



Commission de Surveillance
du Secteur Financier

MMF Reporting Dashboard

31 December 2020

MMF Reporting Dashboard

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MMF Reporting Dashboard

1. Introduction

- This MMF Reporting Dashboard encompasses a first set of indicators based on the data reported under article 37 of the Regulation (EU) 2017/1131 of the European parliament and of the Council on money market funds ("MMFR"), complemented where relevant with data from the CSSF U.1.1. reporting and from the Luxembourg Central Bank reporting.
- Money market funds (MMFs) need to report on a quarterly basis, with data as from Q1/2020 onwards, under article 37 MMFR. A derogation is granted to MMFs whose assets under management in total do not exceed EUR 100 000 000 as they can report on a yearly basis. In this context, it can however be noted that the MMFs reporting on a quarterly basis represent ~99,5% of the aggregate total net assets.
- Given that the reporting under article 37 of the MMFR has only been implemented since 2020, some data issues are still experienced and communications took place in this respect between the CSSF and the respective MMF managers to enhance data quality. This Dashboard presents a first set of data, the intention being to complement the next iteration of the Dashboard with additional data items upon further data quality assurance.

2. Executive Summary

- The total TNA of Luxembourg domiciled MMFs (mainly UCITS) reached **387 Bn EUR** as per 31/12/2020 with a **total of 152 funds** (from which only **138 are active funds** as per 31/12/2020), which constitutes an increase of **+47 Bn EUR (+14%)** compared to the end of 2019. The total TNA reached 416 Bn EUR in July 2020 which shows the volatility of investor flows during the year.
- The **breakdown by categories of MMF** remained **rather stable** compared to a year ago. As per 31/12/20, 49% of MMF are short term low volatility NAV MMFs ("ST LVNAV" MMFs) in terms of TNA, 22% are short term variable NAV MMFs ("ST VNAV" MMFs), 16% are short term public debt constant NAV MMFs ("ST PD CNAV" MMFs) (essentially in USD) and 13% are standard variable NAV MMFs ("STD VNAV" MMFs).
- In terms of currencies, **MMF are mainly invested in USD** (193,4 bn€ / 50%, an increase of 7,8 bn€ (+4,2%) compared to end of 2019), followed by EUR (29%) and GBP (19%). Other currencies represent only 2% of the overall TNA of MMFs.
- **91% of MMF investors are professional investors** as per Q4 2020 and in (TNA weighted) average, the 5 largest investors represent 36% of an MMF size.
- As per Q4 2020, globally the largest portion of MMF investors are other financial institutions (32%), followed by corporates (25%) and other UCIs (18%). Households represent only 4%.
- **MMFs in Luxembourg are highly concentrated** (the 6 largest MMFs account for ~50% of the total MMF size).

- In terms of MMF investments, **interconnectedness** between **Luxembourg MMFs** and **banks** is **elevated** according to the Luxembourg Central Bank (BCL) reporting. MMFs in USD, EUR and GBP are invested in banking assets for 50% to 70% of their assets on average. During the **peak of the crisis, average exposure of MMFs to sovereign assets increased** to the detriment of banking assets across the 3 main currencies USD, EUR and GBP. As per the end of December 2020, the portion of sovereign assets increased compared to end of December 2019, to the detriment of banking assets (which in absolute terms partially recovered to the level of 2019) and other assets.
- The Covid-19 pandemic crisis **impacted MMFs in March/April 2020**, mainly characterized for some MMFs by increased redemptions under exceptionally stressed market conditions on money markets and leading major Central Banks to take supportive action¹, as explained in more detail in the sub-sections below.
- It is worthwhile noting that notwithstanding the March/April episode,
 - **no vulnerability** in the context of the mandatory **stress testing program** was reported by MMF managers under art. 28 MMFR;
 - **no ST LVNAV MMF** experienced a **NAV deviation larger than the 20 bp** threshold foreseen under art. 33(2)(b) MMFR, implying that it remained possible for all ST LVNAV MMFs to continue operating at a constant NAV; and
 - for ST PD CNAV and ST LVNAV MMFs, there was **no** need to implement **liquidity measures under art. 34 MMFR** (fees on redemptions, redemption gates or suspension of redemptions).

USD MMFs (193 Bn€, +8 Bn€ YTD)

- When the Covid-19 pandemic crisis started in March 2020, **USD ST LVNAV MMFs** were **particularly affected** by **important outflows** under exceptionally stressed market conditions affecting the liquidity of money markets. In the same period, total assets of **USD ST PD CNAV MMFs increased** by a similar amount (i.e. outflows from USD ST LVNAV MMFs of ca. -30 Bn\$ versus inflows in USD ST PD CNAV MMFs of ca. +30Bn\$), suggesting that investors divested from the USD ST LVNAV MMFs may have re-allocated their investment to the USD ST PD CNAV MMFs in what can be considered as a flight to quality.
- Intervention of the **FED** on money markets targeted to help US MMFs, with the announcement of the Money Market Mutual Fund Liquidity Facility ("MMLF") and in particular the Commercial Paper Funding Facility ("CPFF") to support market functioning. The lack of liquidity experienced at the peak of the crisis was restored quickly after the FED intervention and it helped to stabilize outflows from USD ST LVNAV MMFs.
- The stabilisation of USD money markets following these FED actions supported also indirectly EU MMFs in USD. In this context, during Q2 total assets of USD ST LVNAV MMFs recovered and even exceeded pre-crisis levels.

¹ For details regarding this episode including on the supportive measures taken by the main Central Banks during the crisis in March-April 2020, reference is made to the IOSCO Thematic Note « Money Market Funds during the March-April Episode » under the following link : [OR03/2020 Money Market Funds during the March-April Episode - Thematic Note \(iosco.org\)](https://www.iosco.org/publications/otherpublications/032020%20Money%20Market%20Funds%20during%20the%20March-April%20Episode%20-%20Thematic%20Note%20(iosco.org).pdf)

- Following a regain of confidence of investors and a higher risk appetite amid in particular the 1st approval of a Covid-19 vaccine in November, total assets started to slowly decline in Q4 2020 mainly for USD ST LVNAV MMFs.
- USD MMFs' quarterly performance slowly decreased in the course of 2020 although it remained positive, with the exception of a limited number of funds.
- Many MMF managers aimed at increasing the liquidity profile of their funds with levels of daily and weekly liquid assets (DLA and WLA) well above the regulatory thresholds. The DLA and WLA of ST PD CNAV MMFs were at high levels in Q1/2020 linked probably to the massive inflows in this quarter, and decreased progressively in 2020 while at the same time the WAM increased significantly.

EUR MMFs (112 Bn€, +32 Bn€ YTD)

- **TNA** of EUR MMFs **globally increased** along the year 2020, as in particular EUR ST LVNAV MMFs experienced large inflows.
- On this matter, some MMF managers informed that corporates have been building up liquidity in 2020 which was invested in MMFs. The global TNA increase of EUR MMFs can also be partially due to negative rates on cash accounts implemented in Germany during the year 2020, coupled in Q4 with some banks in the EU refusing deposits to certain large investors (on the account of balance sheet ratio constraints), hence redirecting their investments to MMFs.
- In the wake of the March/April 2020 Covid-19 episode, the **ECB** intervened with the launch of the Pandemic Emergency Purchase Programme ("PEPP") primarily targeted to support issuance of corporate commercial paper on the primary market. Asset managers and non-bank financial institutions were not eligible counterparties and as such, it did not directly benefit MMFs. Overall, the ECB interventions helped restore confidence but the recovery was slower for MMFs in EUR than in USD.
- It is also worthwhile mentioning that, unlike for USD MMFs, there were no Luxembourg based ST PD CNAV MMFs available in EUR as an alternative to EUR VNAV and ST LVNAV MMFs invested in private debt: this may have contributed to the lower redemption pressure experienced overall by EUR VNAV and ST LVNAV MMFs.
- Performance of EUR MMFs remained negative during 2020, leading to a cost for carrying liquidity for investors.
- Levels of daily and weekly liquid assets remained globally well above the regulatory thresholds during the year.

