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Analysis of French money market fund portfolios during the surge in withdrawals recorded at the onset of the COVID-19 crisis

The AMF is publishing a detailed analysis of French money market fund (MMF) portfolios during the Covid crisis, from January to April 2020. It presents the French MMF market and the distortion of portfolios during this period marked by a massive wave of redemptions in March.

The AMF identified 221 French MMFs with cumulative net assets of €334.1 billion as at 31 December 2019. The study presents the structure and main features of this market. It demonstrates, for example, that compared with other European jurisdictions, French MMFs are characterised by a significant quarterly cyclicity of flows with redemptions before the end of the quarter.

In the context of the Covid pandemic, redemptions in French MMF were of similar magnitude to what the sector had experienced during the 2008 crisis, with €48.6 billion in redemptions between 12 and 30 March 2020. However, whereas the withdrawals took place over two quarters in 2008, outflows were concentrated over two weeks in 2020. Some investors needed to raise cash to meet urgent expenses or even to settle margin calls, while others carried out arbitrage transactions to secure their available cash.

The study presents the following findings:

- The bulk of the French MMFs portfolio consists of securities issued by the financial sector and these securities were sold as a priority to meet redemptions. This led to a distortion of the portfolio to the benefit of cash and sovereign securities;
- The exposure of a French MMF to securities issued by the bank of the group to which its fund manager belongs is no greater than to other banks and the crisis did not change this observation;
- The share of cash and short-dated securities (less than one month maturity) increased at the expense of longer-dated securities, especially those maturing between 6 and 12 months;
- In March 2020, the €53 billion decline in assets under management corresponds to €42 billion in securities reaching maturity and €56 billion in active sales while at the same time MMFs purchased €27 billion of new securities and increased their cash holdings by €19 billion.

About the AMF

The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected and that investors are provided with adequate information. The AMF also supervises the orderly operations of markets. Visit our website <https://www.amf-france.org>. URL = [https://www.amf-france.org/]

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