

Regulation (EU) 2017/1131 of the European Parliament and of the Council  
of 14 June 2017 on money market funds (Text with EEA relevance)

*CHAPTER II*

***Obligations concerning the investment policies of MMFs***

*Section I*

***General rules and eligible assets***

*Article 8*

**General principles**

- 1 Where an MMF comprises more than one investment compartment, each compartment shall be regarded as a separate MMF for the purposes of Chapters II to VII.
- 2 MMFs authorised as UCITS shall not be subject to the obligations concerning investment policies of UCITS laid down in Articles 49 to 50a, Article 51(2), and Articles 52 to 57 of Directive 2009/65/EC, unless explicitly specified otherwise in this Regulation.

*Article 9*

**Eligible assets**

- 1 An MMF shall invest only in one or more of the following categories of financial assets and only under the conditions specified in this Regulation:
  - a 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, a central authority or central bank of a third country, the International Monetary Fund, the International Bank for Reconstruction and Development, the Council of Europe Development Bank, the European Bank for Reconstruction and Development, the Bank for International Settlements or any other relevant international financial institution or organisation to which one or more Member States belong;
  - b eligible securitisations and asset-backed commercial paper (ABCs);
  - c deposits with credit institutions;
  - d financial derivative instruments;
  - e repurchase agreements that fulfil the conditions set out in Article 14;
  - f reverse repurchase agreements that fulfil the conditions set out in Article 15;
  - g units or shares of other MMFs.
- 2 An MMF shall not undertake any of the following activities:
  - a investing in assets other than those referred to in paragraph 1;

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- b short sale of any of the following instruments: money market instruments, securitisations, ABCPs and units or shares of other MMFs;
  - c taking direct or indirect exposure to equity or commodities, including via derivatives, certificates representing them, indices based on them, or any other means or instrument that would give an exposure to them;
  - d entering into securities lending agreements or securities borrowing agreements, or any other agreement that would encumber the assets of the MMF;
  - e borrowing and lending cash.
- 3 An MMF may hold ancillary liquid assets in accordance with Article 50(2) of Directive 2009/65/EC.

### *Article 10*

#### **Eligible money market instruments**

1 A money market instrument shall be eligible for investment by an MMF provided that it fulfils all of the following requirements:

- a it falls within one of the categories of money market instruments referred to in point (a), (b), (c) or (h) of Article 50(1) of Directive 2009/65/EC;
- b it displays one of the following alternative characteristics:
  - (i) it has a legal maturity at issuance of 397 days or less;
  - (ii) it has a residual maturity of 397 days or less;
- c the issuer of the money market instrument and the quality of the money market instrument have received a favourable assessment pursuant to Articles 19 to 22;
- d where an MMF invests in a securitisation or ABCP, it is subject to the requirements laid down in Article 11.

2 Notwithstanding point (b) of paragraph 1, standard MMFs shall also be allowed to invest in money market instruments with a residual maturity until the legal redemption date of less than or equal to 2 years, provided that the time remaining until the next interest rate reset date is 397 days or less. For that purpose, floating-rate money-market instruments and fixed-rate money-market instruments hedged by a swap arrangement shall be reset to a money market rate or index.

3 Point (c) of paragraph 1 shall not apply to money market instruments issued or guaranteed by the Union, a central authority or central bank of a Member State, the European Central Bank, the European Investment Bank, the European Stability Mechanism or the European Financial Stability Facility.

### *Article 11*

#### **Eligible securitisations and ABCPs**

1 Both a securitisation and an ABCP shall be considered to be eligible for investment by an MMF provided that the securitisation or ABCP is sufficiently liquid, has received a favourable assessment pursuant to Articles 19 to 22, and is any of the following:

- a a securitisation referred to in Article 13 of Commission Delegated Regulation (EU) 2015/61<sup>(1)</sup>;
- b an ABCP issued by an ABCP programme which:

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- (i) is fully supported by a regulated credit institution that covers all liquidity, credit and material dilution risks, as well as ongoing transaction costs and ongoing programme-wide costs related to the ABCP, if necessary to guarantee the investor the full payment of any amount under the ABCP;
  - (ii) is not a re-securitisation and the exposures underlying the securitisation at the level of each ABCP transaction do not include any securitisation position;
  - (iii) does not include a synthetic securitisation as defined in point (11) of Article 242 of Regulation (EU) No 575/2013;
- [<sup>F1</sup>c a simple, transparent and standardised (STS) securitisation, as determined in accordance with the criteria and conditions laid down in Articles 20, 21 and 22 of Regulation (EU) 2017/2402 of the European Parliament and of the Council<sup>(2)</sup>, or an STS ABCP, as determined in accordance with the criteria and conditions laid down in Articles 24, 25 and 26 of that Regulation.]
- 2 A short-term MMF may invest in the securitisations or ABCPs referred to in paragraph 1 provided any of the following conditions is fulfilled, as applicable:
- a the legal maturity at issuance of the securitisations referred to in point (a) of paragraph 1 is 2 years or less and the time remaining until the next interest rate reset date is 397 days or less;
  - b the legal maturity at issuance or residual maturity of the securitisations or ABCPs referred to in points (b) and (c) of paragraph 1 is 397 days or less;
  - c the securitisations referred to in points (a) and (c) of paragraph 1 are amortising instruments and have a WAL of 2 years or less.
- 3 A standard MMF may invest in the securitisations or ABCPs referred to in paragraph 1 provided any of the following conditions is fulfilled, as applicable:
- a the legal maturity at issuance or residual maturity of the securitisations and ABCPs referred to in points (a), (b) and (c) of paragraph 1 is 2 years or less and the time remaining until the next interest rate reset date is 397 days or less;
  - b the securitisations referred to in points (a) and (c) of paragraph 1 are amortising instruments and have a WAL of 2 years or less.
- 4 The Commission shall adopt, by 6 months from the date of entry into force of the proposed Regulation on STS securitisations, a delegated act in accordance with Article 45 amending this Article by introducing a cross-reference to the criteria identifying STS securitisations and ABCPs in the corresponding provisions of that Regulation. The amendment shall become effective at the latest by 6 months after the date of entry into force of that delegated act or from the date of application of the corresponding provisions in the proposed Regulation on STS securitisations, whichever is the later.

For the purposes of the first subparagraph, the criteria identifying STS securitisations and ABCPs shall include at least the following:

- a requirements relating to the simplicity of the securitisation, including its true sale character and the respect of standards relating to the underwriting of the exposures;
- b requirements relating to standardisation of the securitisation, including risk retention requirements;
- c requirements relating to the transparency of the securitisation, including the provision of information to potential investors;
- d for ABCPs, in addition to points (a), (b) and (c), requirements relating to the sponsor and to the sponsor support of the ABCP programme.

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### Textual Amendments

- F1** Substituted by [Commission Delegated Regulation \(EU\) 2018/990 of 10 April 2018 amending and supplementing Regulation \(EU\) 2017/1131 of the European Parliament and of the Council with regard to simple, transparent and standardised \(STS\) securitisations and asset-backed commercial papers \(ABCPs\), requirements for assets received as part of reverse repurchase agreements and credit quality assessment methodologies \(Text with EEA relevance\).](#)

### Article 12

#### Eligible deposits with credit institutions

A deposit with a credit institution shall be eligible for investment by an MMF provided that all of the following conditions are fulfilled:

- (a) the deposit is repayable on demand or is able to be withdrawn at any time;
- (b) the deposit matures in no more than 12 months;
- (c) the credit institution has its registered office in a Member State or, where the credit institution has its registered office in a third country, it is subject to prudential rules considered equivalent to those laid down in Union law in accordance with the procedure laid down in Article 107(4) of Regulation (EU) No 575/2013.