GBP MMFs (74 Bn€, +7 Bn€ YTD)

- **TNA** of GBP MMFs remained **globally stable** during the year 2020, across all MMF types.
- There was no specific **Bank of England (BoE)** facility to support UK-domiciled Sterling-denominated MMFs, or Sterling-denominated MMFs more broadly, in the Covid-19 crisis. The BoE launched a corporate asset purchase facility, to provide funding to the real economy. Financial paper, which GBP LVNAV MMFs predominantly hold, was excluded from the scope of this facility. However, large scale interventions by the BoE helped to stabilise the broader market and may have had a second-order positive impact on the MMF sector.
- It can be noted that similarly to EUR MMFs, Luxembourg based ST PD CNAV MMFs in GBP, as an alternative to MMFs invested in private debt, were virtually inexistent in 2020.



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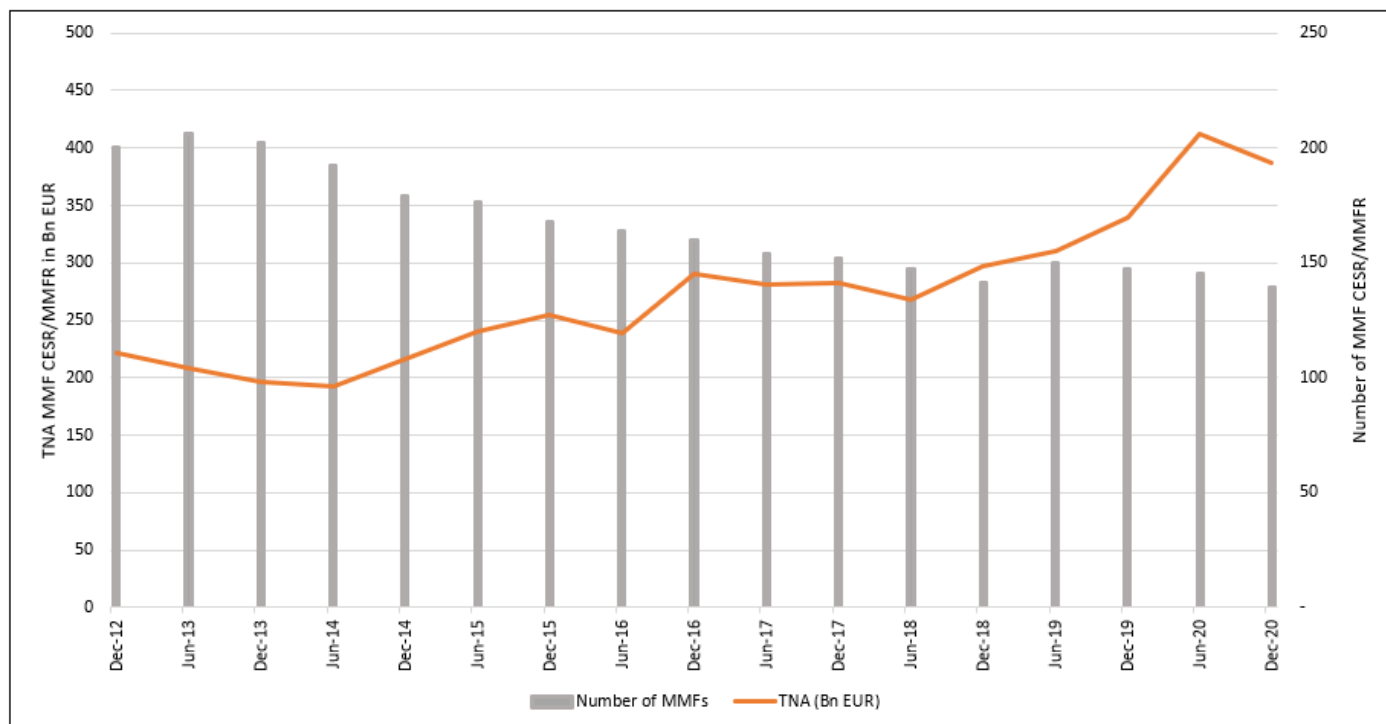
- Globally, GBP funds' **quarterly performance gradually decreased to zero** in the course of 2020. As per the **end of 2020**, the anticipations on BoE decisions integrated even a potential **risk of negative rates**. However, the situation eased early 2021 when the BoE announced that no negative rates are to be expected in the short term.

3. MMFR Reporting as at 31 December 2020²

3.1 MMF market overview and general aspects

3.1.1 Evolution of the total net assets and number of funds

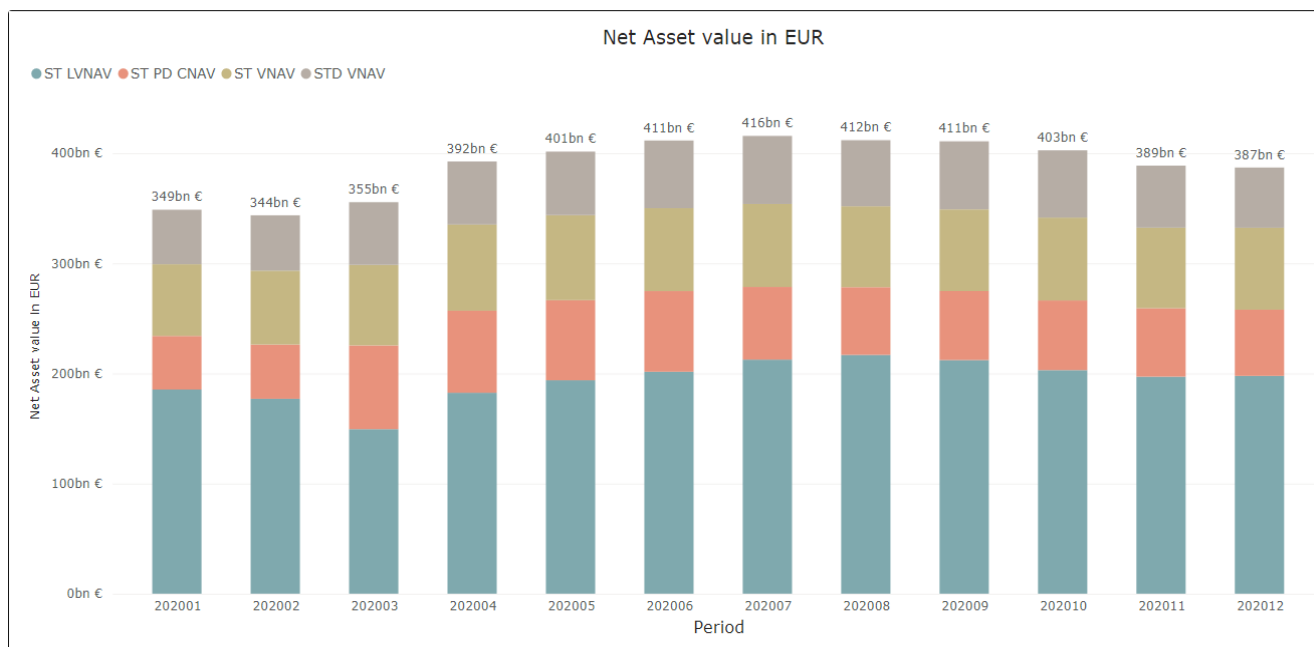
- Bi-yearly evolution of the TNA and number of MMFs since 2012 (sources: U.1.1, CSSF)



