



REQUIREMENTS FOR STRESS TEST SCENARIOS UNDER ARTICLE 28 OF THE EUROPEAN MONEY MARKET FUND REGULATION

Reference text: Article 28 of Regulation (EU) No 2017/1131 of the European Parliament and of the Council of 14 June 2017 on Money Market Funds

Pursuant to the requirements of Article 16(3) of Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority, on 14 May 2018 the AMF declared to ESMA that it complied with the European Securities and Markets Authority guidelines on stress test scenarios under article 28 of Regulation (EU) No 2017/1131 of the European Parliament and of the Council on money market funds, published on 21 March 2018 (ESMA34-49-115).

These guidelines are intended to encourage common, uniform and consistent application of the provisions in article 28(1) of the MMF Regulation. They establish common reference parameters for stress test scenarios, taking into account the following factors specified in the MMF Regulation:

- a) hypothetical changes in the level of liquidity of the assets held in the portfolio of the MMF;
- b) hypothetical changes in the level of credit risk of the assets held in the portfolio of the MMF, including credit events and rating events;
- c) hypothetical movements of the interest rates and exchange rates;
- d) hypothetical levels of redemption;
- e) hypothetical widening or narrowing of spreads among indexes to which interest rates of portfolio securities are tied;
- f) hypothetical macro systemic shocks affecting the economy as a whole.

In accordance with the MMF Regulation, these guidelines will be updated at least every year taking into account the latest market developments.

Section 4.8 of the ESMA guidelines states that the results of stress test scenarios should be included in the reports sent by management companies to the AMF under article 37 of the MMF Regulation. However, the use of specific stress test scenarios, in application of the MMF Regulation, shall not replace the more general obligation to conduct market resistance and liquidity tests as part of overall risk management procedures, under articles 321-81, 318-41, 318-44 and 411-79 of the AMF General Regulation for UCITS and AIFs.

Incorporation within the AMF's regulatory practices

This position, which incorporates the European Securities and Markets Authority guidelines on stress test scenarios under article 28 of the MMF Regulation, applies from 21 July 2018 for new funds, and from 21 January 2019 for existing funds, pursuant to articles 44 and 47 of the MMF Regulation.

These guidelines are available in the “Annexes and Links” section:

- In French: Orientations de l’ESMA relatives aux scénarios de simulations de crise au titre de l’article 28 du règlement sur les fonds monétaires (ESMA34-49-115 FR)
- In English: Guidelines on stress tests scenarios under Article 28 of the MMF Regulation (ESMA34-49-115)