AUTORITÉ DES MARCHÉS FINANCIERS

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04 June 2024

AMF complies with ESMA guidelines on updating the stress scenario parameters provided for in Article 28 of the Money Market Funds Regulation for 2024

The AMF has updated its position DOC-2018-05 to include references to ESMA's guidance on updating stress testing scenarios, in accordance with Article 28 of the Money Market Funds Regulation.

Stress simulation reporting

In accordance with Article 28 of Regulation (EU) 2017/1131 on money market funds (MMF Regulation), the manager of a money market fund is required to assess the impact of stress testing scenarios on the fund.

Under Article 37 of the MMF Regulation, the results of stress testing for a money market fund are sent to its competent authority in a quarterly report if the fund's assets exceed 100 million euros.

Other money market funds must report annually. The competent authority then forwards this report to ESMA.

Clarification of the latest ESMA guidelines

The ESMA guidelines published in 2019 (ESMA34-49-172) set out the common reference parameters for the different stress scenarios. In accordance with Article 28(7) of the Money Market Funds Regulation, these guidelines are updated at least once a year to take account of the latest market developments.

Against this backdrop, on 6 March 2024, ESMA published the official translations of its new guidelines on updating stress testing parameters (ESMA50-43599798-9011). These parameter updates reflect the market conditions prevailing at the time of their calibration at the end of 2023.

This is the fourth reassessment of the parameters to be taken into account for stress test simulation exercises since the MMFR reporting came into force in 2020. In particular, it amends the asset liquidity stress test scenario by requiring the application of a discount factor reflecting the cost of asset liquidity in the event of redemption, taking into account the divestment of all portfolio lines on a pro rata basis.

Operational application

Under the ‘apply or explain’ procedure, these guidelines become applicable within two months of this date, i.e. 6 May 2024. As MMF reporting is communicated on a quarterly basis for money market funds with assets in excess of 100 million euros, money market fund managers must use the updated stress scenario parameters from 30 June 2024.

The AMF draws fund managers' attention to the importance of updating these parameters for their submissions due from 30 June 2024. Market participants who have anticipated the parameter update for submissions due before this date must correct these and resubmit them using the old parameters.

Read more

- Regulation (UE) 2017/1131 of the European Parliament and of the Council of 14 June 2017
- Guidelines on stress tests scenarios under Article 28 of the MMF Regulation

AMF Position DOC-2018-05: Requirements under the european money fund regulation (In French only)

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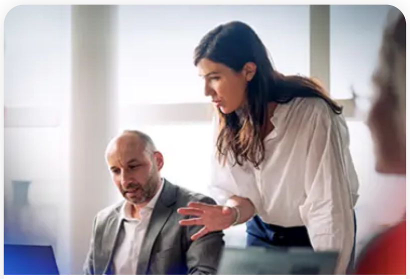

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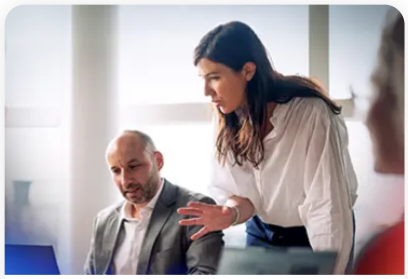

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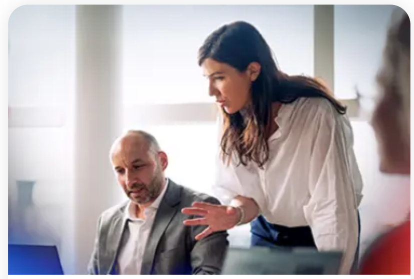

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