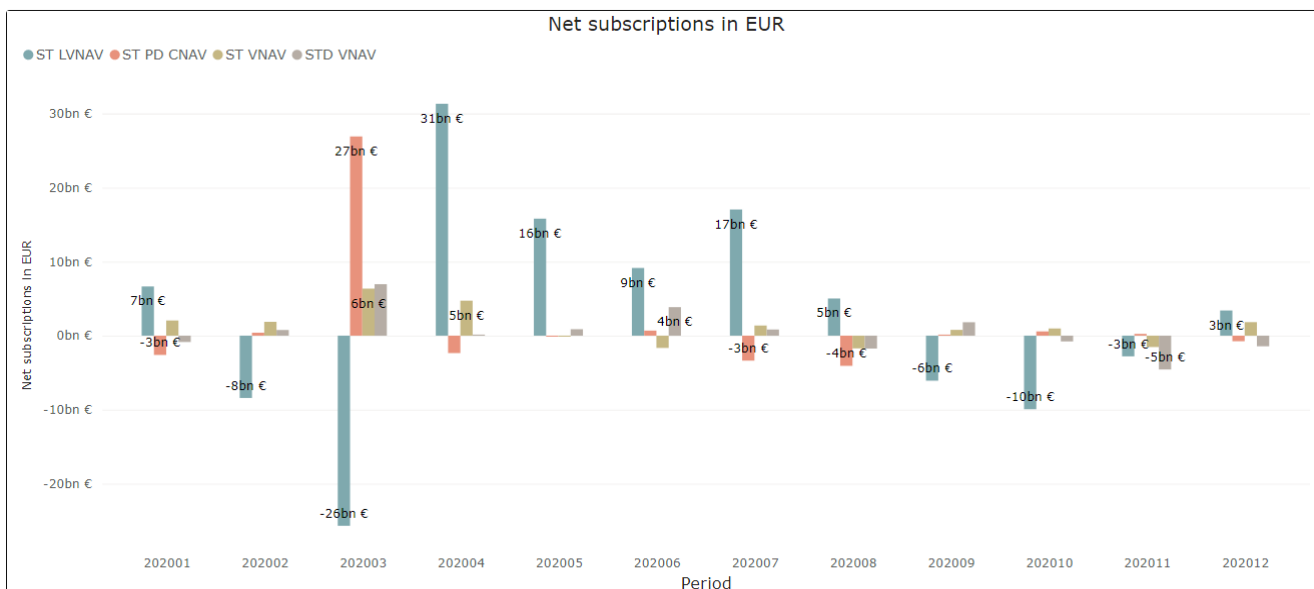
Note: The data from 2012 to 2018 is based on the MMF classification as per CESR's Guidelines on a common definition of European MMFs dated 19 May 2010 (CESR/10-049). From 2019, the data is based on the MMF classification as per the MMFR. The number of funds only represents active funds.

² Unless specified otherwise, the source of the data used for the graphs is the MMFR Reporting.

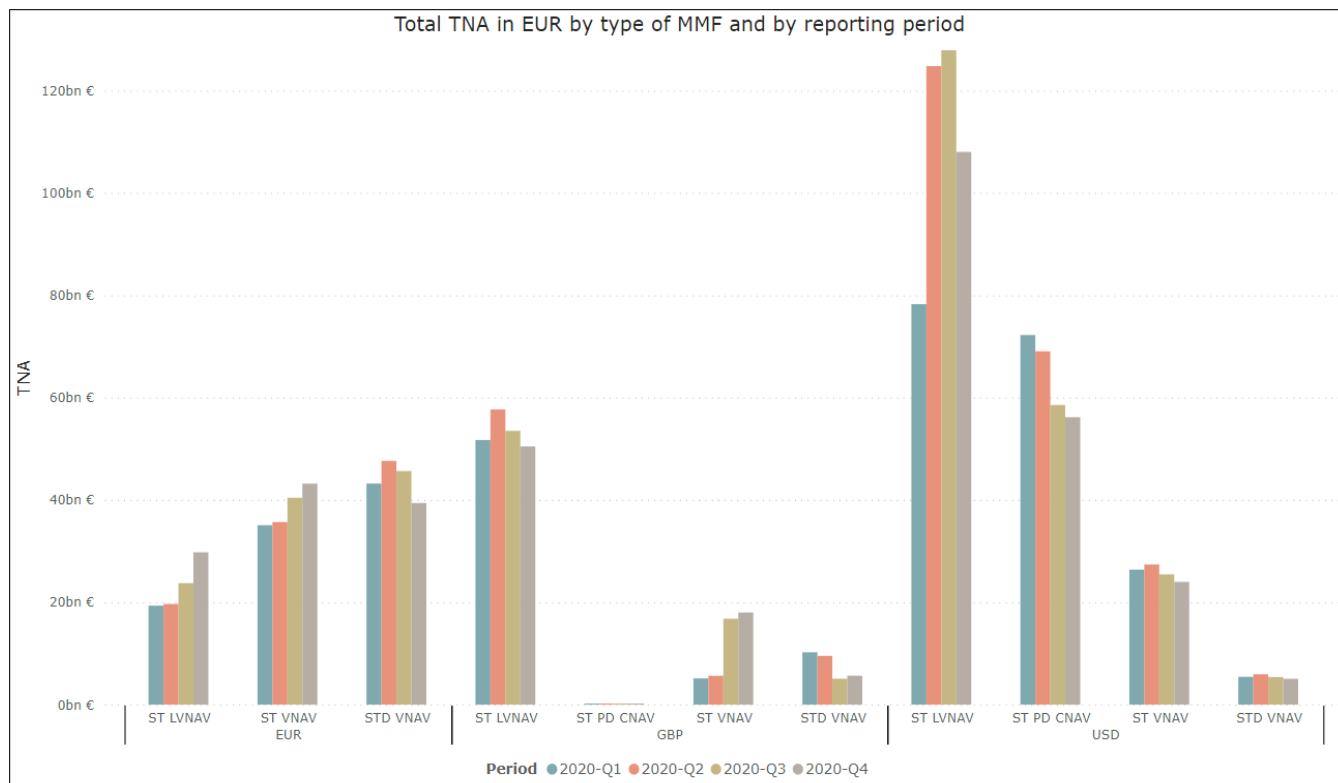
- Monthly evolution of the TNA by type of MMF since January 2020 (sources: U.1.1, CSSF)



- Monthly evolution of subscriptions/redemptions by type of MMF since January 2020 (source : U.1.1)

