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## **Stress test scenarios for money market funds: Application of the ESMA guidelines by the AMF**

The Autorité des Marchés Financiers (AMF) has published a position (DOC-2018-05) in order to incorporate the ESMA guidelines for stress test scenarios under article 28 of the money market fund (MMF) regulation.

### **A new MMF Regulation establishing strict stress test requirements**

Article 28(1) of the money market fund (MMF) regulation<sup>1</sup> states “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”.

### **Good practice described by the ESMA**

On 21 March 2018, the ESMA published its guidelines for stress test scenarios under article 28 of the MMF Regulation. These guidelines will be updated once a year, in order to take account of the latest market developments and at the end of 2018 in order to clarify which scenarios should be used for the quarterly reporting by management companies to the national competent authorities.

### **They describe good practice for each of the six stress test criteria listed by the MMF Regulation:**

— liquidity of assets;

- credit risk of assets;
- interest rates and exchange rates;
- hypothetical levels of redemption;
- spreads among indexes to which interest rates of portfolio securities are tied; and
- macrosystemic shocks.

## AMF compliance with the ESMA guidelines

In January 2017, the AMF published an educational guide to stress tests. It has now published Position DOC-2018-05 in order to incorporate the ESMA guidelines for stress test scenarios under article 28 of the money market fund regulation. The ESMA guidelines apply to management companies that manage an authorised money market fund in accordance with the regulation.

### Read more

- AMF Position DOC-2018-05 on requirements for stress test scenarios under article 28 of the european money market fund regulation

### Keywords

[EUROPE & INTERNATIONAL](#)[STRESS-TESTING](#)

[1] Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017

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