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Irish Funds response to ESMA Consultation Paper on draft technical advice, implementing technical standards and guidelines under the MMF Regulation

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Please make your introductory comments below, if any:

The Irish Funds Industry Association ("**Irish Funds**") is the representative body for the international investment fund community in Ireland. Our members include fund managers, fund administrators, transfer agents, depositaries, professional advisory firms and other specialist firms involved in the international fund services industry in Ireland.

Ireland is the largest fund domicile in the EU for money market funds and the net assets of Irish domiciled MMFs amount to over €486 billion (Source: Central Bank of Ireland, May 2017). ESMA's Consultation Paper on the MMF Regulation is therefore of particular significance and relevance for the funds industry in Ireland.

We commend ESMA for the significant body of work that it has undertaken to produce this Consultation Paper within a short timeframe and welcome the opportunity to respond to the detailed questions included therein. ESMA is no doubt aware of the significant impact that the Level 2 and Level 3 measures can have on the operation of MMFs and we appreciate that ESMA has therefore taken a very thorough approach to consulting. We have availed of this opportunity to provide a significant amount of commentary and suggestions, which we trust that ESMA will take into account in finalising its technical advice, ITS and guidelines. In that regard, we wish to highlight a number of key points from our perspective:

- **Destruction of shares** – ESMA has included a statement that the destruction of shares is not allowed under the MMF Regulation[1]. In this context, we wish to highlight the fact that the practice of reverse distribution, i.e. cancellation of units to deal with negative yield, is widespread, has been accepted by NCAs and is understood and utilised by investors. Reverse distribution is entirely consistent with MMFR and the UCITS Directive and in keeping with the objective under Article 1.1 of offering returns in line with money market rates, as well as a MMF's authority to redeem shares in circumstances set forth in the MMF's constitutional documents.

- **Reverse repurchase agreements and liquidity** – the liquidity requirements imposed on LVNAV and CNAV MMF under Article 24(1)(e) and (g) mean that, following the implementation of MMFR, MMFs will become more reliant on short-term reverse repos. This fact underscores the importance of ensuring that the conditions for reverse repos falling under Article 15(6) are appropriately calibrated and future-proofed. This is

[1] This statement is included within the reporting section at paragraph 186 and page 49 of the Consultation Paper.

particularly the case in light of the capital conditions being imposed on banks under CRD IV, which mean that banks are increasingly constrained in the level of short-term repo in which they can engage. While banks remain the predominant type of counterparty for reverse repos, with a view to the future the MMFR framework should allow for a broader list of eligible, regulated counterparties under Article 3 of the draft technical advice. We welcome the inclusion of investment firms and central clearing counterparties in that regard and also propose that this list of counterparties be extended to include other regulated entities such as insurance companies and pension funds.

For entities that are not listed under Article 3, ESMA proposes additional requirements under Article 4. We agree with ESMA that haircuts should apply to such counterparties but we are not in favour of a standardised haircut framework which would deny managers the ability to adapt the haircut, when appropriate and necessary, to react to market conditions. Standardised policies also create the risk of making MMFs uncompetitive when trading with repo counterparties. Furthermore, the proposed approach does not take into account the short-term nature (typically overnight) of reverse repos engaged in by MMFs, nor other factors such as credit quality of the counterparty, price volatility or stress testing – factors which ESMA has deemed relevant in the Consultation Paper. We therefore propose that the manger be able to deploy a more bespoke approach that more appropriately takes specific circumstances into account.

- **Regulatory reporting** – we note the expansive nature of the regulatory reporting template proposed by ESMA. ESMA will be aware, from responses to previous consultations by the Commission under CMU and from discussions with industry stakeholders, of the significant administrative burden that the increase in regulatory reporting has created in recent years. With this in mind, we would urge ESMA to keep the reporting template strictly to the information required under Article 37(2) and (3) of the MMFR and to refrain from requesting additional data. We understand ESMA's rationale for taking the AIFMD reporting template as a starting point for MMFs. However, much of the reporting inspired from AIFMD is irrelevant in the context of MMFs. In this regard, we have provided at Appendix I an itemised commentary on the reporting, highlighting items we consider need to be deleted, amended or clarified.

  With regard to the timing of the commencement of the reporting, we note that ESMA will not be in a position to receive quarterly reporting from the NCAs until October/November 2019 due to the IT work that needs to be undertaken. However, the MMFR will be effective from 21 July 2018. Cognisant of the challenges that arose with regard to the phasing in of the AIFMD reporting, we request that ESMA expressly clarify that the reporting obligations under Article 37 of the MMFR will not apply until late 2019.

- **Stress testing** – we do not consider that the aggregation of stress testing results is appropriate in the context of investment funds or would serve any meaningful purpose. Each fund will have its own specific characteristics relating to portfolio composition, investor base, currency focus, etc., and consequently, funds will experience stress scenarios differently. Each fund is separate and portfolio management and risk management are done at the fund level, which gives the manager and the NCA the most accurate account of the relevant risks in the relevant fund. Aggregating such results across funds could return false positives in relation to perceived risks and could therefore be counterproductive. ESMA will also note that regulatory requirements on stress testing, including those set out under Article 28 of the MMFR, mandate stress testing to be conducted on a fund level but do not provide for aggregation of stress test results.

- **Credit quality assessment** – we do not consider that MMFs should be obliged to use a scale system for credit rating; this concept was rejected during the legislative process and is not mandated under Articles 19 to 23 of the Level 1 text dealing with internal credit quality assessment. In keeping with the Level 1 text, we advocate taking a principles based approach, as a highly prescriptive process could be counterproductive and lead to an overly mechanistic approach that could introduce systematic risk by fostering a herd mentality in the performance of credit assessment. Managers should be able to use and adapt their existing credit quality assessment process to meet the requirements of MMFR.

We would be happy to discuss these points further, or indeed any aspects of our detailed response, should ESMA require further clarification.

1. **Do you agree that the abovementioned references to EU/US standards are relevant in the context of the issuance by ESMA of technical advice on quantitative and qualitative liquidity and credit quality requirements applicable to assets received as part of a reverse repurchase agreement in the context of the MMF Regulation? Do you identify other pieces of national/EU/International law that would be relevant in view of the work on this part of the advice?**

   We agree that the EU/US standards are relevant and should be considered by ESMA in the context of issuing its technical advice. However, it is also relevant (and indeed imperative) that ESMA considers the circumstances and context in which those standards were developed and how they differ from the circumstances and context of the technical advice ESMA will issue under the MMF Regulation. In particular:

   - The CRR and the EBA report and delegated regulation published pursuant to it are concerned with the liquidity risk profile of banks. The liquidity needs of banks are inherently different to the liquidity needs of MMFs and therefore requirements designed to ensure banks can meet their liquidity needs should not be applied, without significant modification, to MMFs.

   - ESMA itself has recognised in its discussion paper on MiFIR regarding liquid markets that the concept of a liquid market in that context is relevant for the purposes of MiFIR only. As such, the requirements laid down for it should not be applied, without significant modification, to MMFs.