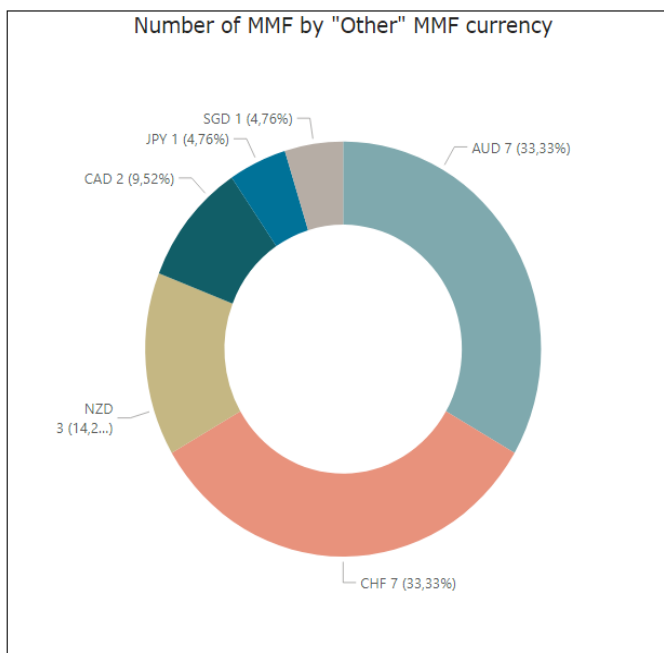
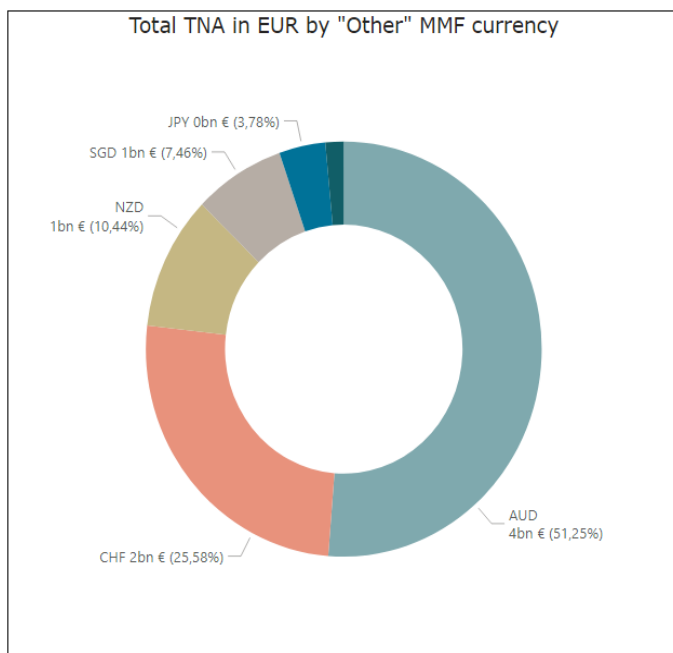


- Quarterly evolution of the TNA per type of MMF for the 3 main currencies since Q1 2020

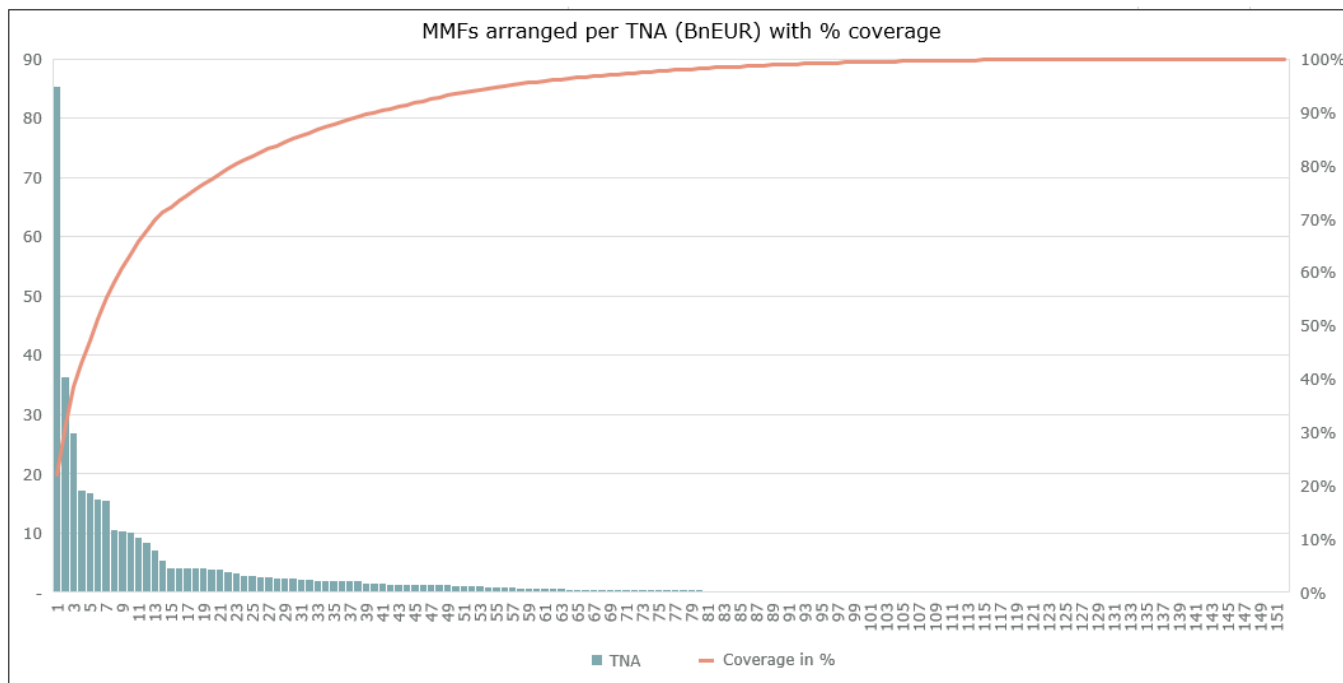


3.1.2 Allocation of MMF assets as per 31 December 2020



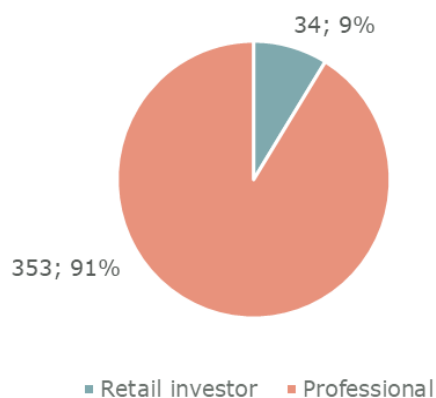


3.1.3 Concentration of MMFs as per 31 December 2020

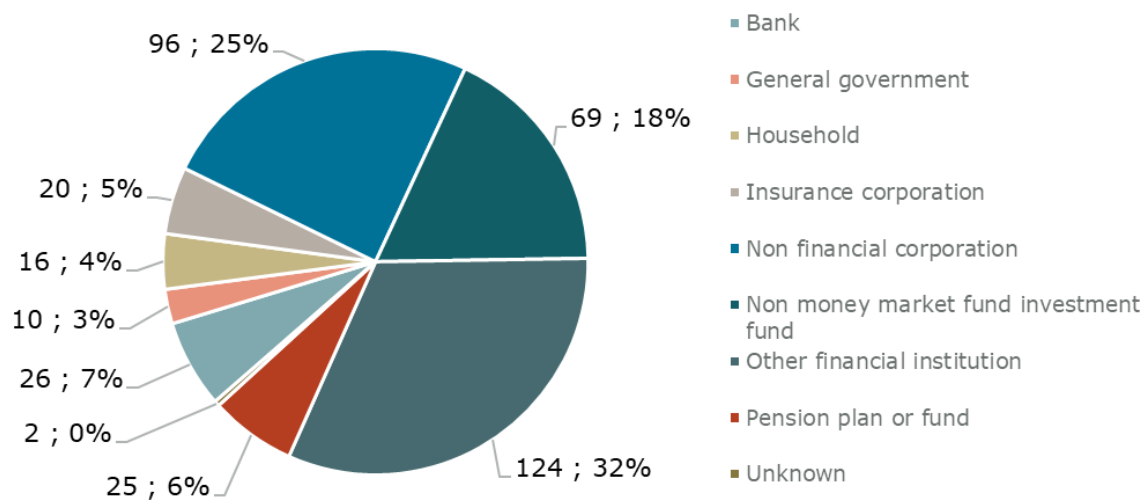


3.1.4 Investor profiles of MMFs

MMFs investor profile (BnEUR)