### Article 13

#### Eligible financial derivative instruments

A financial derivative instrument shall be eligible for investment by an MMF provided it is dealt in on a regulated market as referred to in point (a), (b) or (c) of Article 50(1) of Directive 2009/65/EC or OTC and provided that all of the following conditions are fulfilled:

- (a) the underlying of the derivative instrument consists of interest rates, foreign exchange rates, currencies or indices representing one of those categories;
- (b) the derivative instrument serves only the purpose of hedging the interest rate or exchange rate risks inherent in other investments of the MMF;
- (c) the counterparties to OTC derivative transactions are institutions subject to prudential regulation and supervision and belonging to the categories approved by the competent authority of the MMF;
- (d) the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the MMF's initiative.

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## Article 14

### Eligible repurchase agreements

A repurchase agreement shall be eligible to be entered into by an MMF provided that all of the following conditions are fulfilled:

- (a) it is used on a temporary basis, for no more than seven working days, only for liquidity management purposes and not for investment purposes other than as referred to in point (c);
- (b) the counterparty receiving assets transferred by the MMF as collateral under the repurchase agreement is prohibited from selling, investing, pledging or otherwise transferring those assets without the MMF's prior consent;
- (c) the cash received by the MMF as part of the repurchase agreement is able to be:
  - (i) placed on deposits in accordance with point (f) of Article 50(1) of Directive 2009/65/EC; or
  - (ii) invested in assets referred to in Article 15(6), but shall not otherwise be invested in eligible assets as referred to in Article 9, transferred or otherwise reused;
- (d) the cash received by the MMF as part of the repurchase agreement does not exceed 10 % of its assets;
- (e) the MMF has the right to terminate the agreement at any time upon giving prior notice of no more than two working days.

## Article 15

### Eligible reverse repurchase agreements

1 A reverse repurchase agreement shall be eligible to be entered into by an MMF provided that all of the following conditions are fulfilled:

- a the MMF has the right to terminate the agreement at any time upon giving prior notice of no more than two working days;
- b the market value of the assets received as part of the reverse repurchase agreement is at all times at least equal to the value of the cash paid out.

2 The assets received by an MMF as part of a reverse repurchase agreement shall be money market instruments that fulfil the requirements set out in Article 10.

The assets received by an MMF as part of a reverse repurchase agreement shall not be sold, reinvested, pledged or otherwise transferred.

3 Securitisations and ABCPs shall not be received by an MMF as part of a reverse repurchase agreement.

4 The assets received by an MMF as part of a reverse repurchase agreement shall be sufficiently diversified with a maximum exposure to a given issuer of 15 % of the MMF's NAV, except where those assets take the form of money market instruments that fulfil the requirements of Article 17(7). In addition, the assets received by an MMF as part of a reverse repurchase

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agreement shall be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty.

5 An MMF that enters into a reverse repurchase agreement shall ensure that it is able to recall the full amount of cash at any time on either an accrued basis or a mark-to-market basis. When the cash is recallable at any time on a mark-to-market basis, the mark-to-market value of the reverse repurchase agreement shall be used for the calculation of the NAV of the MMF.

6 By way of derogation from paragraph 2 of this Article, an MMF may receive as part of a reverse repurchase agreement liquid transferable securities or money market instruments other than those that fulfil the requirements set out in Article 10 provided that those assets comply with one of the following conditions:

- a they are issued or guaranteed by the Union, a central authority or central bank of a Member State, the European Central Bank, the European Investment Bank, the European Stability Mechanism or the European Financial Stability Facility provided that a favourable assessment has been received pursuant to Articles 19 to 22;
- b they are issued or guaranteed by a central authority or central bank of a third country, provided that a favourable assessment has been received pursuant to Articles 19 to 22.

The assets received as part of a reverse repurchase agreement in accordance with the first subparagraph of this paragraph shall be disclosed to MMF investors, in accordance with Article 13 of Regulation (EU) 2015/2365 of the European Parliament and of the Council<sup>(3)</sup>.

The assets received as part of a reverse repurchase agreement in accordance with the first subparagraph of this paragraph shall fulfil the requirements of Article 17(7).

7 The Commission shall be empowered to adopt delegated acts in accordance with Article 45 to supplement this Regulation by specifying quantitative and qualitative liquidity requirements applicable to assets referred to in paragraph 6 and quantitative and qualitative credit quality requirements applicable to assets referred to in point (a) of paragraph 6 of this Article.