   In terms of other relevant texts, we consider that ESMA's own "Guidelines on ETFs and other UCITS issues" (ESMA/2014/937) are directly relevant and important to take into account. In the context of collateral and credit quality, they require that collateral should be of high quality (which is consistent with Option A proposed by ESMA) and, in the context of liquidity, that collateral be "highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation". It also requires UCITS to put in place a haircut policy. These requirements are particularly relevant and are discussed further below in our response to question 2.

2. **Which of the options described above regarding credit quality and liquidity requirements would you favour?**

   As an initial point, we would note that it is of the utmost importance that the supplementary rules for reverse repurchase agreements be appropriately calibrated and workable in practice in the marketplace, given the fact that MMFs will rely heavily on them for daily liquidity, due to the restrictions the MMF Regulation has placed on highly quality government securities counting towards daily and weekly liquidity limits.

   <u>Credit Quality</u>

   We agree with ESMA that Option A is the preferred option.

   However, we propose that ESMA clarifies that the favourable assessment referred to in Article 22 (and crossed referenced in Option A) may be an assessment made with respect to a set of collateral. In other words, a manager could provide a favourable assessment to all collateral that meets a defined set of criteria established by it (e.g., identity of issuer, maturity, type of issue etc.). This type of collateral assessment is common in a tri-party arrangement, where the collateral received changes intra-day (but always complies with the set criteria). As the collateral changes frequently, the manager does not have control over the collateral provided at an issue level and can only control the overall criteria.

   We note that ESMA considered providing for Option B as a supplementary option. If Option B were truly supplementary and managers could rely on Option A as if it were a stand-alone option, we have no issue with this approach. However, we do not believe Option B is viable as a standalone option or as an alternative to Option A. As noted in our response to Question 1, the CRR and the EBA report and delegated regulation published pursuant to it (i.e., the basis of Option B) are concerned with banks, which are very different to MMFs. In addition, the CRR / EBA approach considers only assets denominated in EU currencies, whereas MMFs can and do accept collateral in other currencies, in particular US dollars. For this reason, Option B is only suitable as a supplement to, and not as a replacement of, Option A.

   <u>Liquidity</u>

   We agree with ESMA that Option A is the preferred option, subject to the proposed changes set out below.

   List of counterparties

   We agree that the liquidity requirements should depend on the risk of default of the counterparty and where the risk of default is limited, no specific liquidity requirements need apply. However, we believe that the list of counterparties falling into this category, as set out in Option A Article 3, is too narrow, as it focuses on credit institutions and investment firms. The list should be expanded to include regulated entities other than credit institutions and investment firms, provided in both cases that the risk of default is limited for them to the same extent that it is for EU credit institutions and investment firms. In particular, the list should be expanded to include insurance companies and pension funds regulated as such in the EU and any third country undertakings authorised or supervised in their home jurisdictions under comparable local legislation.

Haircut

We agree that where there is a material risk of default of a counterparty, haircuts should apply and that the liquidity criteria (maturity, volatility, stress testing) set out in Option A(ii) should be taken into consideration in applying the haircut. However, we do not agree that the haircut policy should be based on a standardised framework. A standardised framework would deny MMF managers the ability to adapt the haircut, when appropriate and necessary, to react to market conditions or to the credit quality of the counterparty. Standardised policies also create the risk of making MMFs uncompetitive when trading with repo counterparties. Instead, we believe that a bespoke haircut policy designed by the MMF and its manager for its own specific circumstances is more appropriate than a standardised haircut policy applicable to all MMFs, as set out in ESMA's "Guidelines on ETFs and other UCITS issues" (ESMA/2014/937), which we believe should apply to MMFs.

However, we recognise that every bespoke framework must be robust and that, as accepted by ESMA in the consultation, unregulated counterparties present a greater risk of default than regulated counterparties. Accordingly, we propose that where exposure to an unregulated counterparty exceeds 10% of the assets of the MMF, the MMF manager should be obliged to impose a bigger haircut than would be the case for exposures less than 10%. Such a haircut should be at the discretion on the MMF manager, who may take into account the framework provided for repurchase agreements in the Capital Requirements Regulation 2013 (Regulation EU/575/2013). In particular, Table 1 of Article 224 of Regulation (EU) No 575/2013 provides haircuts for a 5-day liquidation period for debt securities issued by entities described in Article 197(1)(b) thereof (i.e., government securities). We believe that a 5-day liquidation period is more appropriate than a 10-day period[2].

To reflect the above, we propose the following text for Option A, Article 4:

> *Where the counterparty is not a regulated entity referred to in [Article 3], the manager of the MMF should have in place a clear haircut policy. When devising the haircut policy, the manager of the MMF should take into account the credit quality of the counterparty and the characteristics of the collateral, such as the credit standing, the price volatility, and the outcome of the stress tests. This policy should be documented and should justify each decision to apply a specific haircut, or to refrain from applying any haircut, to a certain class of assets. The policy should also, in the case of exposure to a counterparty above 10% of the assets of the MMF, provide for a bigger haircut than for lesser exposures. Such haircut may be based on the haircut levels set out in Table 1 of Article 224 of Regulation (EU) No 575/2013 and shown under the 5-day liquidation period for debt securities issued by entities described in Article 197(1)(b) thereof (i.e., government securities).*

2. As supported by Article 221(7)(c) of Regulation EU/575/2013, which provides that a 5-day liquidation period should be used for securities repurchase transactions or securities lending or borrowing transactions

3. With respect to option a), do you think the haircut policy should be determined as suggested, or should there be more flexibility given to the manager on this determination? Do you think that the decision of equivalence vis a vis third countries mentioned in this option should relate to the one mentioned in Article 114 (107 in the case of credit institutions) of CRR?

We believe that a standardised framework would deny MMF managers the ability to adapt the haircut, when appropriate and necessary, to react to market conditions or to the credit quality of the counterparty. Standardised policies also create the risk of making MMFs uncompetitive when trading with repo counterparties. Instead, we believe that a bespoke haircut policy designed by the MMF and its manager for its own specific circumstances is more appropriate than a standardised haircut policy applicable to all MMFs, as set out in ESMA's "Guidelines on ETFs and other UCITS issues" (ESMA/2014/937), which we believe should apply to MMFs.

However, we recognise that every bespoke framework must be robust and that, as accepted by ESMA in the consultation, unregulated counterparties present a greater risk of default than regulated counterparties. Accordingly, we propose that where exposure to an unregulated counterparty exceeds 10% of the assets of the MMF, the MMF manager should be obliged to impose a bigger haircut than would be the case for exposures less than 10%. Such a haircut should be at the discretion on the MMF manager, who may take into account the framework provided for repurchase agreements in the Capital Requirements Regulation 2013 (Regulation EU/575/2013). In particular, Table 1 of Article 224 of Regulation (EU) No 575/2013 provides haircuts for a 5-day liquidation period for debt securities issued by entities described in Article 197(1)(b) thereof (i.e., government securities). We believe that a 5-day liquidation period is more appropriate than a 10-day period[3].