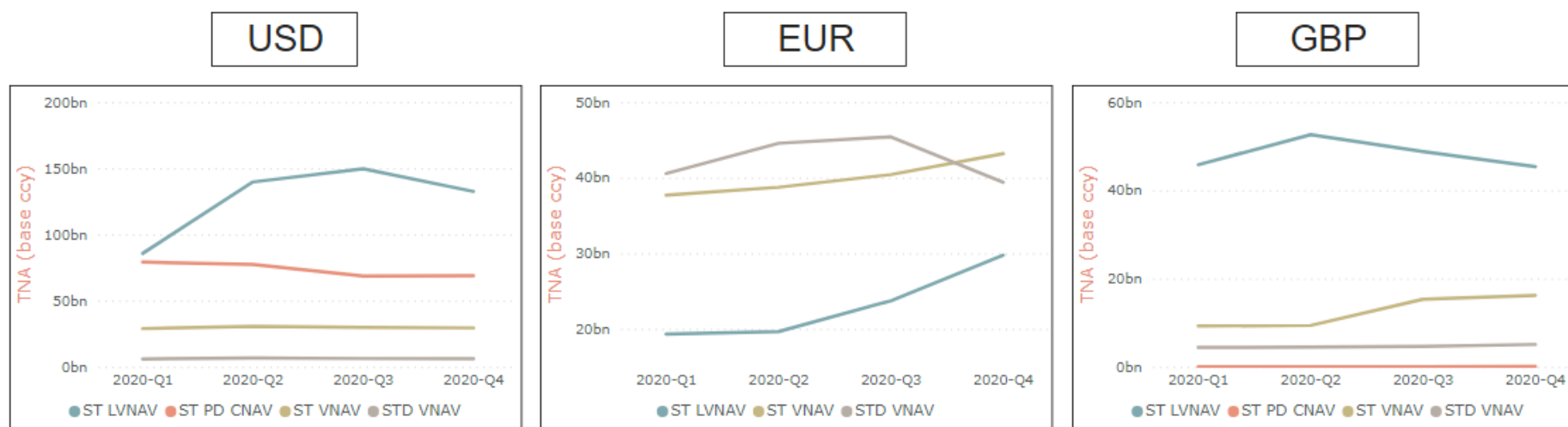


MMFs investor group type (BnEUR)

