

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 III

Obligations concerning the risk management of MMFs

Article 24

Portfolio rules for short-term MMFs

- 1 A short-term MMF shall comply on an ongoing basis with all of the following portfolio requirements:
- a its portfolio is to have a WAM of no more than 60 days;
 - b its portfolio is to have a WAL of no more than 120 days, subject to the second and third subparagraphs;
 - c for LVNAV MMFs and public debt CNAV MMFs, at least 10 % of their assets are to be comprised of daily maturing assets, reverse repurchase agreements which are able to be terminated by giving prior notice of one working day or cash which is able to be withdrawn by giving prior notice of one working day. A LVNAV MMF or public debt CNAV MMF is not to acquire any asset other than a daily maturing asset when such acquisition would result in that MMF investing less than 10 % of its portfolio in daily maturing assets;
 - d for a short-term VNAV MMF, at least 7,5 % of its assets are to be comprised of daily maturing assets, reverse repurchase agreements which are able to be terminated by giving prior notice of one working day, or cash which is able to be withdrawn by giving prior notice of one working day. A short-term VNAV MMF is not to acquire any asset other than a daily maturing asset when such acquisition would result in that MMF investing less than 7,5 % of its portfolio in daily maturing assets;
 - e for LVNAV MMFs and public debt CNAV MMFs, at least 30 % of their assets are to be comprised of weekly maturing assets, reverse repurchase agreements which are able to be terminated by giving prior notice of five working days or cash which is able to be withdrawn by giving prior notice of five working days. A LVNAV MMF or public debt CNAV MMF is not to acquire any asset other than a weekly maturing asset when such acquisition would result in that MMF investing less than 30 % of its portfolio in weekly maturing assets;
 - f for a short-term VNAV MMF, at least 15 % of its assets are to be comprised of weekly maturing assets, reverse repurchase agreements which are able to be terminated by giving prior notice of five working days, or cash which is able to be withdrawn by giving prior notice of five working days. A short-term VNAV MMF is not to acquire any asset other than a weekly maturing asset when such acquisition would result in that MMF investing less than 15 % of its portfolio in weekly maturing assets;
 - g for the purpose of the calculation referred to in point (e), assets referred to in Article 17(7) which are highly liquid and can be redeemed and settled within one working day and have a residual maturity of up to 190 days may also be included within the weekly maturing assets of a LVNAV MMF and public debt CNAV MMF, up to a limit of 17,5 % of its assets;
 - h for the purpose of the calculation referred to in point (f), money market instruments or units or shares of other MMFs may be included within the weekly maturing assets of

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a short-term VNAV MMF up to a limit of 7,5 % of its assets provided they are able to be redeemed and settled within five working days.

For the purposes of point (b) of the first subparagraph, when calculating the WAL for securities, including structured financial instruments, a short-term MMF shall base the maturity calculation on the residual maturity until the legal redemption of the instruments. However, in the event that a financial instrument embeds a put option, a short-term MMF may base the maturity calculation on the exercise date of the put option instead of the residual maturity, but only if all of the following conditions are fulfilled at all times:

- (i) the put option is able to be freely exercised by the short-term MMF at its exercise date;
- (ii) the strike price of the put option remains close to the expected value of the instrument at the exercise date;
- (iii) the investment strategy of the short-term MMF implies that there is a high probability that the option will be exercised at the exercise date.

By way of derogation from the second subparagraph, when calculating the WAL for securitisations and ABCPs, a short-term MMF may instead, in the case of amortising instruments, base the maturity calculation on one of the following:

- (i) the contractual amortisation profile of such instruments;
- (ii) the amortisation profile of the underlying assets from which the cash-flows for the redemption of such instruments result.

2 If the limits referred to in this Article are exceeded for reasons beyond the control of an MMF, or as a result of the exercise of subscription or redemption rights, that MMF shall adopt as a priority objective the correction of that situation, taking due account of the interests of its unit holders or shareholders.