To reflect the above, we propose the following text for Option A, Article 4:

> *Where the counterparty is not a regulated entity referred to in [Article 3], the manager of the MMF should have in place a clear haircut policy. When devising the haircut policy, the manager of the MMF should take into account the credit quality of the counterparty and the characteristics of the collateral, such as the credit standing, the price volatility, and the outcome of the stress tests. This policy should be documented and should justify each decision to apply a specific haircut, or to refrain from applying any haircut, to a certain class of assets. The policy should also, in the case of exposure to a counterparty above 10% of the assets of the MMF, provide for a bigger haircut than for lesser exposures. Such haircut may be based on the haircut levels set out in Table 1 of Article 224 of Regulation (EU) No 575/2013 and shown under the 5-day liquidation period for debt securities issued by entities described in Article 197(1)(b) thereof (i.e., government securities).*

3. As supported by Article 221(7)(c) of Regulation EU/575/2013, which provides that a 5-day liquidation period should be used for securities repurchase transactions or securities lending or borrowing transactions

Third Countries

We believe that the CRR equivalent decision should apply here (and that, with respect to credit institutions and investment firms, it should be made clear in Option A that the Article 107 CRR decision applies).

4. **With respect to option b) on liquidity requirements, do you think that requiring assets convertible to cash in one business day or less is appropriate? Do you think this requirement should be more detailed and refer to trade date or settlement date, for example? With respect to that same option b), how do you think that the criteria mentioned in this option could be defined in more detail, and how could quantitative indicators be introduced? Do you think all the criteria mentioned in Article 2(3) of this option b) are relevant? Under this option, when the liquidity assessment of the manager is that the assets would no longer be liquid assets, the manager shall take immediately any appropriate action including the replacement of the collateral with another asset that would be qualified as liquid assets. Do you think that the replacement of the collateral could be carried out overnight?**

As noted above, we believe Option A is the most appropriate. That having been said, with respect to Option B:

Cash Conversion

For a number of reasons, we believe specifying one business day is not appropriate:

- The MMF will only take the collateral in the case of a counterparty default, which may take time to confirm and may be contested.
- As the counterparties will be high quality, it is likely that the default of one of them would cause some market disruption. It may be in the MMF's best interests to wait a period before liquidating collateral.
- The settlement period for securities traded on the secondary market is generally T+2, with the result that it is not realistic to expect assets to be convertible to cash within one business day.

For each of these reasons, it would be preferable to provide that the assets be convertible to cash within a reasonable timeframe that reflects the best interests of the MMF. We believe the requirement set out in ESMA's "Guidelines on ETFs and other UCITS issues" (ESMA/2014/937) could also be a suitable standard, i.e. collateral should be capable of being "sold quickly at a price that is close to pre-sale valuation".

Liquidity Assessment Criteria

We do not believe that the mandatory list of criteria proposed by ESMA is appropriate, for a number of reasons:

- As noted above in response to question 2, in a tri-party repo arrangement, the collateral received changes intra-day and the manager does not have control over the collateral provided at an issue level and can only control the overall criteria. A number of the criteria set out by ESMA are issue-specific, with the result that they are incompatible with tri-party repo arrangements;
- A number of the criteria do not provide any useful assistance in the assessment of liquidity of government securities; and
- The assessment of issue-specific criteria is burdensome, time consuming and costly.

As noted above, we prefer Option A but in the event that Option B is adopted, the list of criteria of the liquidity assessment should be illustrative rather than mandatory and the manager should be obliged to consider criteria that allow it, in its reasonable opinion, to assess the relevant assets can be converted to cash.

Collateral Replacement

We believe that the replacement of collateral can take place within one business day and that this wording is more appropriate than "overnight" (as collateral can presumably only be replaced within business hours).

5. **What would be in your view the consequences in terms of costs of the chosen option, and of the other options mentioned above? Do you agree with reasoning mention in the CBA (annex III) in relation to the possible costs and benefits of the options as regards the abovementioned credit quality and liquidity requirements? Which other costs or benefits would you consider in this context?**

   We agree with the rationale in the CBA. We do not have a detailed cost breakdown.

6. **Do you agree that the abovementioned references to EU and US standards are relevant in the context of the issuance by ESMA of technical advice on credit quality assessment under the requirements of the MMF Regulation? Do you identify other pieces of national/EU/International law that would be relevant in view of the work on ESMA technical advice on credit quality assessment under the requirements of the MMF Regulation?**

   We agree that the EU/US standards referenced are relevant and should be considered by ESMA in the context of issuing its technical advice. We have not identified other pieces of law that would be relevant.

7. **Do you agree with the proposed option on each of the requirements mentioned in Article 22 of the MMF Regulation? If not, could you specify which existing regulatory framework would you suggest as a basis for the work on the technical advice related to Article 22 of the MMF Regulation?**

Article 22(a) – methodology

We agree with the proposal for Article 22(a), save for draft Article 3(3). We do not believe MMFs should be obliged to use a scale system for credit rating and they should be free to adopt a simpler "credit approved / not approved" determination.

Article 22(b) and (c) – quantitative and qualitative criteria

We agree with the proposals for Article 22(b) and Article 22 (c), subject to it being made clear that the list of criteria (draft Articles 1 and 2) is an illustrative list (at present, the list is presented as a "such as" list, but this could be made clearer by including a statement that the list is illustrative). In particular, managers should not be obliged to consider credit ratings in the credit assessment.

Article 22(d) – material change

We have the following points on Article 22(d):

- It would be helpful to provide a definition of "material change".
- We agree that the criteria to be considered by the manager in its initial credit assessment are relevant in the context of a material change definition, but it should be made clear if a manager determined during its initial assessment that a given criterion was irrelevant (e.g., a credit rating), then the manager is not obliged to consider that criterion in the context of a material change. In particular therefor, draft Article 5(4) should include a carve-out such as "Where relevant" or similar.
- In draft Article 5(2), we believe it would be simpler to include a cross-reference to the draft Articles 1 to 3, rather than seeking to list the criteria again.

8. In your view, what would be the consequences (including operational ones) of the level of detail and prescription suggested above in the proposed technical advice on credit quality assessment under the MMF Regulation (which would be broadly similar as in the delegated Regulation on the assessment of compliance of credit rating methodologies (447/2012), and in the technical advice on reducing sole and mechanistic reliance on external credit ratings (2015/1471))?

To the extent that ESMA adopts a true principles based approach (including, for example, clarification that the relevant criteria are examples and not mandatory, e.g., credit ratings), we believe that managers will be able to leverage their existing credit processes without a material impact (cost or operational). A prescriptive approach would require managers to develop new credit assessment processes, with all of the cost and operational risk implications that brings. We also prefer principles based approach over a prescriptive one on the basis that the latter may introduce systematic risk that managers all make the same credit decisions – diversity of credit opinions is a key pillar of a functioning market.