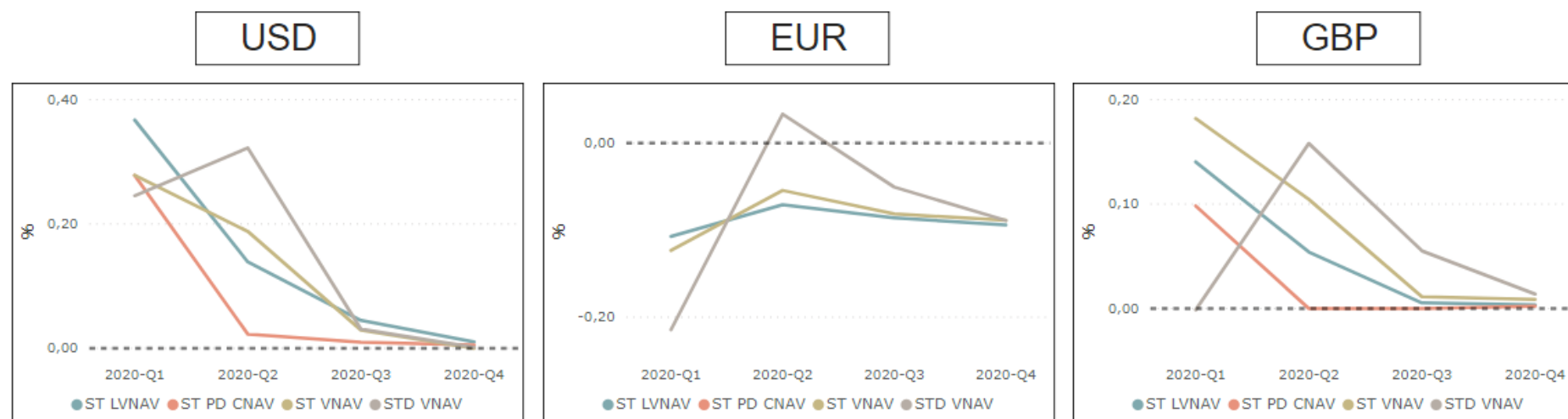


3.2 Detailed analysis per main MMF currencies (TNA-weighted data)

3.2.1 TNA (base currency)

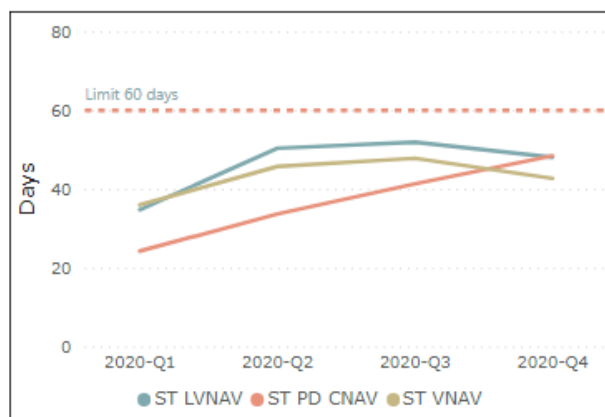


3.2.2 Cumulated returns last 3 months

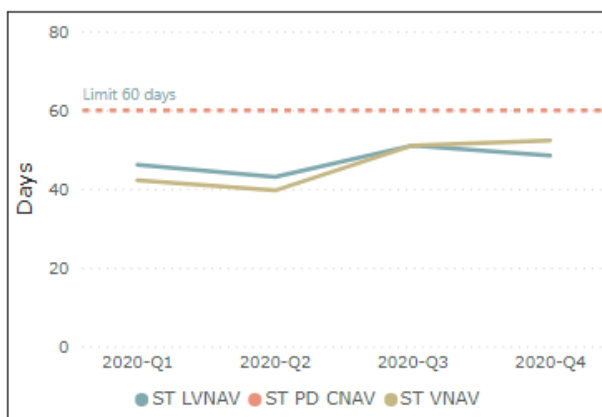


3.2.3 Weighted Average Maturity (WAM)

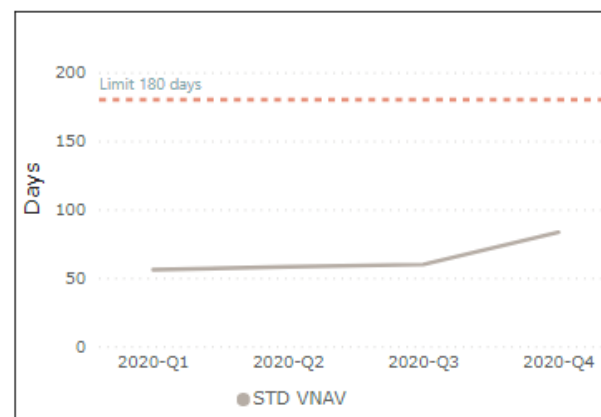
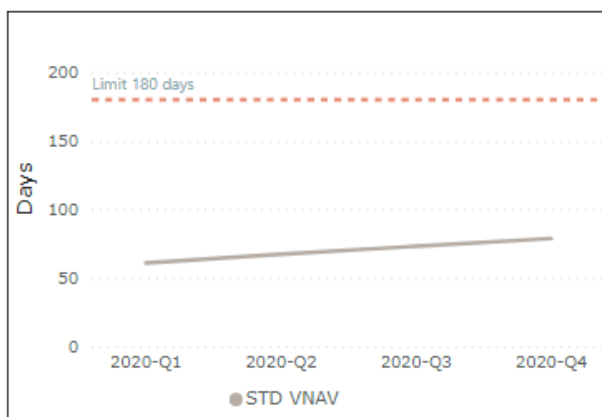
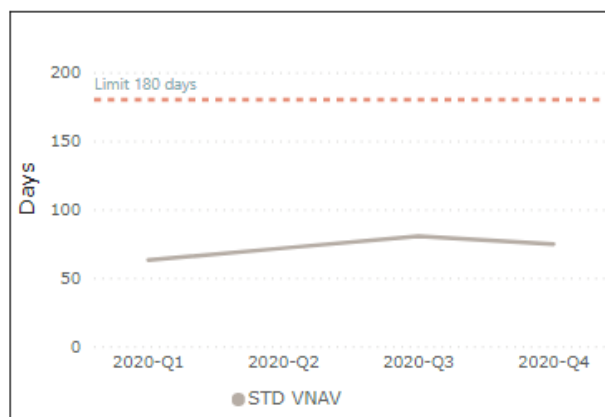
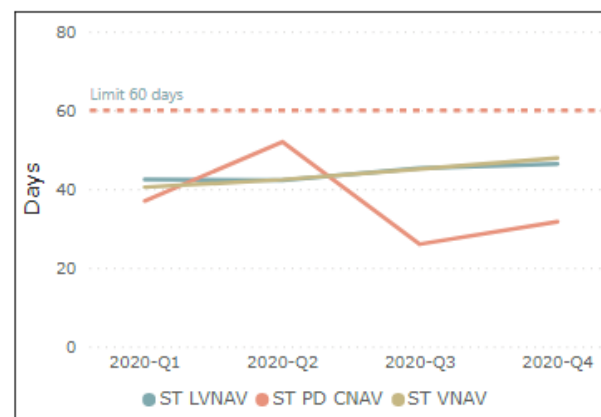
USD



EUR

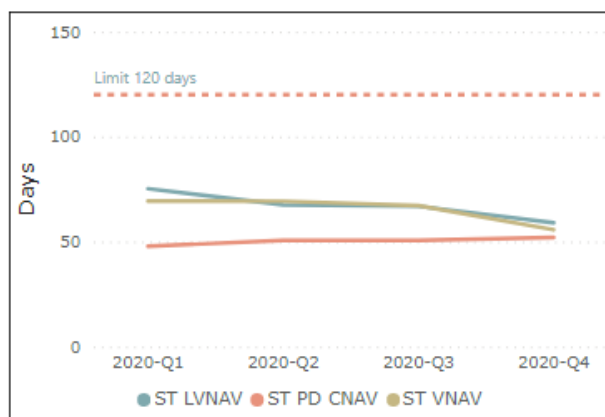


GBP

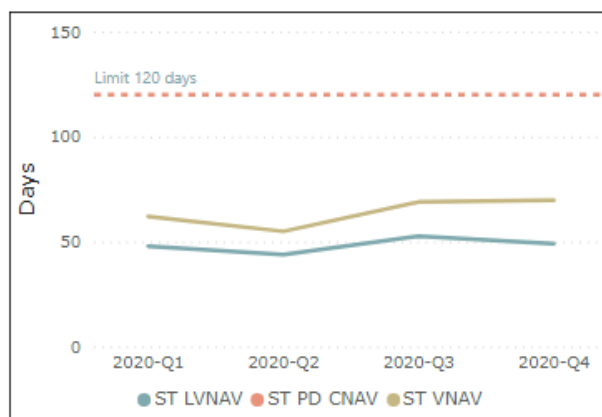


3.2.4 Weighted Average Life (WAL)

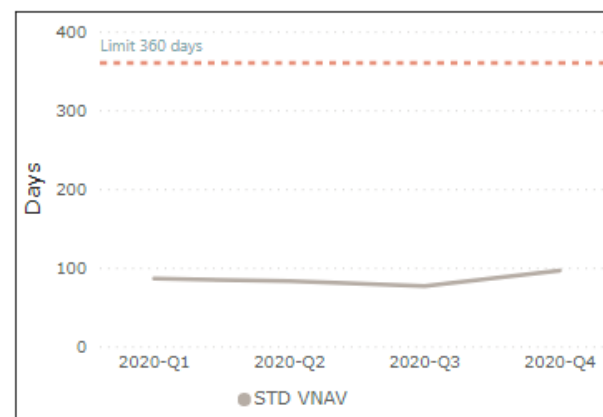
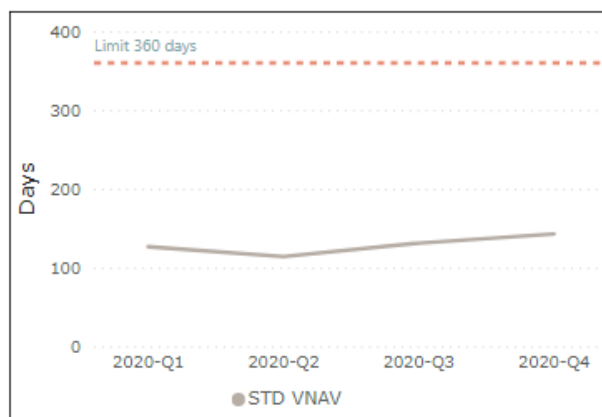
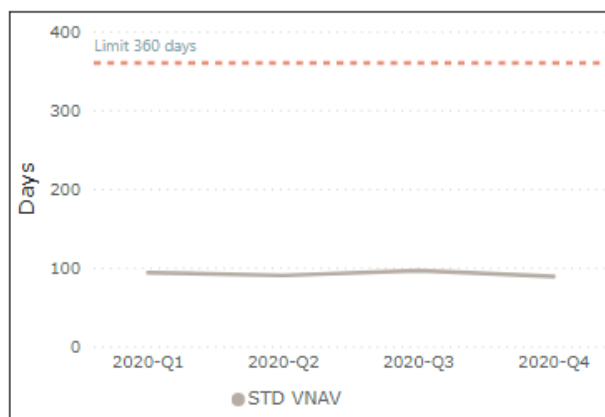
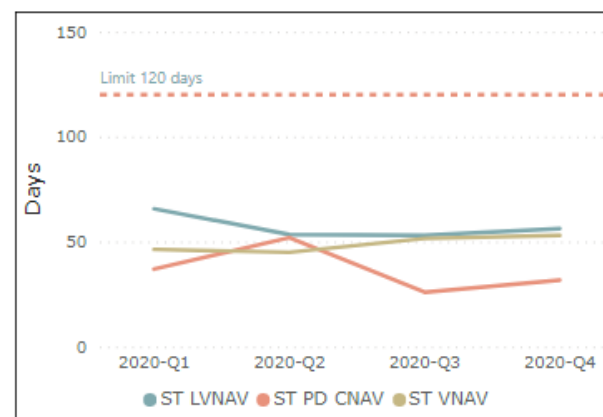
USD



