly Liquid Asset Levels

Background

Regulation (EU) 2017/1131[1] (the MMFR) came into application in 2018 and lays down rules for MMFs established, managed or marketed in the EU, particularly the financial instruments eligible for investment by MMFs, the portfolio and valuation of the assets of MMFs and reporting requirements. A European Commission report on MMFs, published in 2023[2] (the 2023 MMF Report), shows that the framework has been broadly successful although certain elements needed further assessment. International reviews and inputs from the ECB, ESRB, ESMA and FSB also identified certain vulnerabilities in this sector.

This guidance is intended to complement the European Commission's FAQs, adopted on 11 May 2026 on the interpretation of certain provisions of the MMFR, by describing expectations on MMF managers and further information on increased supervisory scrutiny and engagement. In parallel, the European Commission has also adopted a follow-up MMF report, dated 11 May 2026[3] (the 2026 MMF Report), which addresses the areas where further assessment was recommended in the 2023 MMF Report and which provides further detail on prevalent market resilience levels (see below).

In this regard, the 2023 MMF Report evidenced that, as part of MMFs' risk management policy, the market practice is that MMFs typically maintain daily and weekly liquidity buffers well above the regulatory requirements as set out in the MMFR. More recently, the European Commission's 2026 MMF Report confirms this finding with average levels for variable net asset value (VNAV) MMFs of at least 19% daily liquid assets (DLA) and 29% weekly liquid assets (WLA) (compared with the regulatory minimum levels of 7.5% and 15% respectively) and for public debt constant net asset value (PD CNAV) MMFs and low volatility net asset value (LVNAV) MMFs at least 36% DLA and 54% WLA (compared with the regulatory minimum levels of 10% and 30% respectively).[4]

In addition, the European Commission conducted further stress testing exercises at the level of the MMF market and concluded that the WLA for VNAV MMFs of 20% and PD CNAV and LVNAV MMFs of 40% are typically capable of withstanding stressed market conditions ("**market resilience levels**"), with the regulatory level of the DLA unchanged.[5]

This means that, **from a market wide perspective**, applying these levels uniformly will enhance the resilience of European MMFs to liquidity stress scenarios calibrated for VNAV, PD CNAV, as well as LVNAV MMFs and will allow their usage in times of liquidity stress to ensure that MMFs are capable

[1] Regulation - 2017/1131 - EN - EUR-Lex

[2] The European Commission's 2023 MMF Report: 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

[3] The European Commission's 2026 MMF Report: 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

[4] See p. 6 of the 2026 MMF Report. Analysis based on ESMA's Market Report on the EU MMF market of 2023, Crane data, and data from some NCAs.

[5] See p. 11 of the 2026 MMF Report

of withstanding market conditions and to mitigate against the potential transmission of shocks to the rest of the financial system and the real economy.

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 by the relevant competent authorities with MMF managers.

Guidance on liquidity risk management

The MMFR provides a uniform level of investor protection through its rules on liquidity and liquidity risk management, including liquidity buffers, assets in which MMFs can invest, diversification, valuation and internal credit quality assessments.

The daily and weekly liquidity levels, as set out in the MMFR, are minimum requirements. MMF managers should ensure that they can satisfy large, but plausible, redemption requests.

As set out in the European Commission's FAQ No. 2, dated 11 May 2026, based on Art. 28(4) of the MMFR, *"it can be necessary for the portfolio composition of an MMF to go above the regulatory percentages, having regard notably to the requirements of "know your customer", under Article 27, and the outcomes of the MMFs stress tests, under Article 28 of the MMF Regulation.*

In 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 the MMF Regulation. Below these resilience levels, to ensure market-wide resilience ("market resilience levels"), the risk management teams of MMFs and their managers should intensify their scrutiny, and national competent authorities should increase their level of supervisory scrutiny and engagement."

The 2026 MMF Report has found that WLA levels of 20% for VNAV and of 40% for PD CNAV and LVNAV MMFs typically allow MMFs to withstand stressed market conditions, indicating that MMF managers should consider going above the minimum WLA levels of respectively 15% and 30% foreseen by the MMFR. MMF managers should account for these market resilience levels of 20% and 40% in their stress testing processes under Art. 28 MMFR when assessing the resilience of MMFs in stressed market conditions.

If the stress tests reveal a vulnerability, the MMF or MMF manager shall immediately inform the competent authority of the MMF of any measures taken in accordance with Art. 28(4) of the MMFR and submit an extensive report and related action plan to the NCA for review pursuant to Art. 28(5) of the MMFR.

