

Procedure file

Basic information	
COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	2013/0306(COD) Procedure completed
Money market funds	
Subject 2.50.03 Securities and financial markets, stock exchange, CIUTS, investments 2.50.08 Financial services, financial reporting and auditing 2.50.10 Financial supervision	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 Economic and Monetary Affairs	 GILL Neena	22/07/2014
		Shadow rapporteur	
		 HAYES Brian	
		 KAMALL Syed	
		 JEŽEK Petr	
		 LAMBERTS Philippe	
	Former committee responsible		
	 Economic and Monetary Affairs		
Council of the European Union	Council configuration	Meeting	Date
	General Affairs	3536	16/05/2017
	Economic and Financial Affairs ECOFIN	3475	17/06/2016
European Commission	Commission DG Financial Stability, Financial Services and Capital Markets Union	Commissioner HILL Jonathan	
European Economic and Social Committee			

Key events			
04/09/2013	Legislative proposal published	COM(2013)0615	Summary

12/09/2013	Committee referral announced in Parliament, 1st reading		
20/10/2014	Committee referral announced in Parliament, 1st reading		
26/02/2015	Vote in committee, 1st reading		
04/03/2015	Committee report tabled for plenary, 1st reading	A8-0041/2015	Summary
28/04/2015	Debate in Parliament		
29/04/2015	Decision by Parliament, 1st reading	T8-0170/2015	Summary
29/04/2015	Matter referred back to the committee responsible		
17/06/2016	Debate in Council	3475	
08/12/2016	Approval in committee of the text agreed at 1st reading interinstitutional negotiations	PE604.806	
04/04/2017	Debate in Parliament		
05/04/2017	Results of vote in Parliament		
05/04/2017	Decision by Parliament, 1st reading	T8-0109/2017	Summary
16/05/2017	Act adopted by Council after Parliament's 1st reading		
14/06/2017	Final act signed		
14/06/2017	End of procedure in Parliament		
30/06/2017	Final act published in Official Journal		

Technical information

Procedure reference	2013/0306(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
Legal basis	Treaty on the Functioning of the EU TFEU 114
Mandatory consultation of other institutions	European Economic and Social Committee
Stage reached in procedure	Procedure completed
Committee dossier	ECON/8/00218

Documentation gateway

Legislative proposal	COM(2013)0615	04/09/2013	EC	Summary
Document attached to the procedure	SWD(2013)0315	04/09/2013	EC	
Document attached to the procedure	SWD(2013)0316	04/09/2013	EC	
Committee draft report	PE541.543	26/11/2014	EP	
Amendments tabled in committee	PE546.594	12/01/2015	EP	

Amendments tabled in committee	PE546.595	12/01/2015	EP	
Amendments tabled in committee	PE546.610	12/01/2015	EP	
Committee report tabled for plenary, 1st reading/single reading	A8-0041/2015	04/03/2015	EP	Summary
Text adopted by Parliament, partial vote at 1st reading/single reading	T8-0170/2015	29/04/2015	EP	Summary
Text agreed during interinstitutional negotiations	PE604.806	07/12/2016	EP	
Text adopted by Parliament, 1st reading/single reading	T8-0109/2017	05/04/2017	EP	Summary
Commission response to text adopted in plenary	SP(2017)363	07/06/2017	EC	
Draft final act	00059/2016/LEX	21/06/2017	CSL	
Follow-up document	COM(2023)0452	20/07/2023	EC	

Additional information

Research document	Briefing
National parliaments	IPEX
European Commission	EUR-Lex

Final act

[Regulation 2017/1131](#)
[OJ L 169 30.06.2017, p. 0008](#) Summary

Final legislative act with provisions for delegated acts

Delegated acts

2018/2659(DEA)	Examination of delegated act
2021/2764(DEA)	Examination of delegated act

Money market funds

PURPOSE: to ensure uniform prudential requirements that apply to money market funds throughout the Union.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: money funds (MMF, money market funds) offer a short-term cash management tool that provides a high degree of liquidity, diversification, stability of value combined with a market-based yield.

The majority of MMFs, around 80% of the assets and 60% of the funds, operate under the rules of the [Directive 2009/65/EC](#) on Undertakings for Collective Investment in Transferable Securities (UCITS). The rest of MMFs should be operating, since July 2013, under the rules of the Alternative Investment Fund Manager (AIFM) [Directive 2011/61/EU](#).