9. What would be in your view the consequences in terms of costs of the chosen options described above in relation to the requirements included in the technical advice under Article 22 of the MMF Regulation? Do you agree with the assessment of costs and benefits mentioned in the CBA (annex III) on the technical advice under Article 22 of the MMF Regulation? If not, please explain why and provide any available quantitative data that the proposal would imply.

The costs will vary significantly from manager to manger depending on the current credit assessment processes. Given that the ESMA proposals provide guidance on what factors can be considered rather than prescriptive systematic requirements, we suspect that the majority of managers will be able to adapt their existing process in the most cost effective way to lessen the burden of the new regulatory requirements. It should be noted that the requirement for internal credit assessment has the potential to be a substantial barrier to entry for new providers looking to enter the MMF market.

10. Do you think other type of information should be considered as "characteristics" of the MMF?

General comments on the regulatory reporting

As recognised by ESMA in the cost benefit analysis set out in Annex III to the Consultation Paper, there are limitations on the extent to which the reporting template to be established under the Regulation can seek to rely on the existing reporting template under AIFMD. We are in agreement with ESMA that the information to be provided under the Regulation differs to a large extent from the information included in the AIFMD reporting template. Article 37(2) and (3) of the Regulation set out the information which is to be reported to the competent authority of the MMF, on a quarterly or annual basis, depending on the size of the MMF. It is our view that the information to be included in the reporting template should only relate to the information required by Article 37(2) and (3) of the Regulation. Otherwise, any additional reporting obligations will become overly burdensome on the manager and other service providers of MMFs.

The reporting template as currently drafted relies heavily on the AIFMD reporting template and while there is merit in using this document as a starting point, the types of information sought under AIFMD are much broader than those required to be reported under the Regulation. We would suggest amending the draft reporting template so that its focus is on information that is of relevance to MMFs. At Appendix I to our response, we have set out a list of questions which are currently contained in the draft reporting template which we have determined require clarification or should be removed due to their irrelevance in the context of MMFs. We have included our reasoning for requesting the relevant action as part of our feedback on the draft reporting template.

The timing of commencement of reporting under the Regulation needs to be clarified. ESMA is required to submit draft implementing technical standards to establish a reporting template to the Commission by 21 January 2018 and the majority of the provisions set out in the Regulation including those relating to reporting apply from 21 July 2018, however ESMA has stated in paragraph 42(c) of the Consultation that managers should be able to send reports to the relevant competent authorities by October/November 2019. We understand that this timeframe reflects the fact that no work can be started on the IT aspects of the Regulation before 2018 due to constraints on the ESMA IT work programme 2017-2019 and would request that confirmation be provided that the reporting obligations pursuant to Article 37 of the Regulation will not be effective until late 2019.

Specific response to Q. 10

We agree with ESMA's view that information on the identification of a MMF and its manager together with details of the share classes of the MMF are types of information that should be considered "characteristics" of a MMF. Clarity as to what ESMA is referring to when using the term "time horizon" of the MMF would be helpful in order to be in a position to give feedback on whether this type of information should be considered to be a "characteristic" of a MMF on which information should be reported to the relevant competent authority. The only question in the draft reporting template which appears to deal with this characteristic is question A.1.16 where the investment horizon of the MMF in days is requested. Again it is not clear to us what information is being sought by ESMA in response to this question. If it is intended to obtain information on the period of time which the manager of the MMF recommends holding an investment in the MMF then given the limited use of the information, acknowledging that investors are generally not required to hold shares in a MMF for a specific period of time and may redeem such shares at their discretion, the time cost of obtaining this information from the manager would seem to exceed the benefit of receiving this information. In addition, we would query whether the WAM and WAL figures would be a useful indicator for this characteristic.

While we agree that information on mergers and liquidations is useful to obtain, we would suggest that as this information will be provided on a once-off basis it would be more appropriate for questions A.3.17 to A.3.23 to be contained in an addendum to the reporting template or a separate document completely. Alternatively, if ESMA determines that this information should remain in the reporting template we agree with the statement in footnote 83 that it should be made clear that this information will be reported on a once-off basis rather than on an ongoing basis and we would suggest that the wording of each section should be amended to include "during the reporting period" before the words "please indicate".

Given the limited scope of the information sought under the heading "master/feeder information", we would suggest moving this from the first characteristic to the last characteristic and adding an initial question which asks whether the MMF complies with the requirements of Article 16(5) of the Regulation and if the answer to this question is positive then responses are required to questions A.3.1 – A.3.4, otherwise these questions are not required to be completed. As this section refers specifically to Article 16(5) of the Regulation our understanding is that no other information on master feeder structures is being sought by ESMA, noting that such structures are not specifically referenced in the Regulation and only funds which fall within the scope of Article 1(1) of the Regulation are deemed to be MMFs subject to the provisions of the Regulation.

11. Do you agree with the proposed way of reporting the yield of the MMF? If not, could you indicate what would be the more appropriate way to report yield in your views? Do you think the 7-days gross yield should be reported for each week of the reporting period? If not, what should be the appropriate frequency of reporting on this item?[4] Do you think that the calendar year performance and yield could be calculated at (sub)fund level and at share class level? Which difficulties do you identify while doing so? At which frequency should it be reported?

We understand that ESMA has determined that "yield" could be reported in a number of the ways which have been set out in questions A.4.11 - A.4.18 and that feedback is being sought from industry as to which of these measures of yield is the most appropriate measure for use by MMFs. In our view both the 7 day gross yield and the cumulative returns would be useful measures of yield for MMFs. While the 7 day yield could be reported either (i) at the point in time of the report or (ii) by setting out 12 separate figures, one for each full week during the reporting period, our preference would be for a single figure to be reported at the point in time the report is prepared as there is no substantial benefit to including separate figures for each full week and this is how this is currently reported. We would suggest that questions A.4.12 to A.4.14 be deleted from the draft reporting template.

<u>Destruction of shares</u>

Before addressing ESMA's comments on what it refers to as the "destruction of shares", it is important to highlight that MMFs in the EU have been operating for a number of years in a negative Euro rate environment clearly in response to investor demand and which demand is expected to continue under the Regulation.

We do not agree with ESMA's statement in paragraph 186 of the Consultation Paper, citing Articles 1.1 and 2.11 of the Regulation, that ESMA's so-called "destruction of shares" is not allowed under the Regulation. In relying on Article 1.1 of the Regulation to support its position, ESMA pointedly underscored only part of Article 1.1 which refers to the objective of a MMF of "preserving the value of the investment". However, Article 1.1 also refers in the alternative to the objective of a MMF as "offering returns in line with money market rates". Therefore, as long as the returns are in line with money market rates, even if negative in a negative rate environment, the requirements of Article 1.1 are satisfied as it is an "or" test – the MMF either has the objective of "offering returns in line with money market rates or preserving the value of the investment".