3 All MMFs referred to in Article 3(1) of this Regulation may take the form of a short-term MMF.

Article 25

Portfolio rules for standard MMFs

1 A standard MMF shall comply on an ongoing basis with all of the following requirements:

- a its portfolio is to have at all times a WAM of no more than 6 months;
- b its portfolio is to have at all times a WAL of no more than 12 months, subject to the second and third subparagraphs;
- c at least 7,5 % of its assets are to be comprised of daily maturing assets, reverse repurchase agreements which can be terminated by giving prior notice of one working day or cash which can be withdrawn by giving prior notice of one working day. A standard MMF is not to acquire any asset other than a daily maturing asset when such acquisition would result in that MMF investing less than 7,5 % of its portfolio in daily maturing assets;
- d at least 15 % of its assets are to be comprised of weekly maturing assets, reverse repurchase agreements which can be terminated by giving prior notice of five working days or cash which can be withdrawn by giving prior notice of five working days. A standard MMF is not to acquire any asset other than a weekly maturing asset when such

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acquisition would result in that MMF investing less than 15 % of its portfolio in weekly maturing assets;

- e for the purpose of the calculation referred to in point (d), money market instruments or units or shares of other MMFs may be included within the weekly maturing assets up to 7,5 % of its assets provided they are able to be redeemed and settled within five working days.

For the purposes of point (b) of the first subparagraph, when calculating the WAL for securities, including structured financial instruments, a standard MMF shall base the maturity calculation on the residual maturity until the legal redemption of the instruments. However, in the event that a financial instrument embeds a put option, a standard MMF may base the maturity calculation on the exercise date of the put option instead of the residual maturity, but only if all of the following conditions are fulfilled at all times:

- (i) the put option is able to be freely exercised by the standard MMF at its exercise date;
- (ii) the strike price of the put option remains close to the expected value of the instrument at the exercise date;
- (iii) the investment strategy of the standard MMF implies that there is a high probability that the option will be exercised at the exercise date.

By way of derogation from the second subparagraph, when calculating the WAL for securitisations and ABCPs, a standard MMF may instead, in the case of amortising instruments, base the maturity calculation on one of the following:

- (i) the contractual amortisation profile of such instruments;
- (ii) the amortisation profile of the underlying assets from which the cash-flows for the redemption of such instruments result.

2 If the limits referred to in this Article are exceeded for reasons beyond the control of a standard MMF or as a result of the exercise of subscription or redemption rights, that MMF shall adopt as a priority objective the correction of that situation, taking due account of the interests of its unit holders or shareholders.

3 A standard MMF shall not take the form of a public debt CNAV MMF or a LVNAV MMF.

Article 26

MMF credit ratings

An MMF that solicits or finances an external credit rating shall do so in accordance with Regulation (EC) No 1060/2009. The MMF or the manager of the MMF shall clearly indicate in the MMF's prospectus, and in all communication to investors in which the external credit rating is mentioned, that the rating was solicited or financed by the MMF or by the manager of the MMF.

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Article 27

‘Know your customer’ policy

1 Without prejudice to any more stringent requirements set out in [F1 the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017], the manager of an MMF shall establish, implement and apply procedures and exercise all due diligence with a view to anticipating the effect of concurrent redemptions by several investors, taking into account at least the type of investor, the number of units or shares in the fund owned by a single investor and the evolution of inflows and outflows.

2 If the value of the units or shares held by a single investor exceeds the amount of the corresponding daily liquidity requirement of an MMF, the manager of the MMF shall consider, in addition to the factors set out in paragraph 1, all of the following:

- a identifiable patterns in investor cash needs, including the cyclical evolution of the number of shares in the MMF;
- b the risk aversion of the different investors;
- c the degree of correlation or close links between different investors in the MMF.

3 Where investors route their investments via an intermediary, the manager of an MMF shall request the information to comply with paragraphs 1 and 2 from the intermediary in order to manage appropriately the liquidity and investor concentration of the MMF.

