

The background of the lower half of the page is a dark, semi-circular area containing a complex financial chart. The chart includes a bar chart with vertical bars of varying heights, a line graph with a jagged path, and several numerical data points floating in the space. The numbers include '01', '25.32', '24.25', '32.15', and '56.26'. The overall aesthetic is high-tech and financial.

A GUIDE TO ESTABLISHING MONEY MARKET FUNDS IN IRELAND

irishfunds.ie

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WHY IRELAND FOR MONEY MARKET FUNDS

About Money Market Funds (MMFs)

Money Market Funds (MMFs) form a large and important sector of the European investment fund industry, with just under €1 trillion in assets under management¹. They perform an important role for many different types of investors (corporate treasuries, government bodies, not-for-profit organisations, and retail investors) as a cash management and liquidity tool. MMFs offer several distinct advantages to investors, including:

- credit risk mitigation through diversification of investments across securities and by issuer;
- outsourcing of credit analysis to a professional cash management team;
- ease of use through intraday, same day or next day liquidity with no redemption penalties;
- segregation of assets in a separate, ring-fenced account;
- transparency with regard to the underlying investments in order to mitigate risk; and
- competitive money market returns.

As well as being a useful tool for investors, MMFs are important for the wider European economy. By aggregating the cash holdings of a

wide range of investors, they are able to provide scalable funding for banks, financial institutions, corporations and businesses generally. They are also the leading investors in the short-term securitised asset market, which has been identified under the European Commission's Capital Markets Union as a key way to improve the credit flow from the financial sector to the wider economy.

A Constant Net Asset Value (CNAV) MMF or stable NAV MMF seeks to maintain an unchanging face value NAV (for example \$1/€ per unit/share). Income in the fund is accrued daily and can either be paid out to the investor or used to purchase more units in the fund. Assets are generally valued on an amortised cost basis which takes the acquisition cost of the security and adjusts this value for amortisation of premiums (or discounts) until maturity.

By way of contrast, a Variable Net Asset Value (VNAV) MMF displays a fluctuating NAV. The European Securities and Markets Authority (ESMA) has issued common European definitions for "Short-Term Money Market Funds" and "Money Market Funds"² also known as "Standard MMFs". Only funds which meet these definitions may call themselves Money Market Funds.

Why Ireland for MMFs

Ireland is the premier location in Europe for establishing and servicing MMFs. The first European CNAV MMF was established in Ireland in 1991. Since then, assets in Irish domiciled MMFs have grown phenomenally with the popularity of this product, and Ireland has become renowned for its capabilities in relation to the establishment and operation of MMFs.

As Europe's leading MMF regulator, the Central Bank of Ireland (the "Central Bank") has significant experience in the area of MMF regulation which means that it can draw on a wealth of practical knowledge and best practice developed over many years of supervision under different market conditions. MMF promoters can also rely on the extensive knowledge and capabilities of locally based fund service providers, legal, tax, audit and consultancy firms who have been involved with MMFs for over twenty years and remain at the cutting edge of developments in the MMF industry.

¹ Source: IMMFA, 2016

² CESR's Guidelines on a common definition of European money market funds, CESR/10-049, 19 May 2010

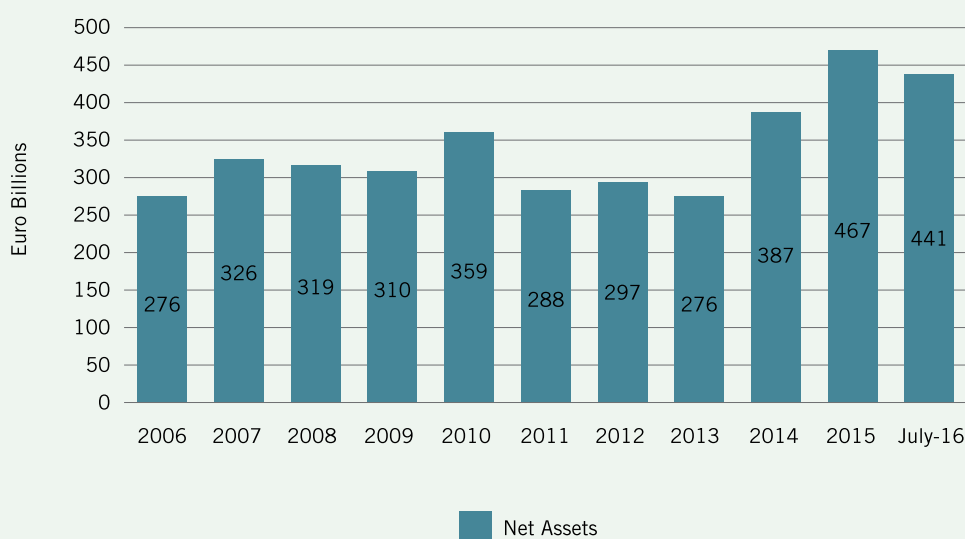
As the leading European MMF domicile, Ireland has continued to evolve, adapt and respond to challenges that have arisen during and since the financial crisis, including dealing with market volatility, a negative yield environment and engaging on the MMF reform agenda in response to international recommendations. Irish Funds also continues to engage proactively in the developments in relation to the EU's draft Money Market Fund Regulation

in order to provide investors with a range of viable product choices and to ensure the continuation of the essential funding and liquidity which MMFs provide in the economy.