For those purposes, the Commission shall take into account the report referred to in Article 509(3) of Regulation (EU) No 575/2013.

The Commission shall adopt the delegated act referred to in the first subparagraph no later than 21 January 2018.

## Article 16

### Eligible units or shares of MMFs

1 An MMF may acquire the units or shares of any other MMF ('targeted MMF') provided that all of the following conditions are fulfilled:

- a no more than 10 % of the assets of the targeted MMF are able, according to its fund rules or instruments of incorporation, to be invested in aggregate in units or shares of other MMFs;
- b the targeted MMF does not hold units or shares in the acquiring MMF.

An MMF whose units or shares have been acquired shall not invest in the acquiring MMF during the period in which the acquiring MMF holds units or shares in it.

2 An MMF may acquire the units or shares of other MMFs, provided that no more than 5 % of its assets are invested in units or shares of a single MMF.

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3 An MMF may, in aggregate, invest no more than 17,5 % of its assets in units or shares of other MMFs.

4 Units or shares of other MMFs shall be eligible for investment by an MMF provided that all of the following conditions are fulfilled:

- a the targeted MMF is authorised under this Regulation;
- b where the targeted MMF is managed, whether directly or under a delegation, by the same manager as that of the acquiring MMF or by any other company to which the manager of the acquiring MMF is linked by common management or control, or by a substantial direct or indirect holding, the manager of the targeted MMF, or that other company, is prohibited from charging subscription or redemption fees on account of the investment by the acquiring MMF in the units or shares of the targeted MMF;
- c where an MMF invests 10 % or more of its assets in units or shares of other MMFs:
  - (i) the prospectus of that MMF shall disclose the maximum level of the management fees that may be charged to the MMF itself and to the other MMFs in which it invests; and
  - (ii) the annual report shall indicate the maximum proportion of management fees charged to the MMF itself and to the other MMFs in which it invests.

5 Paragraphs 2 and 3 of this Article shall not apply to an MMF that is an AIF authorised in accordance with Article 5, where all of the following conditions are met:

- a the MMF is marketed solely through an employee savings scheme governed by national law and which has only natural persons as investors;
- b the employee savings scheme referred to in point (a) only allows investors to redeem their investment subject to restrictive redemption terms which are laid down in national law, whereby redemptions may only take place in certain circumstances that are not linked to market developments.

By way of derogation from paragraphs 2 and 3 of this Article, an MMF that is a UCITS authorised in accordance with Article 4(2) may acquire units or shares in other MMFs in accordance with Article 55 or 58 of Directive 2009/65/EC under the following conditions:

- a the MMF is marketed solely through an employee savings scheme governed by national law and which has only natural persons as investors;
- b the employee savings scheme referred to in point (a) only allows investors to redeem their investment subject to restrictive redemption terms which are laid down in national law, whereby redemptions may only take place in certain circumstances that are not linked to market developments.

6 Short-term MMFs may only invest in units or shares of other short-term MMFs.

7 Standard MMFs may invest in units or shares of short-term MMFs and standard MMFs.

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## Section II

### Provisions on investment policies

#### Article 17

##### Diversification

- 1 An MMF shall invest no more than:
- a 5 % of its assets in money market instruments, securitisations and ABCPs issued by the same body;
  - b 10 % of its assets in deposits made with the same credit institution, unless the structure of the banking sector in the Member State in which the MMF is domiciled is such that there are insufficient viable credit institutions to meet that diversification requirement and it is not economically feasible for the MMF to make deposits in another Member State, in which case up to 15 % of its assets may be deposited with the same credit institution.

2 By way of derogation from point (a) of paragraph 1, a VNAV MMF may invest up to 10 % of its assets in money market instruments, securitisations and ABCPs issued by the same body provided that the total value of such money market instruments, securitisations and ABCPs held by the VNAV MMF in each issuing body in which it invests more than 5 % of its assets does not exceed 40 % of the value of its assets.

