

## **Consultation Paper on the review of the methodology included in the Guidelines on stress test scenarios under the MMF Regulation**

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#### **1. - Target participants**

This document will be of interest to (i) MMF managers and their trade associations, (ii) alternative investment funds and UCITS managers and their trade associations, as well as (iii) institutional and retail investors (and associations of such investors) investing in MMF.

#### **2. - Information Note**

Article 28 of the MMF Regulation provides that ESMA shall develop guidelines with a view to establishing common reference parameters of the stress test scenarios to be included in the stress tests managers of MMFs are required to conduct. These guidelines shall be updated at least every year taking into account the latest market developments. ESMA published the first set of these guidelines on 21 March 2018, these were first updated in 2019, including principle-based guidelines on stress testing the MMF or the manager of an MMF shall regularly conduct (sections 4.1 to 4.7 of the Guidelines); specifications on the type of the stress tests (section 4.8 of the Guidelines); and the 2019 calibration (section 5 of the Guidelines). The calibration of the common reference parameters specified in section 5 has been updated annually since.

This consultation paper (CP) aims at updating the methodology specified in section 4.8 of the Guidelines and sets out proposals on which ESMA is seeking the views of external stakeholders. The proposed revision covers the liquidity and macro scenarios: the proposed liquidity scenario aims at better taking into account the interaction between liquidity and redemption pressures, in light of the stress event experienced in March 2020. This complements the update that took place in 2020, with significant tightening of the parameters of the liquidity and redemption scenarios. As for the proposed addition to the macro scenario, it intends to better capture the macroprudential impact of the scenario, by including assumptions on the underlying markets and other market participants. In addition, this CP presents ESMA's considerations on a potential climate risk scenario. Stakeholder's views are sought on the methodology, including data and the calculation of the impact. The calibration of the stress test scenarios is not part of the consultation. In accordance with Article 28(7) MMF Regulation, stress test guidelines have to be updated at least every year taking into account the latest market development. The latest update of the calibration is included in the Final Report - Guidelines on stress test scenario under the MMF

Regulation published on 30 November 2022. Some figures are included in this document for illustration purposes only. Therefore, ESMA is not seeking the views from external stakeholders on these figures. Following this public consultation, ESMA will publish a Final Report in 2023 which will include both 1) a revised methodology on stress test scenarios and 2) the annual calibration in accordance with Article 27 (8) MMF Regulation.

Section 2 explains the background to our proposals. Sections 3 and 4 give detailed explanations on the content of the proposals and seek stakeholders' input through specific questions. Annex I sets out the list of questions contained in this paper. Annex II contains the legislative reference in of the guidelines on stress tests scenarios. Annex III sets out the cost the MMF Regulation in relation to the update benefit analysis related to the draft updated guidelines. Annex IV contains the full text of the draft updated guidelines.

Responses to this consultation 2023 will help ESMA finalise the Guidelines for publication in Q4. The final guidelines will also include the calibration of the 2023 stress testing scenario for implementation.

### **3. - Submission of comments**

The deadline for submitting comments is **28 April 2023**.

Respondents may send their comments through ESMA's website: [www.esma.europa.eu](http://www.esma.europa.eu). Both the paper of this consultation and the response form are available in the section [Consultations](#) (place the cursor on the word to obtain the link).

Likewise, please send a copy of your answers to the CNMV to the following email address: [documentosinternacional@cnmv.es](mailto:documentosinternacional@cnmv.es)

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