More importantly, with regard to ESMA relying on Article 2.11 as a basis for not allowing the so-called destruction of shares, Article 2.11 merely refers to the accrual of income on a daily basis and the distribution of such income to investors or the use of such income to purchase shares in the fund, both of which are objectives consistent with a MMF also having the right to mandatorily redeem shares in circumstances disclosed in the MMF fund documents. For example, Article 2.11 is not inconsistent with a MMF's right to mandatorily redeem the shares of an investor who might otherwise cause adverse tax issues for the fund. Article 2.11 of the Regulation is also

[4] In order in particular to build meaningful time series to be used for understanding the activity of a fund and for analysis purposes.

consistent with the obligation of a MMF to redeem shares if instructed to do so by investors, such as an instruction given by an investor to the MMF to redeem the necessary number of that investor's shares to maintain a constant NAV for that investor's shares.

We do not agree with ESMA's characterisation of a MMF's authority to mandatorily redeem shares in circumstances set forth in the MMF's constitutional documents and its obligation to redeem shares if requested to do so by investors as constituting the "destruction of shares" which implies some unilateral action on the part of a MMF when in fact such redemptions are made as a result of the authority granted to the MMF by its shareholders through its constitutional documents.

12. Which type of measure would you suggest using to report the quantified outcome of the credit assessment procedure?

We agree with ESMA that the most appropriate measure to use to reflect the outcome of the internal credit quality assessment procedure is a favourable/non-favourable measure. We are of the view that it is not necessary for further detail on the outcome to be provided by the manager of a MMF.

Referring to the reference in the above question to the "quantified" outcome, we note that Article 37(d)(i) of the Regulation refers only to the "outcome of the internal credit quality assessment procedure". It is our view that it is preferable that the outcome of the internal credit quality assessment procedure be as consistent and clear as possible and this can be achieved by including a favourable/unfavourable measure as a response to question A.6.25 in the draft reporting template and by deleting question A.6.26 from the draft reporting template in order to limit any subjectivity that may be introduced by permitting detailed disclosure to be included in the draft reporting template in response to a question on the outcome of the internal credit quality assessment procedure.

13. With respect to reverse repurchase agreement, do you agree that the information requested is appropriate? With respect to repurchase agreements, do you think the value of cash received should be reported as a breakdown per investment purposes, i.e. liquidity management or investment in assets referred to in Article 15(6)? (given the information on the amount of cash received as part of repurchase agreements that is also requested). What should be the appropriate frequency of reporting on this information? Do you think the value of unencumbered cash should be reported as a breakdown per country where the bank account is located and currency? (given the information on deposits that is also requested)

In our view there are no issues with providing the information requested in relation to reverse repurchase agreements. We understand the need to obtain additional detail in respect of repurchase agreements being entered into in order to ensure that there is transparency where a MMF is receiving cash. However, as mentioned in the above question, information on the amount of cash received as part of a repurchase agreement is already requested in questions A.6.67 and A.6.68 of the draft reporting template and a breakdown of this cash in terms of the investment purposes for which it is used would seem unnecessary and should not be required.

The frequency of reporting of this information should be consistent with the frequency of reporting of the rest of the information requested in the reporting template and as such should be provided on a quarterly or annual basis as appropriate.

We note that question A.4.10 which seeks information on the value of unencumbered cash comes from the AIFMD reporting template. We do not consider this issue to be of relevance to MMFs and would suggest deleting this question from the draft reporting template.

14. Do you think the information on the investor 'lock-up' period in days (report asset weighted notice period if multiple classes or shares or units) is relevant in the case of MMFs (this information is included in the AIFMD reporting template)? Do you agree with the proposed way to report stress tests?

Although information on investor lock-up periods is of relevance for certain types of funds which are subject to AIFMD and it therefore makes sense to collect information on this matter in the AIFMD reporting template, it is not relevant to request this information for MMFs, as detailed in question A.7.8, given the highly liquid nature of MMFs and the open-ended structure of these funds.

In addition, the information sought in response to questions A.7.5 – A.7.7 (while of relevance in an AIFMD context where funds may be open-ended, limited liquidity or closed-ended) has little or no relevance in the case of MMFs and we would suggest that these questions are deleted together with question A.7.8.

While we understand the importance of obtaining information on the stress testing carried out by the manager of a MMF, we would suggest simplifying the process for reporting the results of stress testing. The key question to be asked is whether the results of the stress testing reveal any issues or vulnerabilities which need to be highlighted, noting ESMA's comment at the end of the appendix to the Consultation Paper entitled "How to present the results of stress test in the reporting template" that the two main goals of stress tests are to measure the impact of given shocks on the net asset value of the MMF and the impact on liquidity. It is our view that this appendix adds unnecessary complexity to reporting the results of stress testing carried out by the manager and we would suggest that the table in the appendix not be used to report the results of stress testing and instead the detail be set out in the questions contained in the reporting template. The questions in the current draft reporting template dealing with stress testing are A.5.1 to A.5.4 and we would suggest that additional questions be included. In addition, the existing questions should be amended so that the first step is to advise whether stress testing has been carried out during the relevant reporting period and if so the additional questions on stress testing will be applicable. In an attempt to simplify the process while ensuring that the competent authorities receive the relevant information, we would suggest that a question be included for which a yes/no response is provided which asks for information on whether the stress test reveals any vulnerability of the MMF. Our rationale for adding this question is that Article 28(3) of the Regulation requires further action to be taken by the manager of the MMF where the stress test reveals any vulnerability, with the manager being required to draw up an extensive report with the results of the stress testing and a proposed action plan. We would also suggest that this yes/no question replace the existing A.5.1 and that A.5.2 be deleted.

With regard to the requirement in Article 28(5) of the Regulation for an extensive report and action plan to be submitted to the competent authority, ESMA should clarify that the intention is that this submission is separate to the submission of the completed reporting template on a quarterly or annual basis, as appropriate, and that being the case, question A.5.4 should confirm that where relevant the extensive report and proposed action plan required and referenced in Article 28(4) of the Regulation has been submitted to the relevant competent authority.

15. Do you identify other type of information that should be included in the requested information in the reported template? What would be in your view the consequences in terms of costs of the proposed options for the reporting template? Do you agree with the assessment of costs and benefits above for the proposal mentioned in the CBA (Annex III) on the reporting template? If not, please explain why and provide any available quantitative data on the one-off and ongoing costs (if any) that the proposal would imply. Do you have specific views on the potential use of the ISO 20022 standard?

We have not identified any other types of information that we consider appropriate to include in reporting on behalf of MMFs. As set out in the appendix to our response we would suggest clarifying or deleting some of the questions contained in the draft reporting template.

While it is always difficult to assess the costs involved in a project of this nature at the outset, it is acknowledged that it will be very challenging to create and implement systems to deal with the additional reporting obligations being placed on managers and service providers of MMFs. We would anticipate that there will be a significant financial burden to ensuring compliance with the obligations under the Regulation. It is currently contemplated that the burden being placed on managers and other service providers of MMFs will be much more significant when compared with the burden placed on these parties in relation to reporting under AIFMD given that reporting will be required in this instance on a security by security basis which is likely to add a greater degree of complexity to the task.

16. Do you agree that the abovementioned references to EU/international standards are relevant in the context of the issuance by ESMA of guidelines on stress testing of MMFs? Do you identify other pieces of EU/International law that would be relevant in view of the work on ESMA guidelines on stress testing of MMFs?