Events that occurred during the financial crisis have shed light on several features of MMFs that make them vulnerable when there are difficulties in financial markets and therefore may spread or amplify risks through the financial system. When the prices of the assets in which the MMFs are invested in start to decrease, especially during stressed market situations, the MMF cannot always maintain the promise to redeem immediately and to preserve the principal value of a unit or share issued by the MMF to investors. This situation may trigger massive and sudden redemption requests, potentially causing broader macroeconomic consequences.

In order to preserve the integrity and stability of the internal market by promoting more resilient MMFs and limiting contagion channels, it is necessary to lay down rules regarding the operation of MMFs, in particular on the composition of the portfolio of MMFs. Uniform rules across the Union are necessary to ensure smooth operation of the short term funding market for financial institutions, corporate issuers of short term debt and governments.

This proposal is in line with the Commission Green Paper (March 2012) on shadow banking. In response to the Green Paper, the European Parliament adopted a [resolution on shadow banking](#) in November 2012 where it invites the Commission to submit a proposal with particular focus on the MMF issue.

IMPACT ASSESSMENT: in order to ensure the liquidity and the stability of MMFs, a total of 16 options were analysed. The impacts including the costs and benefits on the various stakeholders, investors, asset managers, issuers of short term debt, sponsors were analysed. Such analysis concluded in favour of the creation of a more robust framework for MMFs, increased liquidity levels and more stable structure.

LEGAL BASIS: Article 114 of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: the proposed Regulation aims to create a regulatory framework for MMFs in view of ensuring an increased protection of investors in MMFs, as well as enhancing financial stability by preventing contagion risk. It also aims to ensure that the liquidity of the fund is adequate to face investor redemption requests and to render the structure of MMFs safe enough to withstand adverse market conditions.

The more specific objectives of this initiative: (i) to prevent the risk of contagion to the real economy, (ii) to prevent the risk of contagion to the sponsor and, (iii) to reduce the disadvantages for late redeemers, especially with respect to redemptions in stressed market conditions.

The proposal introduces uniform requirements that will deal, amongst others with the scope of eligible assets, with diversification rules, rules related to exposures to credit, interest rate and liquidity risks, as well as rules regarding the authorisation of the funds intending to engage in money market investment. These are essentially prudential product rules that aim to render the European MMFs more secure and efficient, mitigating hereto related systemic risk concerns.

The taking up of activities as fund manager is regulated either by the UCITS Directive or by the AIFM Directive. The activities of the managers will continue to be subject to AIFMD and UCITS Directive but the product rules contained under UCITS framework will be supplemented by the product rules contained in this proposed Regulation.

BUDGETARY IMPLICATION: this proposal has no implications for the EU budget.

DELEGATED ACTS: the proposal contains provisions empowering the Commission to adopt delegated acts in accordance with Article 290 of the Treaty on the Functioning of the European Union (TFEU).

Money market funds

The Committee on Economic and Monetary Affairs adopted the report by Neena GILL (S&D, UK) on the proposal for a regulation of the European Parliament and of the Council on Money Market Funds (MMFs).

The parliamentary committee recommended that the European Parliament adopts its position at first reading, following the ordinary legislative procedure, amending the Commission proposal as follows.

Subject matter and scope: Members stressed the necessity of adopting a uniform set of rules in order to avoid contagion of the short term funding market and of the sponsors of the MMF, which would put at risk the stability of the Union's financial market.

In order to mitigate systemic risk, the amended text provides that the Constant Net Asset Value MMFs (CNAV MMFs) should, from the date of the entry into force of this Regulation, only operate in the Union:

- as an EU "public debt CNAV MMF", namely, a CNAV MMF which invests 99.5% of its assets in public debt instruments and, by 2020, at least 80% of its assets in EU public debt instruments;
- as Retail CNAV MMFs;
- or as a "Low Volatility Net Asset Value Money Market Fund" (LVNAV MMF).

Eligible assets: the MMFs may also be invested in:

- financial instruments issued or guaranteed separately or jointly i) by the national, regional and local administrations of the Member States or their central banks; ii) or by the institutions, bodies, offices or agencies of the Unions, including among others the European Central Bank; iii) or by the European Investment Bank, the European Investment Fund, the new European Fund for Strategic Investments; iv) but also the European stability mechanism, the International Monetary Fund, the International Bank for Reconstruction and Development, the Council of Europe Development Bank and the European Bank for Reconstruction and Development;
- eligible derivative instruments used exclusively for hedging purposes;
- reverse repurchase agreements or repurchase agreements provided that certain conditions are fulfilled.

Eligible securitisations: the amended text underlines that not all categories of underlying assets have proved to be unstable, including in particular those securitisations where the underlying assets were associated with supporting the working capital of manufacturers and the sales of real economy goods and services. Those securitisations have performed well and should be considered to be eligible money market instruments to the extent that they are eligible as high quality liquid assets.