3 Until the date of application of the delegated act referred to in Article 11(4), the aggregate of all of an MMF's exposures to securitisations and ABCPs shall not exceed 15 % of the assets of the MMF.

As from the date of application of the delegated act referred to in Article 11(4), the aggregate of all of an MMF's exposures to securitisations and ABCPs shall not exceed 20 % of the assets of the MMF, whereby up to 15 % of the assets of the MMF may be invested in securitisations and ABCPs that do not comply with the criteria for the identification of STS securitisations and ABCPs.

4 The aggregate risk exposure to the same counterparty of an MMF stemming from OTC derivative transactions which fulfil the conditions set out in Article 13 shall not exceed 5 % of the assets of the MMF.

5 The aggregate amount of cash provided to the same counterparty of an MMF in reverse repurchase agreements shall not exceed 15 % of the assets of the MMF.

6 Notwithstanding the individual limits laid down in paragraphs 1 and 4, an MMF shall not combine, where to do so would result in an investment of more than 15 % of its assets in a single body, any of the following:

- a investments in money market instruments, securitisations and ABCPs issued by that body;
- b deposits made with that body;
- c OTC financial derivative instruments giving counterparty risk exposure to that body.

By way of derogation from the diversification requirement provided for in the first subparagraph, where the structure of the financial market in the Member State in which the MMF is domiciled is such that there are insufficient viable financial institutions to meet that diversification requirement and it is not economically feasible for the MMF to use financial institutions in another Member State, the MMF may combine the types



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of investments referred to in points (a) to (c) up to a maximum investment of 20 % of its assets in a single body.

7 By way of derogation from point (a) of paragraph 1, the competent authority of an MMF may authorise an MMF to invest, in accordance with the principle of risk-spreading, up to 100 % of its assets in different money market 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, a central authority or central bank of a third country, the International Monetary Fund, the International Bank for Reconstruction and Development, the Council of Europe Development Bank, the European Bank for Reconstruction and Development, the Bank for International Settlements, or any other relevant international financial institution or organisation to which one or more Member States belong.

The first subparagraph shall only apply where all of the following requirements are met:

- a the MMF holds money market instruments from at least six different issues by the issuer;
- b the MMF limits the investment in money market instruments from the same issue to a maximum of 30 % of its assets;
- c the MMF makes express reference, in its fund rules or instruments of incorporation, to all administrations, institutions or organisations referred to in the first subparagraph that issue or guarantee separately or jointly money market instruments in which it intends to invest more than 5 % of its assets;
- d the MMF includes a prominent statement in its prospectus and marketing communications drawing attention to the use of the derogation and indicating all administrations, institutions or organisations referred to in the first subparagraph that issue or guarantee separately or jointly money market instruments in which it intends to invest more than 5 % of its assets.

8 Notwithstanding the individual limits laid down in paragraph 1, an MMF may invest no more than 10 % of its assets in bonds issued by a single credit institution that has its registered office in a Member State and is subject by law to special public supervision designed to protect bond-holders. In particular, sums deriving from the issue of those bonds shall be invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

Where an MMF invests more than 5 % of its assets in the bonds referred to in the first subparagraph issued by a single issuer, the total value of those investments shall not exceed 40 % of the value of the assets of the MMF.

9 Notwithstanding the individual limits laid down in paragraph 1, an MMF may invest no more than 20 % of its assets in bonds issued by a single credit institution where the requirements set out in point (f) of Article 10(1) or point (c) of Article 11(1) of Delegated Regulation (EU) 2015/61 are met, including any possible investment in assets referred to in paragraph 8 of this Article.

Where an MMF invests more than 5 % of its assets in the bonds referred to in the first subparagraph issued by a single issuer, the total value of those investments shall not exceed 60 % of the value of the assets of the MMF, including any possible investment in assets referred to in paragraph 8, respecting the limits set out therein.