We agree that the principles set out in the existing UCITS and AIFMD frameworks with regard to stress testing are the appropriate and relevant standards for ESMA to consider for the purposes of MMFR stress testing guidelines. We also acknowledge the ongoing work relating to stress testing in the asset management sector in an international context and we agree with ESMA that such general principles would seem to be consistent with the existing framework with regard to stress testing.

Furthermore, we note that while ESMA may seek to have regard to the general principles of the US MMF framework in the context of the issuance of the stress testing guidelines (the "**Guidelines**"), the significant differences between the US and EU MMF market should be highlighted and where appropriate, taken into account.

As a general overriding comment, we are of the view that ESMA should adopt a principles-based approach to the stress testing guidelines. Examples provided for in the Consultation Paper should be construed as illustrative guidance to assist MMF managers in the development of their stress testing systems and procedures, rather than prescribing specific minimum levels of stress testing which need to be adhered to.

17. Do you have specific views on the interpretation of the requirements of Article 25(1) of the MMF Regulation on the meaning of the abovementioned "effects on the MMF"?

We are of the view that the most important factors to be taken into account from a stress testing perspective for the purposes of determining the 'effects on the MMF' for the purposes of Article 28(1) are (i) the impact on the NAV of the fund and (ii) the impact on liquidity ratio of the fund. The fundamental importance of these factors should be reflected in the Guidelines – it is clear that any events that could affect these qualities should be assessed from a stress testing perspective.

In paragraph 19 of the Guidelines, ESMA proposes reverse stress testing which sets a target NAV impact, say – 50bps, and tries to back into the Interest Rate (IR) scenario that would lead to that outcome. We are not sure that this is helpful when one considers a combination of events. The same -50bps NAV impact could be arrived at using many different combinations of IR and credit scenarios. We would instead recommend a matrix approach to better visualise the combination of events that would lead to a -50bps NAV impact, i.e. scenarios involving the simultaneous impact of a range of yield curve shifts, spread widening and outflows.

It is also worth highlighting that the practical example included at paragraph 22 of the Guidelines only considers 40 scenarios, isolating IR shock and credit premium shock. As an alternative, we would suggest, as indicated above, that a matrix approach that tests a combination of stresses might be a more meaningful method of assessing the issue (the matrix approach can test for over 500 scenarios).

Aggregate stress testing

We do not believe that aggregate stress testing is appropriate or recommended in the context of investment funds, in this case, for MMFs. Each fund (even those managed by the same manager) is a separate legal entity, and risk and portfolio management are done at the fund level (and are hence unique to the specific fund). Furthermore, each has a unique portfolio composition (often focused on different currencies, meaning they are on different markets altogether), investor base, currency focus etc. and therefore each fund will experience stress scenarios differently. Finally, the regulatory requirements are also, appropriately, assessed on a fund by fund basis.

We believe that stress testing at the fund level is important and should give the fund manager and the relevant competent authority the most accurate account of relevant risks inherent in the relevant fund. However, because each fund is unique from a legal, regulatory, portfolio, and client perspective, it is not practical to think that each will be equally impacted by the same scenarios.

While individual stress tests can give manager and supervisor an accurate picture of potential risks and their impact on the fund, there is a likelihood that aggregate stress testing across funds would fail to produce meaningful results, and indeed, could have unintended consequences in terms of creating 'false positives', or exaggerating the impact of potential stress factors on a particular fund.

Aggregate stress testing is not specifically prescribed by the MMF Level 1 Regulation, and we do not believe it is additive to either managers' or supervisors' view of risks in the MMF sector. While we note the optionality of aggregating stress tests within the proposed Guidelines, we believe that encouraging aggregation could be counterproductive to the policy aims these Guidelines seek to achieve.

18. Do you have views on the specifications of the following criteria:
- level of changes of liquidity of the assets with respect to Article 28(1)(a),
- levels of changes of credit risk of the asset with respect to Article 28(1)(b),
- levels of change of the interest rates and exchange rates with respect to Article 28(1)(c),
- levels of redemption with respect to Article 28(1)(d),
- levels of widening or narrowing of spreads among indexes to which interest rates of portfolio securities are tied with respect to Article 28(1)(e),
- identification of macro-systemic shocks affecting the economy as a whole with respect to Article 28(1)(f))? (how would set the calibration of the relevant factors in the case of the Lehman Brothers' event, and the two proposed scenarios A and B? With respect to scenario B mentioned above, do you think the duration of 12 months is appropriate?)

We have addressed each of conditions above separately below:

Level of changes of liquidity of the assets with respect to Article 28(1)(a):

As indicated above, liquidity is an important factor to take into account in the stress testing procedure. It is worth emphasising, however, that this factor has more relevance for Standard MMFs than Short-term MMFs given the difference in operating models between the two categories of MMFs (in particular with regard to liquidity requirements and level of maturity of the underlying assets). We suggest that this differentiation would be reflected by ESMA in the Guidelines.

Changes of liquidity can be incorporated into the market stress scenario by choosing a time horizon consistent with the liquidity profile of a particular asset when calibrating shocks from historical data. We are of the view that shocking liquidity as a stand-alone test might not result in significant NAV impacts – however, if it is combined with a market stress scenario, it may provide more accurate results.

In paragraph 27 of the Guidelines, ESMA suggests tracking 'bid and ask spread, trading volumes or the number of counterparties' in the market, which may mean obtaining more information than it is practicable to collect, given the high volume of securities in MMF portfolios. Furthermore, it is unclear whether the suggestions in paragraph 28 and 29 of the Guidelines to multiply the bid and ask spread by three or four times in combination with outflows will be as helpful, for a couple of reasons. MMFs generally buy and hold, and so the bid side is less impactful. That said, if the bid-ask spread does gap out, it would suggest lower market values, which is already effectively captured in our existing scenarios that decrease the values of holdings. However, if it becomes necessary to include a liquidity component to the stress test, one way to do this would be to add onto existing credit spread widening scenarios an additional, say, 6 bps to address the decrease in liquidity, which also addresses shorter maturities being less impacted than longer maturities. The 6bps assumption represents 3 times the typical 2bp bid-ask spread we have seen anecdotally in the Consultation Paper. Looking at the bid-ask spread and then applying a multiplier, would not be a useful test and would be highly labour intensive. We are of the view that it would be more beneficial to use the matrix approach, allowing multiple combinations of yield curve shifts, spread widening and outflows.

Levels of changes of credit risk of the asset with respect to Article 28(1)(b):

For the level of changes in credit risk, we believe that the test should also capture issuer concentration of a particular fund. We would recommend having a hypothetical default shock to the counterparty with the largest exposure (instead of a default equivalent to 2-5% of the assets), produced with historically determined recovery rate assumptions (e.g. 40% for corporates and 70% for municipalities).

Additionally to capture a more widespread move across the industry, we agree with the single factor credit spread widening scenarios (with widening of 50bp, 100bp and 150bp). A MMF manager should be able to determine the calibration of the level of shock to be applied based on market and historic scenarios rather than prescriptive levels set by ESMA.