That is why it is proposed that high quality liquid asset backed securities are deemed to be eligible securitisations. The high quality liquid asset backed securities would be deemed eligible if they are liquid in line with [Regulation \(EU\) No 575/2013](#), and if the underlying exposures have a high credit quality.

Specific requirements for Public Debt CNAV MMFs, Retail CNAV MMFs and LVNAV MMFs: the manager of a Public Debt CNAV MMF or a Retail CNAV MMF or LVNAV MMF should establish, implement and consistently apply a prudent, rigorous, systematic and continuous internal assessment procedure for determining the weekly liquidity thresholds applicable to the MMFs.

In order to be able to mitigate potential client redemptions in times of severe market stress, all the MMFs should have in place provisions for liquidity fees and redemption gates to prevent significant redemptions in times of market stress and to prevent other investors being unfairly exposed to prevailing market conditions.

LVNAV MMFs should only be authorised for a period of five years. The Commission should review the appropriateness of LVNAV MMFs four years after the entry into force of this Regulation.

The MMFs should not receive external support.

Transparency requirements: in order to develop a transparent and coherent credit assessment procedure, the manager should document the procedures used for the credit assessment. This should ensure that the procedure follows a clear set of rules that can be monitored and that the methodologies employed are communicated upon request to the interested stakeholders, as well as to the competent national authority.

Investors should be clearly informed, before they invest in a MMF, if the MMF is of a short-term nature or of a standard nature. In order to avoid misplaced expectations from the investor it must also be clearly stated in any marketing document that MMFs are not a guaranteed investment vehicle.

Investors in a MMF should, at least weekly, receive the following information: a) the liquidity profile of the MMF including the cumulative percentage of investments maturing overnight and within one week and how that liquidity is achieved; b) the credit profile and portfolio composition.

Money market funds

The European Parliament adopted amendments on the proposal for a regulation of the European Parliament and of the Council on Money Market Funds (MMFs).

The matter was referred for review to the competent Committee. The vote was postponed to a later meeting.

Subject matter and scope: money market funds (MMF) provide short-term finance to financial institutions, corporates or governments and thus contribute to the financing of the European economy. For such entities, using their investments in MMFs is an efficient way to spread their credit risk and exposure, rather than relying solely on bank deposits.

In the absence of a regulation laying down MMF rules, Parliament stressed the necessity of adopting a uniform set of rules in order to avoid contagion of the short term funding market and of the sponsors of the MMF, which would put at risk the stability of the Union's financial market.

In order to mitigate systemic risk, the amended text provides that the Constant Net Asset Value MMFs (CNAV MMFs) should, from the date of the entry into force of this Regulation, only operate in the Union:

- as an EU "public debt CNAV MMF", namely, a CNAV MMF which invests 99.5% of its assets in public debt instruments and, by 2020, at least 80% of its assets in EU public debt instruments;
- as Retail CNAV MMFs for small investors, that is, a CNAV MMF that is available for subscription only to charities, non-profit organisations, public authorities and public foundations;
- or as a "Low Volatility Net Asset Value Money Market Fund" (LVNAV MMF).

Eligible securitisations: the amended text underlines that not all categories of underlying assets have proved to be unstable, including in particular those securitisations where the underlying assets were associated with supporting the working capital of manufacturers and the sales of real economy goods and services.

That is why it is proposed that high quality liquid asset backed securities are deemed to be eligible securitisations. The high quality liquid asset backed securities would be deemed eligible if they are liquid in line with [Regulation \(EU\) No 575/2013](#), and if the underlying exposures have a high credit quality. Within six months following publication of this regulation, the Commission shall, adopt delegated acts concerning the specification of the criteria for identifying simple, transparent and standardised securitisation.

Specific requirements for Public Debt CNAV MMFs, Retail CNAV MMFs and LVNAV MMFs: the managers of such funds should establish, implement and consistently apply a prudent, rigorous, systematic and continuous internal assessment procedure for determining the weekly liquidity thresholds applicable to the MMFs.

In order to be able to mitigate potential client redemptions in times of severe market stress, all the MMFs should have in place provisions for liquidity fees and redemption gates to prevent significant redemptions in times of market stress and to prevent other investors being unfairly exposed to prevailing market conditions:

- Public Debt CNAV MMFs and Retail CNAV MMFs for small investors should cease to be CNAV MMFs where they cannot meet the minimum amount of weekly liquidity requirements within 30 days of having used the liquidity fees or redemption gates.
- LVNAV MMFs should only be authorised for a period of five years. The Commission should review the appropriateness of LVNAV MMFs four years after the entry into force of this Regulation.