EUR

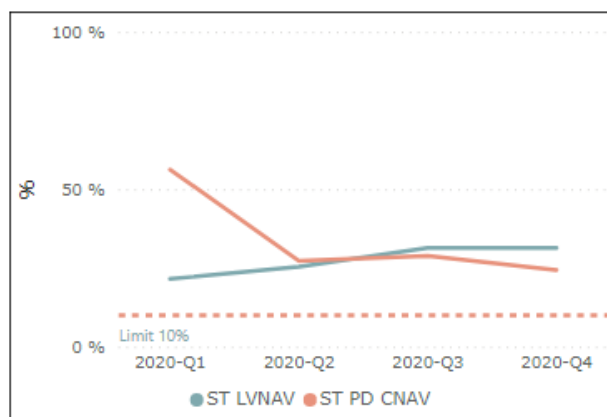


GBP

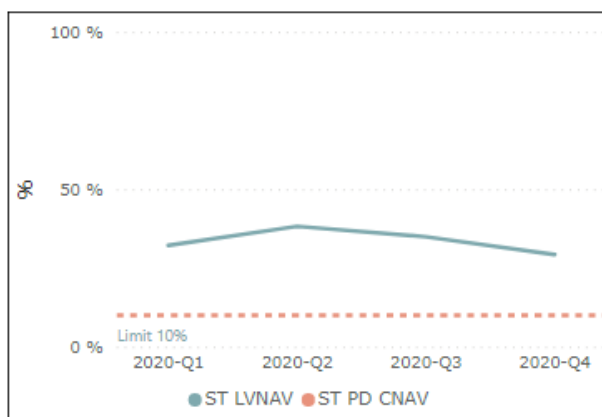


3.2.5 Liquidity – Daily Liquid Assets (DLA)

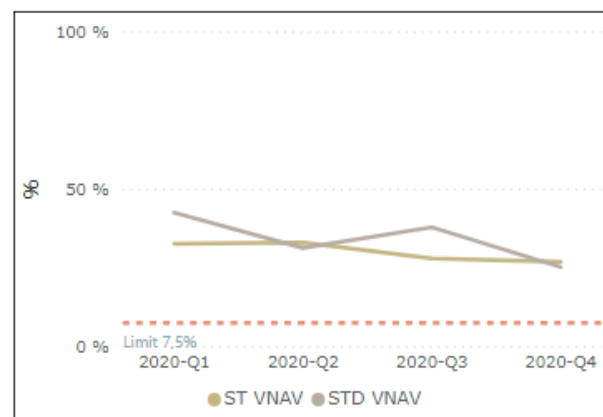
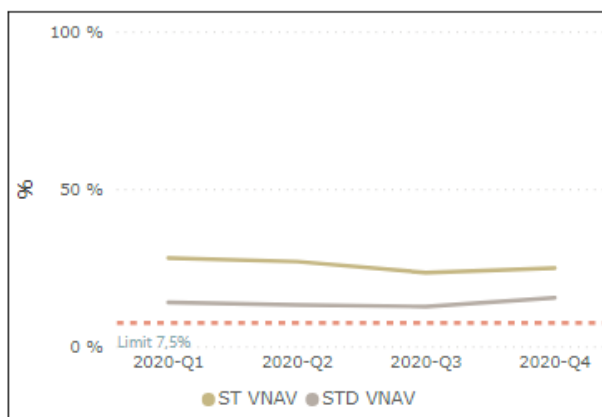
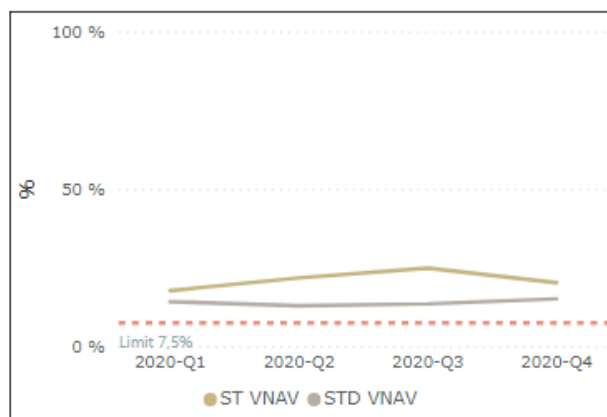
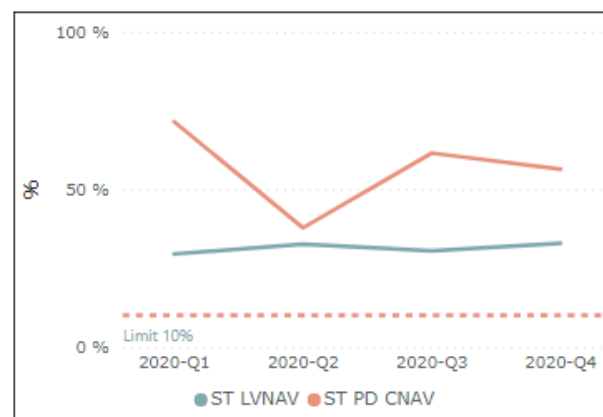
USD