4 The manager of an MMF shall ensure that the value of the units or shares held by a single investor does not materially impact the liquidity profile of the MMF where it accounts for a substantial part of the total NAV of the MMF.

Textual Amendments

- F1** Words in Art. 27(1) substituted (31.12.2020) by [The Money Market Funds \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/394\)](#), regs. 1(3), **13(1)** (with savings in [S.I. 2019/680](#), reg. 11); 2020 c. 1, Sch. 5 para. 1(1)

Article 28

Stress testing

1 Each MMF shall have in place sound stress testing processes that identify possible events or future changes in economic conditions which could have unfavourable effects on the MMF. The MMF or the manager of an MMF shall assess the possible impact that those events or changes could have on the MMF. The MMF or the manager of an MMF shall regularly conduct stress testing for different possible scenarios.

The stress tests shall be based on objective criteria and consider the effects of severe plausible scenarios. The stress test scenarios shall at least take into consideration reference parameters that include the following factors:

- a hypothetical changes in the level of liquidity of the assets held in the portfolio of the MMF;
- b hypothetical changes in the level of credit risk of the assets held in the portfolio of the MMF, including credit events and rating events;

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- c hypothetical movements of the interest rates and exchange rates;
- d hypothetical levels of redemption;
- e hypothetical widening or narrowing of spreads among indices to which interest rates of portfolio securities are tied;
- f hypothetical macro systemic shocks affecting the economy as a whole.

2 In addition, in the case of public debt CNAV MMFs and LVNAV MMFs, the stress tests shall estimate for different scenarios the difference between the constant NAV per unit or share and the NAV per unit or share.

3 Stress tests shall be conducted at a frequency determined by the board of directors of the MMF, where applicable, or the board of directors of the manager of an MMF, after considering what an appropriate and reasonable interval in light of the market conditions is and after considering any envisaged changes in the portfolio of the MMF. Such frequency shall be at least bi-annual.

4 Where the stress test reveals any vulnerability of the MMF, the manager of an MMF shall draw up an extensive report with the results of the stress testing and a proposed action plan.

Where necessary, the manager of an MMF shall take action to strengthen the robustness of the MMF, including actions that reinforce the liquidity or the quality of the assets of the MMF and shall immediately inform the [F²FCA] of the measures taken.

5 The extensive report with the results of the stress testing and proposed action plan shall be submitted for examination to the board of directors of the MMF, where applicable, or the board of directors of the manager of an MMF. The board of directors shall amend the proposed action plan if necessary and approve the final action plan. The extensive report and the action plan shall be kept for a period of at least 5 years.

The extensive report and the action plan shall be submitted to the [F³FCA] for review.

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7 [F⁵The FCA] shall issue guidelines with a view to establishing common reference parameters of the stress test scenarios to be included in the stress tests taking into account the factors specified in paragraph 1. The guidelines shall be updated at least every year taking into account the latest market developments.

Textual Amendments

- F2** Word in Art. 28(4) substituted (31.12.2020) by [The Money Market Funds \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/394\)](#), regs. 1(3), **13(2)(a)** (with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)
- F3** Word in Art. 28(5) substituted (31.12.2020) by [The Money Market Funds \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/394\)](#), regs. 1(3), **13(2)(a)** (with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)
- F4** Art. 28(6) omitted (31.12.2020) by virtue of [The Money Market Funds \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/394\)](#), regs. 1(3), **13(2)(b)** (with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)
- F5** Words in Art. 28(7) substituted (31.12.2020) by [The Money Market Funds \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/394\)](#), regs. 1(3), **13(2)(c)** (with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)

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Changes and effects yet to be applied to :

- Regulation revoked by [2023 c. 29 Sch. 1 Pt. 1](#)

Changes and effects yet to be applied to the whole legislation item and associated provisions

- Art. 2(7) words substituted by [S.I. 2024/705 Sch. 2 para. 30](#)