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10 Companies which are included in the same group for the purposes of consolidated accounts under Directive 2013/34/EU of the European Parliament and of the Council<sup>(4)</sup> or in accordance with recognised international accounting rules, shall be regarded as a single body for the purpose of calculating the limits referred to in paragraphs 1 to 6 of this Article.

### *Article 18*

#### **Concentration**

1 An MMF shall not hold more than 10 % of the money market instruments, securitisations and ABCPs issued by a single body.

2 The limit laid down in paragraph 1 shall not apply in respect of holdings of money market instruments issued or guaranteed by the Union, 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, a central authority or central bank of a third country, the International Monetary Fund, the International Bank for Reconstruction and Development, the Council of Europe Development Bank, the European Bank for Reconstruction and Development, the Bank for International Settlements, or any other relevant international financial institution or organisation to which one or more Member States belong.

### *Section III*

#### ***Credit quality of money market instruments, securitisations and ABCPs***

### *Article 19*

#### **Internal credit quality assessment procedure**

1 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.

2 The manager of an MMF shall ensure that the information used in applying the internal credit quality assessment procedure is of sufficient quality, up-to-date and from reliable sources.

3 The internal assessment procedure shall be based on prudent, systematic and continuous assessment methodologies. The methodologies used shall be subject to validation by the manager of an MMF based on historical experience and empirical evidence, including back testing.

4 The manager of an MMF shall ensure that the internal credit quality assessment procedure complies with all of the following general principles:

- a an effective process is to be established to obtain and update relevant information on the issuer and the instrument's characteristics;
- b adequate measures are to be adopted and implemented to ensure that the internal credit quality assessment is based on a thorough analysis of the information that is available and pertinent, and includes all relevant driving factors that influence the creditworthiness of the issuer and the credit quality of the instrument;

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- c the internal credit quality assessment procedure is to be monitored on an ongoing basis and all credit quality assessments shall be reviewed at least annually;
- d while there is to be no mechanistic over-reliance on external ratings in accordance with Article 5a of Regulation (EC) No 1060/2009, the manager of an MMF shall undertake a new credit quality assessment for a money market instrument, securitisations and ABCPs when there is a material change that could have an impact on the existing assessment of the instrument;
- e the credit quality assessment methodologies are to be reviewed at least annually by the manager of an MMF to determine whether they remain appropriate for the current portfolio and external conditions and the review shall be transmitted to the competent authority of the manager of the MMF. Where the manager of the MMF becomes aware of errors in the credit quality assessment methodology or in its application, it shall immediately correct those errors;
- f when methodologies, models or key assumptions used in the internal credit quality assessment procedure are changed, the manager of an MMF is to review all affected internal credit quality assessments as soon as possible.

## Article 20

### Internal credit quality assessment

1 The manager of an MMF shall apply the procedure laid down in Article 19 to determine whether the credit quality of a money market instrument, securitisation or ABCP receives a favourable assessment. Where a credit rating agency registered and certified in accordance with Regulation (EC) No 1060/2009 has provided a rating of that money market instrument, the manager of the MMF may have regard to such rating and supplementary information and analysis in its internal credit quality assessment, while not solely or mechanistically relying on such rating in accordance with Article 5a of Regulation (EC) No 1060/2009.

2 The credit quality assessment shall take into account at least the following factors and general principles:

- a the quantification of the credit risk of the issuer and of the relative risk of default of the issuer and of the instrument;
- b qualitative indicators on the issuer of the instrument, including in the light of the macroeconomic and financial market situation;
- c the short-term nature of money market instruments;
- d the asset class of the instrument;
- e the type of issuer distinguishing at least the following types of issuers: national, regional or local administrations, financial corporations, and non-financial corporations;
- f for structured financial instruments, the operational and counterparty risk inherent within the structured financial transaction and, in case of exposure to securitisations, the credit risk of the issuer, the structure of the securitisation and the credit risk of the underlying assets;
- g the liquidity profile of the instrument.

The manager of an MMF may, in addition to the factors and general principles referred to in this paragraph, take into account warnings and indicators when determining the credit quality of a money market instrument referred to in Article 17(7).