Irish Funds remains heavily committed to providing valuable insight and contributing constructively to the money market reform debate in order to develop workable solutions for future MMF products.

IRELAND IS THE PREMIER LOCATION IN EUROPE FOR ESTABLISHING AND SERVICING MMFS. THE FIRST EUROPEAN CNAV MMF WAS ESTABLISHED IN IRELAND IN 1991.

Irish Registered Money Market Funds



Source: Central Bank of Ireland, July 2016

ATTRACTIVENESS OF IRELAND AS A MMF DOMICILE

Servicing Expertise

Ireland has established itself as a centre of excellence in the provision of services to MMFs due to the deep expertise and knowledge pool built up over two decades.

Irish MMF service providers have highly advanced and scalable servicing capabilities built on global models but supported by local expertise.

The funds industry in Ireland continues to demonstrate adaptability and a pro-active approach in responding to market trends and regulatory changes by delivering innovative and cost effective solutions. The Irish industry is responding in this manner to the challenges faced by MMFs due to the low interest rate environment and proposed regulatory changes.

Ireland's professional services infrastructure is well developed, with excellent legal, tax and accounting skills and expertise. This infrastructure, coupled with the in-depth knowledge and experience of service providers in Ireland, ensures that MMF managers benefit from an exceptional specialist framework from which to launch and grow their MMF product range in line with the evolving market, regulatory and distribution landscape.

Regulatory Framework

The Central Bank takes a pro-active, constructive approach to regulating the environment for MMFs in Ireland, and regularly engages with industry to find solutions that allow for new market and product developments.

The Central Bank has built up significant expertise and experience in facilitating this specialist industry, ensuring that MMF managers can work within a clear and practical regulatory process which provides certainty in relation to requirements and approval timelines (thus meeting the speed-to-market demands of the industry).

Tax Environment

MMFs established in Ireland benefit from a national tax regime that is clear, transparent and fully compliant with OECD guidelines and EU law. In addition, MMFs benefit from a neutral tax regime that applies to regulated funds in Ireland including:

- no subscription taxes applied;
- no transfer taxes or capital duties on the issuance, re-demption of units in MMFs and;
- no withholding taxes applied on payments made to non-Irish resident investors or on units held in recognised clearing systems.

Ireland has a broad double tax treaty network spanning over 70 countries across the EU, Middle East, Asia and Americas. The availability of treaty benefits in a particular case will ultimately depend on the relevant tax treaty and the approach of the tax authorities in the treaty country.

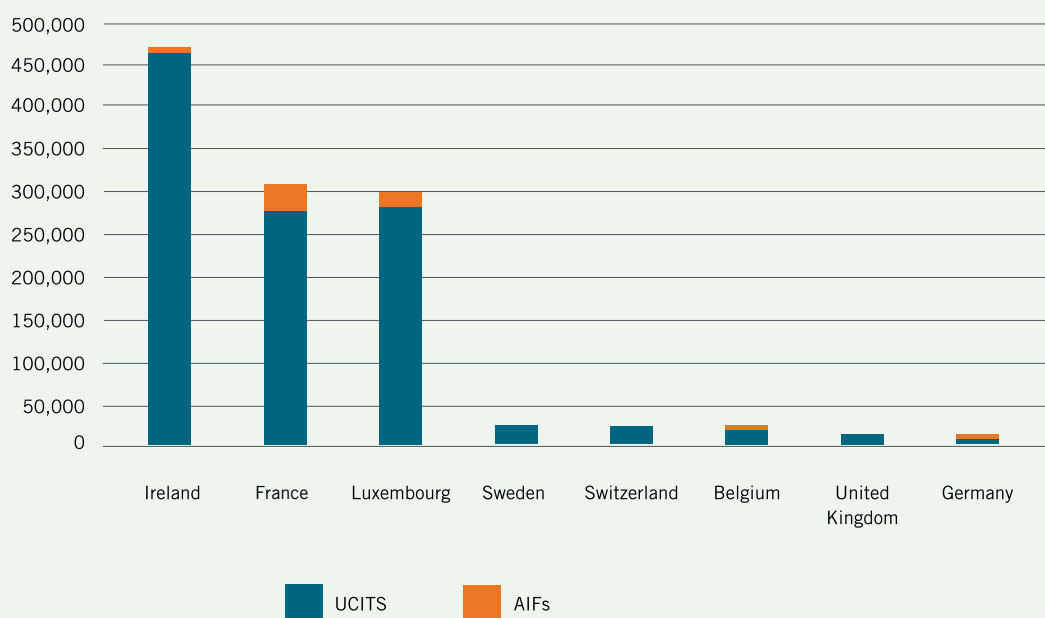
International Distribution

Ireland is a major hub for cross-border fund distribution and Irish domiciled funds, including MMFs, are sold in seventy countries across the globe³.