The MMFs should not receive external support on the part of any third party, including the sponsor of the MMF, that is intended for, or would result in, guaranteeing the liquidity of the MMF or stabilising the NAV per unit or share of the MMF.

Transparency requirements: in order to develop a transparent and coherent credit assessment procedure, the manager should document the procedures used for the credit assessment. This should ensure that the procedure follows a clear set of rules that can be monitored and that the methodologies employed are communicated upon request to the interested stakeholders, as well as to the competent national authority.

Investors should be clearly informed, before they invest in a MMF, if the MMF is of a short-term nature or of a standard nature. In order to avoid misplaced expectations from the investor it must also be clearly stated in any marketing document that MMFs are not a guaranteed investment vehicle.

Investors in a MMF should, at least weekly, receive the following information: a) the liquidity profile of the MMF including the cumulative percentage of investments maturing overnight and within one week and how that liquidity is achieved; b) the credit profile and portfolio composition.

Supervision by the competent authorities: the competent authorities shall supervise compliance with this Regulation on an on-going basis. Authorisation of a MMF shall be withdrawn in the event of a breach of the ban on sponsor support.

Money market funds

The European Parliament adopted by 514 votes to 179, with 9 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council on Money Market Funds.

Parliaments position adopted in first reading following the ordinary legislative procedure amended the Commission proposal as follows:

Subject matter and scope: the objective of this Regulation is to ensure uniform prudential, governance and transparency requirements that apply to money market funds (MMFs) throughout the Union.

Money market funds provide short-term finance to financial institutions, corporations and governments. By providing finance to those entities, MMFs contribute to the financing of the economy of the Union. Those entities use their investments in MMFs as an efficient way to spread their credit risk and exposure, rather than relying solely on bank deposits.

It is necessary to lay down rules regarding the operation of MMFs, in particular on the composition of the portfolio of MMFs. Those rules are intended to:

- make MMFs more resilient and limit contagion channels of the short-term funding market which would put at risk the stability of the Union's financial market;
- ensure that MMFs are able to face substantial and sudden redemption requests by a large group of investors during stressed market situations.

Types of money market funds: the Regulation covers three types of MMFs:

- Variable net asset value MMF (VNAV MMF);
- Public Debt Constant net asset value MMF (Public Debt CNAV MMF or CNAV MMF), which invest at least 99.5% of their assets in public debt instruments or cash;
- Low Volatility Net asset value MMF (LVNAV MMF).

Eligible assets: money market funds may invest in:

- money market instruments including financial instruments issued or guaranteed separately or jointly by the Union, the national, regional and local administrations of the Member States or their central banks, the European Central Bank, the European Investment Bank, the European Investment Fund, the European Stability Mechanism, the European Financial Stability Facility;
- eligible securitisations and asset-backed commercial paper (ABCPs) provided they meet certain requirements. Given that certain securitisations were particularly volatile during the financial crisis, the proposed Regulations would impose certain quality criteria on securitisations and ABCPs to ensure that only securitisations and successful ABCPs are eligible;
- reverse repurchase agreements and repurchase agreements that meet certain conditions;
- units or shares of other MMFs, subject to certain conditions.

Diversification: an MMF shall invest no more than 5% of its assets in money market instruments, securitisations and ABCPs issued by the same body or 10 % of its assets in deposits made with the same credit institution. Some flexibility in the diversification requirement for deposits with the same credit institution should be allowed.

The aggregate of all of an MMFs exposures to securitisations and ABCPs shall not exceed 20 % of the assets of the MMF.

Credit quality: an MMF should have a prudent internal credit quality assessment procedure for determining the credit quality of the money market instruments, securitisations and ABCPs in which it intends to invest. MMFs should be able to use ratings as a complement to their own assessment of the quality of eligible assets.

Specific requirements for Public Debt CNAV MMFs and LVNAV MMFs: the managers of such funds should establish, implement and consistently apply prudent and rigorous, liquidity management procedures for ensuring compliance with the weekly liquidity thresholds applicable to those MMFs.

In order to be able to mitigate potential client redemptions in times of severe market stress, those MMFs should have in place provisions for liquidity fees and redemption gates to ensure investor protection.

These funds should also be allowed to make limited use of the amortised cost method of valuing assets.

A MMF shall not receive external support by a third party.

