



## ESMA GUIDELINES ON MONEY MARKET FUND STRESS TESTS

4 May 2020

On 3 March 2020, the European Securities and Markets Authority (hereinafter, ESMA) published on its website the update of the “Guidelines on stress tests under the MMF Regulation” (ESMA34-49-172).

The Spanish National Securities Market Commission has notified ESMA of its intention of complying with such Guidelines which it is going to take into consideration in the supervisory procedures, in particular, the calibrations for 2019.

These guidelines were published for the first time on 21 March 2018 (ESMA34-49-115) and entered into force on 21 July 2018, except for UCITS and AIFs already existing whose effective date of application was 21 January 2019. These guidelines establish common guidelines for money market funds to carry out stress tests that determine potential future events or changes in the economic situation that may have negative repercussions on them.

The 2020 update of the guidelines includes the specific calibration for the stress tests for 2019, and sections 4.8 and 5 of the guidelines have been updated. These specific calibrations will be updated at least annually.

The scenarios will evaluate how the various factors that are to be stressed affect both the portfolio or the net asset value of the money market fund and the money market fund liquidity bucket(s) and/or the ability to meet to investors' redemption requests.

The results of the stress tests with common reference scenarios will be included in the reporting template referred to in Article 37(4) of Regulation 2017/1131, of the European Parliament and of the Council, on money market funds. Thus, the information statements for Q1/20 required under Article 37 must contain the results of the stress tests that include the calibration for 2019. According to ESMA, these reports for the first quarter of 2020, along with those for the second quarter of 2020, must be submitted to the National Authorities in September 2020.

The Guidelines have been issued under Article 16 of Regulation 1095/2010 of the European Parliament and of the Council, of 24 November 2010, regulating the establishment of ESMA, which states that the competent authorities and financial market participants shall make every effort to comply with these guidelines. Additionally, the ESMA Regulation also establishes each competent authority shall confirm whether it intends to comply with the guidelines published by ESMA.