Each of the above scenarios, can have a redemption overlay as well (akin to the Lehman 2008 scenario), where the shocks can be calibrated with varying levels of redemption (client outflows).

We suggest that ESMA might clarify that the specific scenarios referenced in paragraphs 33 to 36 of the Guidelines are merely examples and include, in the Guidelines (in some form), a comprehensive range of scenarios. Otherwise, these examples are less meaningful given that a MMF manager would generally construct a matrix of yield curve shifts, spread widening, outflows, loss given default etc. allowing for hundreds of scenarios to be assessed as part of its stress testing process. We are of the view that such an approach would be more efficient and much more effective.

Levels of change of the interest rates and exchange rates with respect to Article 28(1)(c):

For the level of changes in interest rate risk (for the purposes of Article 28(1)(c)), we agree with the proposal to have parallel shift shocks with various degrees of increases in interest rates. Again, we would emphasise that the calibration of shocks should be dynamic to a changing environment.

Additionally, in order to achieve a more correlated move across asset classes, MMF managers should also shock interest rate as part of a multi-factor stress test (e.g. by 50bp, calibrated using historical data while credit spreads widen significantly).

Again, each of the above scenarios can have a redemption overlay as well (akin to the Lehman 2008 scenario), where the shocks can be calibrated with varying levels of redemption (client outflows).

Levels of redemption with respect to Article 28(1)(d):

Redemptions are generally witnessed post a macro stress scenario, and therefore, a stand-alone shock to redemption might not be very useful. However, we suggest overlaying each of the single factor/multi-factor stress scenarios calibrated (changes in levels of interest rates/exchange rates/credit spreads/multi-asset stress tests) with redemption shocks (of 10%, 25% and 40%, based on historical redemption experience).

In the Guidelines, ESMA describes a liquidation process known as slicing in which the same percentage of each asset type is sold. We suggest that a methodology that requires the liquidation of shortest-dated instruments first would be a more conservative approach for MMF managers to adopt.

Levels of widening or narrowing of spreads among indexes to which interest rates of portfolio securities are tied with respect to Article 28(1)(e):

We are of the opinion that stand-alone testing for funding spreads is not required as this would be covered by multi-factor shocks.

Identification of macro-systemic shocks affecting the economy as a whole with respect to Article 28(1)(f))? (how would set the calibration of the relevant factors in the case of the Lehman Brothers' event, and the two proposed scenarios A and B? With respect to scenario B mentioned above, do you think the duration of 12 months is appropriate?):

We agree that in addition to the single factor shocks mentioned above, it is relevant to have multi-factor stress scenarios based on historical data which can be calibrated based on multiple macro-economic narratives, e.g. a flight to quality, a liquidity crisis, risk positive environment coupled with treasury selloff, etc. This would be consistent with the proposed scenario A under Article 28(1)(f). In addition, these scenarios could be combined with relevant redemption shocks.

However, for scenario B (based on 12 months of history), we believe that stress testing should be agnostic of current market volatility and correlations and scenarios should be calibrated over longer time horizons to avoid underestimating potential tail risk.

Also, we do not agree with a single factor shock to the GDP as this might imply an underlying assumption that it is the only variable which drives macro-economic events. Furthermore, it might not qualify as a stress event causing a redemption/investor run scenario. The impacts of macro-systemic shocks are often difficult to predict.

19. Are you of the view that ESMA should specify other criteria that should be taken into account? If yes, which ones?

We do not believe that any additional criteria should be specified by ESMA.

20. Are you of the view that other topic should be covered in the ESMA guidelines under the requirements of Article 28 of the MMF Regulation?

We are of the view that the existing proposal is sufficient and therefore, no additional topics need be addressed in order fulfil the requirements of Article 28 of the MMF Regulation.

21. Do you agree with the assessment of costs and benefits mentioned in the CBA (Annex III) on the different options on the Guidelines on stress tests? If not, please explain why and provide any available quantitative data on costs (if any) that the proposal would imply.

With regard to the CBA in the context of the Guidelines, our preferred option is 'Option 3' (which supports ESMA's view in this regard).

We agree that some level of standardisation should result in easier result comparison. However, as a general overriding comment, it is of utmost importance that the stress testing is relevant and appropriate.

The operational costs should not be under-estimated – MMF managers will have to make significant investments in systems and personnel in order to comply with the new requirements with regard to stress testing. This will lead to significant operational costs (one-off and recurring) which may make the MMF manager less profitable and create barriers to entry for new MMF providers.

Appendix I – Itemised commentary on ESMA's draft MMFR regulatory reporting template

Question(s)	Action	Reason
A.1.2	Delete	Three different identifier codes are currently set out in the draft reporting template. We would suggest that only one code be included in the final reporting template with the most appropriate being the legal entity identifier ("LEI").
A.1.4	Delete	See above comment.
A.1.13 – A.1.15	Delete	We query whether these pieces of information should be sought for MMFs as benchmarks are not generally used by such funds.
A.1.16	Clarify	It is not clear what information is being requested. See our response to question 10 of the Consultation Paper.
A.1.17 – A.1.18	Delete	As set out in our comment on question A.1.2, only one identifier code should be included in the final reporting template and our suggestion is that this be the LEI.
A.1.20	Delete	See above comment.
A.1.21	Clarify	The name of the manager of the MMF is requested and noting that "Manager of an MMF" is defined in the Regulations[5] it would be helpful to clarify that it is the details of this type of entity that are

[5] "Manager of an MMF" is defined in the MMF Regulation in the case of an MMF that is a UCITS, as the UCITS management company or the UCITS investment company in the case of a self-managed UCITS and in the case of an MMF that is an AIF, the AIFM or an internally-managed AIF.

Question(s)	Action	Reason
		being requested here and ESMA is not looking for details of the investment manager or investment adviser appointed to act for the MMF.
A.1.22	Amend	As there is a possibility that the manager may be domiciled outside of an EU member state, we would suggest that reference to "Member State" be replaced by reference to "Country".
A.1.24 – A.1.25	Delete	As set out in our comment on questions A.1.2 and A.1.17 – A.1.18 only one identifier code should be included in the final reporting template and our suggestion is that this be the LEI. In addition, it is not clear why the legal name of the depositary is required as this will be known when the LEI is provided.
Master/feeder information A.3.1 – A.3.4	Clarify and delete	See our response to question 10 of the Consultation Paper. In addition, we would suggest deleting A.3.3 and A.3.4 for consistency with our comments on questions A.1.2, A.1.17 – A.1.18 and A.1.24 – A.1.25.
A.3.5	Delete	This question is not required as information on the number of share classes which the MMF has is requested in A.3.6.
A.3.8	Delete	As set out in our comment on questions A.1.2, A.1.17 – A.1.18, A.1.24 – A.1.25 and A.3.3 – A.3.4 only one identifier code should be included in the final reporting template and our suggestion is that this be the LEI.