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## Article 21

### Documentation

1 The manager of an MMF shall document its internal credit quality assessment procedure and credit quality assessments. Documentation shall include all of the following:

- a the design and operational details of its internal credit quality assessment procedure in a manner that allows competent authorities to understand and evaluate the appropriateness of a credit quality assessment;
- b the rationale for and the analysis supporting the credit quality assessment, as well as the manager of the MMF's choice of criteria for, and the frequency of, the review of the credit quality assessment;
- c all major changes to the internal credit quality assessment procedure, including identification of the triggers of such changes;
- d the organisation of the internal credit quality assessment procedure and the internal control structure;
- e complete internal credit quality assessment histories on instruments, issuers and, where relevant, recognised guarantors;
- f the person or persons responsible for the internal credit quality assessment procedure.

2 The manager of an MMF shall keep all the documentation referred to in paragraph 1 for at least three complete annual accounting periods.

3 The internal credit quality assessment procedure shall be detailed in the fund rules or rules of incorporation of the MMF and all documents referred to in paragraph 1 shall be made available upon request to the competent authorities of the MMF and to the competent authorities of the manager of the MMF.

## Article 22

### Delegated acts for the credit quality assessment

The Commission shall adopt delegated acts in accordance with Article 45 in order to supplement this Regulation by specifying the following points:

- (a) the criteria for the validation of the credit quality assessment methodology, as referred to in Article 19(3);
- (b) the criteria for quantification of the credit risk, and of the relative risk of default of an issuer and of the instrument, as referred to in point (a) of Article 20(2);
- (c) the criteria for establishing qualitative indicators on the issuer of the instrument, as referred to in point (b) of Article 20(2);
- (d) the meaning of material change as referred to in point (d) of Article 19(4).

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*Status: Point in time view as at 31/01/2020.*

*Changes to legislation: Regulation (EU) 2017/1131 of the European Parliament and of the Council, CHAPTER II is up to date with all changes known to be in force on or before 23 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

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## Article 23

### **Governance of the credit quality assessment**

1 The internal credit quality assessment procedure shall be approved by the senior management, the governing body, and, where it exists, the supervisory function of the manager of an MMF.

Those parties shall have a good understanding of the internal credit quality assessment procedure and the methodologies applied by the manager of an MMF, as well as a detailed comprehension of the associated reports.

2 The manager of an MMF shall report to the parties referred to in paragraph 1 on the MMF's credit risk profile, based on an analysis of the MMF's internal credit quality assessments. Reporting frequencies shall depend on the significance and type of information and shall be at least annual.

3 Senior management shall ensure, on an ongoing basis, that the internal credit quality assessment procedure is operating properly.

Senior management shall be regularly informed about the performance of the internal credit quality assessment procedures, the areas where deficiencies were identified, and the status of efforts and actions taken to improve previously identified deficiencies.

4 Internal credit quality assessments and their periodic reviews by the manager of an MMF shall not be performed by the persons performing or responsible for the portfolio management of an MMF.

**Status:** Point in time view as at 31/01/2020.

**Changes to legislation:** Regulation (EU) 2017/1131 of the European Parliament and of the Council, CHAPTER II is up to date with all changes known to be in force on or before 23 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

- (1) Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions (OJ L 11, 17.1.2015, p. 1).
- (2) [F1 Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (OJ L 347, 28.12.2017, p. 35).]
- (3) Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 (OJ L 337, 23.12.2015, p. 1).
- (4) Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

#### Textual Amendments

- F1** Substituted by Commission Delegated Regulation (EU) 2018/990 of 10 April 2018 amending and supplementing Regulation (EU) 2017/1131 of the European Parliament and of the Council with regard to simple, transparent and standardised (STS) securitisations and asset-backed commercial papers (ABCPs), requirements for assets received as part of reverse repurchase agreements and credit quality assessment methodologies (Text with EEA relevance).

**Status:**

Point in time view as at 31/01/2020.

**Changes to legislation:**

Regulation (EU) 2017/1131 of the European Parliament and of the Council, CHAPTER II is up to date with all changes known to be in force on or before 23 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.