EUR

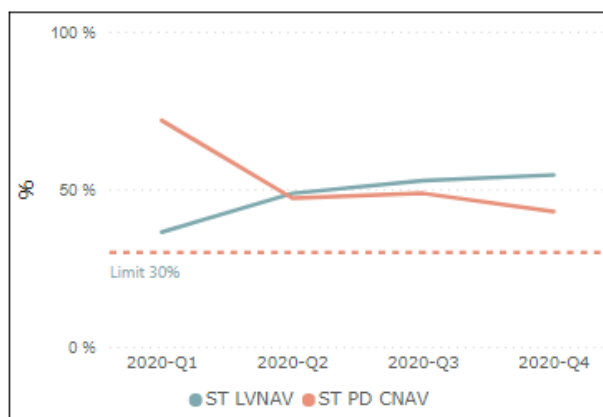


GBP

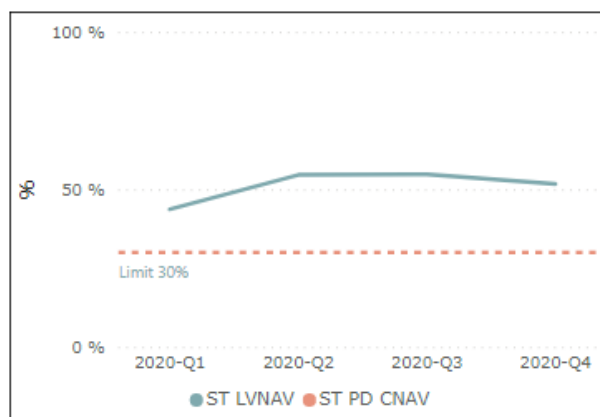


3.2.6 Liquidity – Weekly Liquid Assets (WLA)

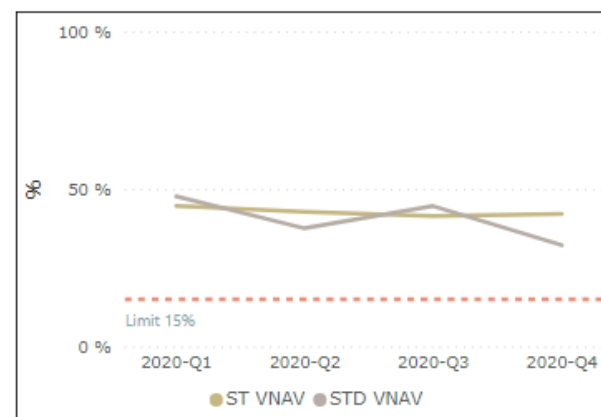
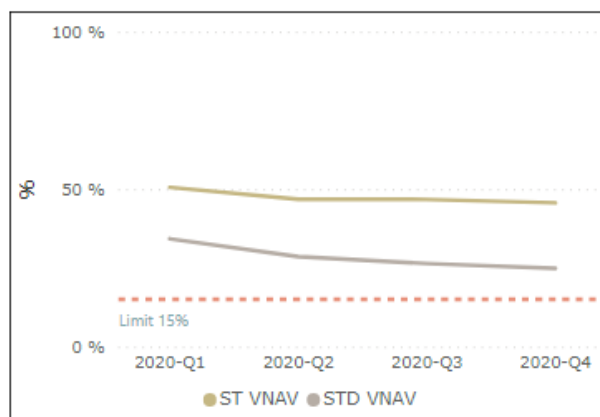
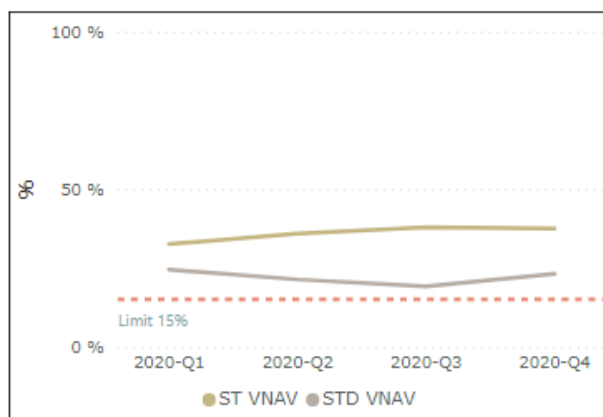
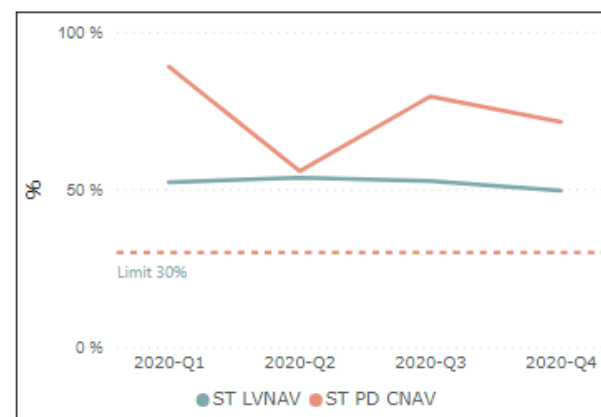
USD



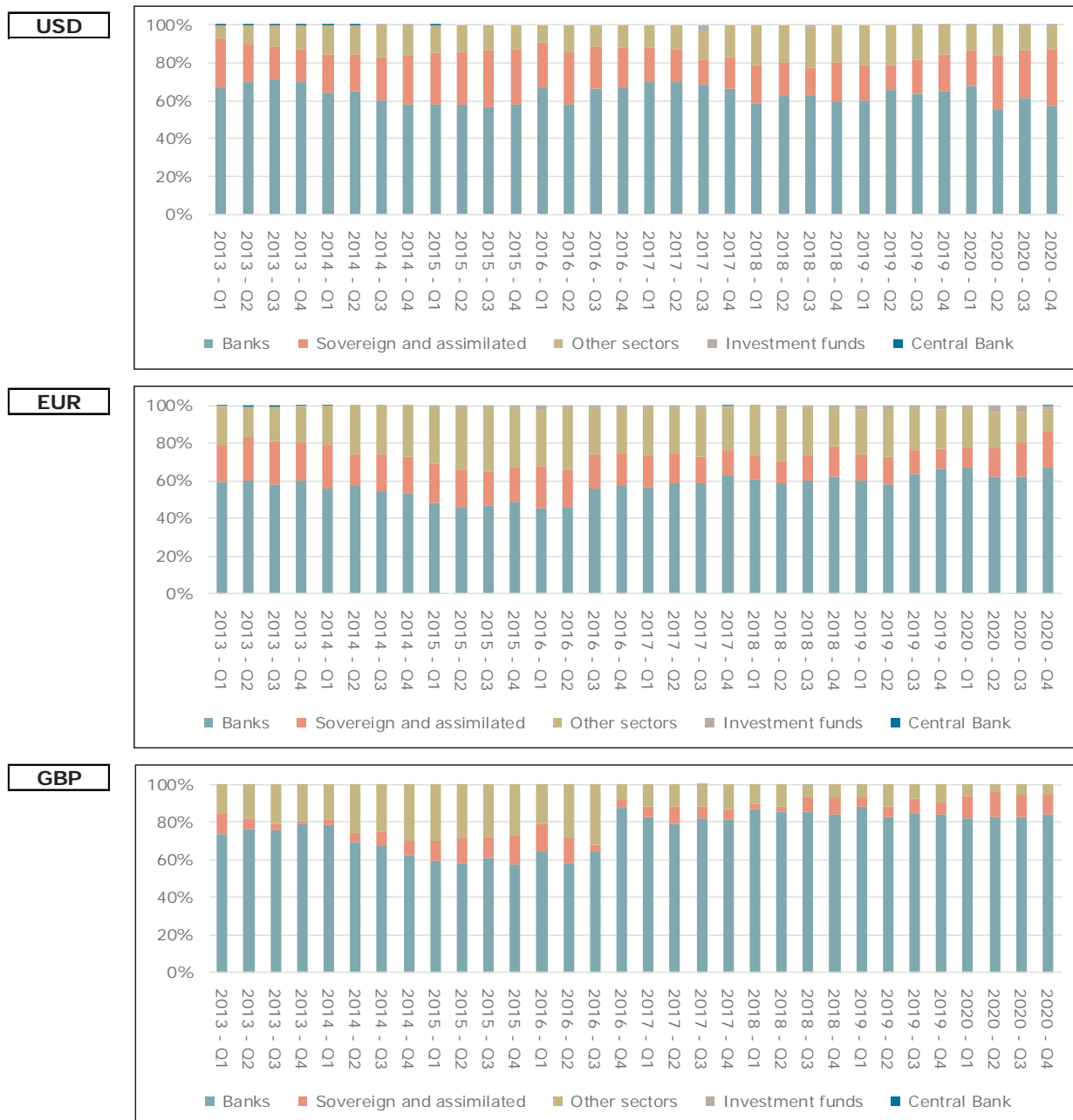
EUR



GBP



3.2.7 Breakdown of portfolio by type of issuer (based on BCL reporting)





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