Under both the UCITS and AIFMD frameworks[6], UCITS management companies and AIFMs are required to ensure that the investment strategy, the liquidity profile and the redemption policy are consistent for each UCITS and AIF they manage and the UCITS management company and the AIFM should maintain an appropriate level of liquidity and closely monitor liquidity risks across their managed funds.

MMFs are expected to maintain adequate DLA and WLA levels and to ensure that their risk-management systems are calibrated to anticipate and address potential liquidity pressures.

MMF managers should maintain robust liquidity risk-management processes, including incorporating the results of their stress-testing exercises, to ensure the continuous resilience of their MMFs. These processes should include mechanisms that alert MMF managers to MMFs that operate below the internal minimum levels defined in their liquidity risk-monitoring systems and MMF managers should also integrate the findings set out in the 2023 and 2026 MMF Reports into their internal liquidity risk-management systems, in particular, within their stress testing program under Art. 28 and

[6] For instance, Article 51 of the UCITS Directive, Article 40 of Directive 2010/43/EU, Article 16 of AIFMD, and Article 47 of AIFMR.

regarding the specified “market resilience levels” of 20% WLA for VNAV MMFs and 40% WLA for PD CNAV and LVNAV MMFs.

If WLA levels approach or fall below the identified market resilience levels (20% for VNAV MMFs and 40% for PD CNAV/LVNAV MMFs) the CSSF expects MMF managers to exercise enhanced vigilance in accordance with their liquidity risk-management systems, including timely escalation and reinforced internal decision-making processes.

Where a MMF falls below the market resilience levels for a period exceeding 10 business days or where the MMF manager expects a prolonged and/or substantial deviation, the MMF manager shall notify the CSSF in accordance with section 2 below, together with relevant explanations and justifications, including, where relevant, the measures taken under Article 28(4) and (5) of the MMFR if the stress tests reveal a vulnerability.

Guidance on increased supervisory scrutiny and engagement

Under both the UCITS and AIFMD frameworks, management companies and AIFMs should ensure that they implement an appropriate liquidity management system, taking account of the investment strategy, the liquidity profile, and the redemption policy for each UCITS and AIF they manage. They should also be able to demonstrate to their competent authorities that such systems are in place and operating effectively.

Where an MMF manager notifies the CSSF of an MMF falling below the market resilience level or where the CSSF identifies based on the MMF reporting and related supervisory work MMFs with liquidity levels below the market resilience levels for prolonged periods of time, the CSSF will initiate increased supervisory scrutiny and engagement with the relevant MMF managers.

The intensity of the supervisory engagement will depend on the duration and frequency of deviations below the market resilience level in the WLA and also on the explanations and justifications provided by the MMF manager. Where frequent, prolonged and/or substantial deviations are observed, the CSSF may initiate a dialogue with the MMF manager to determine the underlying causes and potential implications for the liquidity of the MMF.

In the event that an MMF’s **WLA level falls below the market resilience level for 10 business days and this level is not justified by the MMF manager’s liquidity risk management processes and systems**, the CSSF shall review the information at its disposal.

Following its supervisory engagement, the CSSF may request additional information from the MMF manager in the context of restoring the MMF’s WLA above the market resilience level.

At the onset of **stressed market conditions affecting MMFs**, the CSSF shall undertake enhanced supervisory engagement with MMF managers, and in particular, also MMF managers where their managed MMFs fall below the market resilience level. In such conditions, the CSSF may also request more frequent data that could include key risk indicators, daily reporting and key data points such as:

- NAV
- Net subscriptions
- WAM
- WAL
- Daily liquidity buffer
- Weekly liquidity buffer
- Difference in bps between constant NAV and shadow NAV (when applicable)

Periodic engagement with MMF managers may also be undertaken, to gather more qualitative information as needed. For example, the impact of any central banks' decisions on MMF ranges, trading volumes observed and main active counterparties, measures taken/planned on liquidity, observed and potential quarter-end effects, and, when deemed necessary, request that MMF managers provide further ad-hoc data (for instance on current portfolio holdings and cash/deposits/repos).

2. Questions on the proposed guidance

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.

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.

The CSSF kindly requests that responses to all answered questions are accompanied with related reasoning and that submissions with suggested changes to the proposals in the Consultation Paper be supported, where possible, by evidence, which will aid our consideration of the issues.