

In case of discrepancies between the French and the English text, the French text shall prevail.

Luxembourg, 20 July 2018

To all money market funds under the supervision of the CSSF and Luxembourg managers of money market funds as well as to those that take part in the functioning and control of these undertakings

CIRCULAR CSSF 18/696

Re: ESMA Guidelines on stress tests scenarios under Article 28 of the Money Market Fund Regulation

Ladies and Gentlemen,

We refer to Regulation 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds (“MMF Regulation”).

The purpose of this circular is to implement into the Luxembourg regulation applicable to the money market funds under the supervision of the CSSF and to the Luxembourg managers of money market funds the “Guidelines on stress tests scenarios under Article 28 of the MMF Regulation (Ref. ESMA/34-49-115)” published on 21 March 2018 by the European Securities and Markets Authority (ESMA)(“the Guidelines”).

The Guidelines are appended to this circular. The English version, as well as the French and German translations, are available on the ESMA website <http://www.esma.europa.eu/>.

The Guidelines aim at establishing common reference parameters of the stress test scenarios of an MMF in accordance with Article 28 of the MMF Regulation. They notably concern the topics summarised in Section I.

I. Summarised presentation of the Guidelines

The Guidelines first specify certain general features of the stress test scenarios of MMFs, explaining, among others, the scope of the effects of the stress test scenarios as well as the historical and hypothetical scenarios.

Then, they establish common reference parameters of the stress test scenarios taking into account the following factors set out in Article 28(1) of the MMF Regulation:

- hypothetical changes in the level of liquidity of the assets held in the portfolio of the MMF;
- hypothetical changes in the level of credit risk of the assets held in the portfolio of the MMF, including credit events and rating events;
- hypothetical movements of the interest rates and exchange rates;
- hypothetical levels of redemption;
- hypothetical widening or narrowing of spreads among indices to which interest rates of portfolio securities are tied;
- hypothetical macro systemic shocks affecting the economy as a whole.

Examples of stress tests are provided in the annexe of the Guidelines.

The Guidelines also specify that the factors set out therein are minimum requirements and that managers of MMFs must tailor the approach to the specificities of their MMFs and add any factors or requirements that are deemed useful to the stress test exercise. Besides univariate stress tests, managers of MMFs must also build multivariate scenarios with different levels of severity.

In accordance with Article 28(7) of the MMF Regulation, the Guidelines will be updated at least every year by ESMA taking into account the latest market developments.

In this context, the CSSF would like to specify that ESMA intends to update Section 4.8 of the Guidelines, notably in order to provide managers of MMFs with the necessary information allowing them to fill in the fields linked to the stress tests in the context of the reporting to be transmitted to the competent authorities in accordance with Article 37 of the MMF Regulation.

II. Entry into force

This circular enters into force on 21 July 2018, date from which the MMF Regulation applies, subject to the transitional arrangements laid down in Article 44 of the MMF Regulation for existing UCITS and AIFs.

Yours faithfully,

COMMISSION de SURVEILLANCE du SECTEUR FINANCIER

Jean-Pierre FABER
Director

Françoise KAUTHEN
Director

Claude SIMON
Director

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Director General

Annex: ESMA Guidelines on stress tests scenarios under Article 28 of the MMF Regulation
(Ref. ESMA/34-49-115)