Transparency requirements: investors should be clearly informed whether the MMF is of a short-term nature or of a standard nature and whether the MMF is a public debt CNAV MMF, a LVNAV MMF or a VNAV MMF. MMFs should also make available certain other information to investors on a weekly basis, including the maturity breakdown of the portfolio, the credit profile and details of the 10 largest holdings in the MMF.

Supervision: competent authorities should be given all the supervisory and investigatory powers, including the ability to impose certain penalties and measures, necessary for the exercise of their functions with respect to this Regulation.

Review: by five years after the date of entry into force of this Regulation, the Commission shall review and examine whether changes are to be made to the regime for public debt CNAV MMFs and LVNAV MMFs.

Money market funds

PURPOSE: to ensure uniform prudential, governance and transparency requirements that apply to money market funds (MMFs) throughout the Union,

LEGISLATIVE ACT: Regulation (EU) 2017/1131 of the European Parliament and of the Council on money market funds.

CONTENT: by providing short-term financing to financial institutions, corporations and governments, money market funds (MMFs) contribute to the financing of the economy of the Union. MMFs are mainly used by corporations seeking to invest their excess cash for a short time frame.

The Regulation lays down rules for money market funds established, managed or marketed in the Union, concerning the financial instruments eligible for investment by a MMF, the portfolio of an MMF, the valuation of the assets of an MMF, and the reporting requirements in relation to an MMF.

The rules and standards aim to:

- make MMFs less vulnerable to crises and limit the risks of contagion within the short-term funding market that could risk the stability of the Union's financial market;
- increase the liquidity of MMFs, to ensure that they can face substantial and sudden redemption requests from investors, especially during stressed market situations.

Three types of MMFs: the Regulation covers three types of money market funds:

- a public debt Constant Net Asset Value (CNAV) MMFs which aims to maintain the intrinsic value of the asset at a constant value;
- variable net asset value MMFs (VNAV);
- low volatility net asset value MMFs (LVNAV).

Requirements on diversification of the portfolio: the Regulation lays down rules regarding the composition of MMF portfolios and the valuation of their assets, to ensure the stability of their structure and to guarantee that they invest in well-diversified assets of a good credit quality.

An MMF may invest no more than 5 % of its assets in money market instruments, securitisations and securitisations and asset-backed commercial paper (ABCP) issued by the same body or no more than 10 % of its assets in deposits made with the same credit institutions. There is some flexibility allowed concerning the diversification requirement for deposits with the same credit institution.

The aggregate of all of an MMF's exposures to securitisations and ABCPs shall not exceed 20 % of assets.

As regards liquidity, the Regulation includes the following requirements:

- for LVNAVs and CNAVs, a minimum 10% portfolio investment in daily maturing assets and minimum 30% portfolio investment in weekly maturing assets;
- for VNAVs, a minimum 7.5% portfolio investment in daily maturing assets and minimum 15% portfolio investment in weekly maturing assets.

The Regulation prohibits external support from sponsors, notably banks.

Specific requirements for public debt CNAV MMFs and LVNAV MMFs: the manager of such funds shall establish, implement and consistently apply prudent and rigorous liquidity management procedures for ensuring compliance with the weekly liquidity thresholds applicable to such funds. In order to be able to mitigate potential investor redemptions in times of severe market stress, public debt CNAV MMFs and LVNAV MMFs should have in place provisions for liquidity fees and redemption gates to ensure investor protection.

Credit quality: the manager of an MMF shall establish, implement and consistently apply a prudent internal credit quality assessment procedure for determining the credit quality of money market instruments, securitisations and ABCPs, taking into account the issuer of the instrument and the characteristics of the instrument itself.

Transparency requirements: the common rules aim to ensure that the manager of an MMF knows the behaviour of its investors. The latter should be clearly informed before investing in a money market fund. MMFs should also make available certain other information to investors on a weekly basis, including the maturity breakdown of the portfolio, the credit profile and details of the 10 largest holdings in the MMF.

Fund managers should also supply the appropriate information to competent authorities regarding surveillance matters.

Review clause: by 21 July 2022, the Commission should undertake a review of the Regulation, including whether changes are to be made to the regime for public debt CNAV MMFs and LVNAV MMFs.

ENTRY INTO FORCE: 20.7.2017.

APPLICATION: from 21.7.2018 (with the exception of certain provisions that apply from 20.7.2017).

DELEGATED ACTS: the Commission may adopt delegated acts in order to supplement non-essential elements of the Directive. The power to adopt such acts is conferred on the Commission for an indeterminate period from the date of entry into force of the Regulation. The European Parliament or the Council have the right to object to a delegated act within two months (which may be extended by two months) from the date of notification of the act.