Question(s)	Action	Reason
A.3.9 – A.3.11	Delete	We are not convinced these questions produce useful information given the differences between share classes may in respect of the fees payable, the currencies in which they are available and the distribution channels used. We would therefore suggest that reporting of this information be at a fund level rather than at a share class level. In addition, A.3.10 and A.3.11 are duplicative with the values to be reported being requested in the base currency and also in Euro. We would suggest that reporting be provided in the base currency only. This comment is also relevant to questions A.3.12 – A.3.15, A.4.1 – A.4.4, A.6.18 – A.6.23, A.6.51 – A.6.54, A.6.61 – A.6.62 and A.6.65 – A.6.68.
A.3.12 – A.3.16	Amend and clarify	We would suggest amending these questions to request that this information be provided at a fund level rather than at a share class level. In addition, clarity should be provided on the intended meaning of "shadow net asset value" in questions A.3.14 and A.3.15. Our understanding is that this refers to the mark-to-market net asset value and that the information being sought is the difference between this net asset value figure and the figure included in A.3.12 and A.3.13.
A.3.17 – A.3.23	Delete and include in separate report or clarify	See our response to question 10 of the Consultation Paper.
A.4.1	Clarify	We would suggest confirming that this figure should be the gross value of the assets under management of a MMF.

Question(s)	Action	Reason
A.4.9	Delete	On the understanding that this refers to the MMF's ability to sell its assets and to hold cash, this question is not particularly relevant to MMFs. Articles 24 and 25 of the Regulation set out details on the percentages of a MMF's assets which should be daily or weekly maturing assets and this information is requested by questions A.4.7 and A.4.8. In addition, there appears to be overlap with questions A.4.5 and A.4.6 where a MMF's WAM and WAL need to be provided.
A.4.10	Delete	See our response to question 13 of the Consultation Paper.
A.4.11	Clarify	See our response to question 11 of the Consultation Paper. We would suggest clarifying that this information should be provided at fund level rather than at share class level.
A.4.12	Delete	We would suggest that this information be provided at fund level rather than share class level.
A.4.13 – A.4.14	Delete	See our response to question 11 of the Consultation Paper.
A.4.15	Clarify	See our response to question 11 of the Consultation Paper. We would suggest clarifying that this information should be provided at fund level rather than at share class level. In addition, we would suggest the deletion of the boxes for "3 years" and "5 years" as these are not currently required to be reported.
A.4.16 – A.4.18	Delete	We would suggest deleting A.4.16 and A.4.18 as the information requested is already provided as responses to other questions, namely questions A.4.11 and A.4.15 in respect of A.4.16 and

Question(s)	Action	Reason
		questions A.3.14 and A.3.15 in respect of A.4.18. We would suggest that this information should be provided at fund level rather than at share class level.
A.5.1	Clarify and amend	See our response to question 14 of the Consultation Paper.
A.5.2	Delete	See our response to question 14 of the Consultation Paper.
A.5.4	Amend	See our response to question 14 of the Consultation Paper.
A.6	Amend	We would suggest that a) dealing with money market instruments, eligible securitisations and assets backed commercial paper together with b) dealing with other assets be consolidated so that questions relating to all eligible assets as detailed in Article 9 of the Regulation are contained in the one section in order that a holdings report can be prepared which contains the information required to be included in the reporting template.
A.6.1	Amend	ESMA has sought views from stakeholders on whether each type of money market instrument should be listed in this question or whether it is preferable to have only one field for money market instruments generally entitled "Money market instrument under Article 10". It would appear to us that there is no benefit from listing each type of money market instrument and one field would be sufficient.

Question(s)	Action	Reason
A.6.4 – A.6.5	Delete	Three different identifier codes are currently set out in the draft reporting template. We would suggest that only one code be included in the final reporting template with the most appropriate being the ISIN.
A.6.6	Clarify	Footnote 98 of the Consultation Paper states that in the case of eligible securitisation and asset-backed commercial paper, information is being sought on the country of vehicle itself rather than the sponsor. For money market instruments, clarity as to whether it is the country of the overall parent of the credit institution or the specific branch which should be reported.
A.6.7	Delete	As the name of the issuer is to be included in response to question A.6.8 and it will be difficult to obtain this information, we would suggest deleting this question.
A.6.10 – A.6.12	Delete	As with obtaining the information required to respond to question A.6.7, it will also be difficult to obtain the information requested in these questions and there is no particular benefit in obtaining this information. We would suggest deleting this question.
A.6.18 – A.6.21	Delete	The information to be included in response to questions A.6.18 – A.6.23 is duplicative and we would suggest deleting A.6.18 – A.6.21 and amending A.6.22 and A.6.23 as set out below.
A.6.22 – A.6.23	Amend	These questions should be amended to request that the mark-to-market price be provided.
A.6.26	Delete	See our response to question 12 of the Consultation Paper.

Question(s)	Action	Reason
A.6.28 – A.6.30	Delete	The information requested in these questions can be identified without specifically asking these questions based on the information provided in response to question A.6.1.
A.6.31 – A.6.68	Amend	As set out in our comment on section A.6 generally, we would suggest that this section be merged with the section dealing with money market instruments, eligible securitisations and asset backed commercial paper and the comments that we have made in respect of the specific questions which are mirrored in these questions for other assets also apply (i.e. A.6.34 and A.6.35 should be deleted as only one identifier code needs to be included in the final reporting template).
A.7.1	Clarify	Noting the wording in brackets in this question that there should be a look-through to the ultimate beneficial owners of the MMF where known or possible, ESMA is clearly cognisant of the difficulties with seeking this type of information where shares are held through intermediaries or nominee accounts and it would be useful to clarify that only information which is available to the fund and its service providers on the beneficial ownership of the fund can be reported and this is being sought on a best efforts basis.
A.7.5 – A.7.8	Delete	See our response to question 14 of the Consultation Paper.
A.7.9	Delete section	We would suggest the deletion of "Other arrangements for managing illiquid assets" as not being of relevance to the assets of MMFs which are by their nature highly liquid assets.

Question(s)	Action	Reason
A.7.10	Delete or clarify	This information will have been provided as a response to A.4.4 and we question the benefit of setting this information out on a monthly basis. If it is determined to retain this question, clarity should be provided on what is being sought by the words "impact of subscriptions and redemptions".
B.1.3 – B.1.4	Delete	As set out in our comment on A.6.4 – A.6.5, we would suggest that only one code be included in the final reporting template.
B.1.7 – B.1.10	Delete	This information will be difficult to obtain and we would question the benefit of its inclusion. As it will be the mark-to-market price rather than the amortised cost price which will be used during the period set out in question B.1.7, the relevance of including this information should be considered.
B.1.12	Amend	This information should be sought on a fund level rather than a share class level.
B.1.13	Delete	As set out in our comments on A.6.4 – A.6.5 and B.1.3 – B.1.4, we would suggest that only one code be included in the final reporting template.
B.1.18 – B.1.21	Delete	The comments made in respect of questions B.1.7 – B.1.10 apply to these questions.