Cost Competitiveness

Irish competitiveness has improved significantly in recent years. The IMD World Competitiveness Yearbook 2014 ranks Ireland 1st for availability of skilled labour, flexibility, adaptability of workforce, productivity, efficiency of companies and large corporations and R&D activities. This cost competitiveness is reflected in Ireland's MMF offering.

Net Assets of MMFs (EUR Million)



Source: EFAMA, year-end 2015

³ Irish Funds transfer agency survey data

CURRENT IRISH REGULATORY REGIME FOR MMFS

MMF Regulatory Regime

MMFs can be established in Ireland as either UCITS or AIFs, although, in practice the vast majority of MMFs established in Ireland are UCITS funds.

The regulatory requirements with regard to UCITS MMFs are set out in the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015. The Central Bank's AIF Rulebook sets out the requirements with regard to AIF MMFs. Furthermore, all Irish MMFs (as is the case with any collective investment scheme in the European Union that labels or markets itself as a 'Money Market Fund') must comply with the guidelines on the Common Definition of European Money Market Funds.

A MMF is required to be categorised as either a 'Short-term Money Market Fund' or a 'Money Market Fund' based on the residual maturity of investments, the weighted average maturity (WAM) and the weighted average life of the portfolio (WAL). In the case of UCITS MMFs, this categorisation must be stated in the prospectus for the fund and in the Key Investor Information Document (KIID).

A MMF (either Short-Term Money Market Fund or Money Market Fund) must pursue the investment objective of maintaining the fund's principal and provide a return in line with interest rates of money market instruments. MMFs must limit their investments to 'high quality' money-market instruments and deposits with credit institutions. Furthermore, MMFs must comply with certain European Central Bank reporting requirements including the obligation to file additional periodic returns.

In practice, the vast majority of Irish MMFs are established as CNAV MMFs. Characteristics of a CNAV MMF include:

- typically established as a 'Short-Term Money Market Fund';
- use of amortised cost accounting methodology to calculate NAV per share;
- the difference between the constant NAV per share and the NAV per share must be continuously monitored; and
- the NAV must be calculated daily.

FUND AUTHORISATION

Fund Authorisation Requirements

Each Irish collective investment scheme (including an Irish MMF) authorised by the Central Bank, will need to appoint, inter alia, in advance of fund authorisation, an approved:

- management company (UCITS management company, AIFM or adopt a self-managed structure);
- Irish based depository;
- fund administrator/transfer agent (where applicable);
- directors, including two Irish resident directors; and
- investment manager, where applicable (approval of an EEA-authorised entity can be fast-tracked).

A money laundering reporting officer (MLRO) and external auditors will also need to be appointed.

In addition to completion of detailed application forms and a letter of application, the following must be submitted to the Central Bank:

- the constitutional document of the fund;
- the fund prospectus (together with supplements in respect of sub-funds where applicable);
- material contracts entered into with the relevant service providers including the management company, investment manager, depository, administrator/transfer agent and distributor;
- Individual Questionnaires for the directors; and
- a Key Investor Information Document (KIID) in the case of a UCITS.

For more information on fund authorisation, view our publications at irishfunds.ie.

FUTURE REGULATORY CHANGES TO MMFS

European Commission MMF Regulation

The regulatory regime for MMFs is expected to undergo significant change in the future due to the proposed EU Money Market Fund Regulation. The European Commission (the “Commission”) released its proposal for a Money Market Fund Regulation in September 2013⁴ (the “MMF Regulation”). The key aim of the MMF Regulation is to provide a regulatory framework for MMFs with a view to enhancing financial stability by preventing contagion risk and increasing investor protection and the resilience of MMFs.

The MMF Regulation has its origins in recommendations made by the Financial Stability Board (FSB) and the European Systemic Risk Board (ESRB). The European proposals follow regulatory developments in the US, with the Securities and Exchange Commission (SEC) publishing revised

rules on MMFs in July 2014. Key areas of the proposed MMF Regulation include:

- the treatment of CNAV MMFs and proposals for alternatives to the existing prime institutional CNAV MMFs, including Low-Volatility NAV (LVNAV) MMFs and Government MMFs;
- a prohibition on sponsor support;
- valuations and the use of amortised cost accounting;
- eligible assets rules;
- investment in securitisations and Asset Backed Commercial Paper (ABCP);
- liquidity rules;
- portfolio diversification rules;
- risk management and ‘Know Your Investor’ requirements;
- credit assessment procedures and external ratings and;
- disclosure and reporting requirements.

While significant progress has been made to date with regard to the MMF Regulation, the final details are still under consideration at an EU level. The European Parliament (the “Parliament”) adopted its position on the MMF Regulation in April 2015⁵ while the Council of the EU (the “Council”) adapted its position in June 2016⁶. The agreement by the Parliament and the Council of their respective positions means that the MMF Regulation progresses to the so-called ‘trilogue’ stage for final agreement under the inter-institutional negotiations between the Parliament, Council and the Commission.

Irish Funds will continue to engage constructively with relevant authorities and stakeholders to ensure that the MMF Regulation provides for MMF products which adequately meet the needs of existing MMF investors and the financing requirements of the real economy. While the regulatory landscape of the MMF framework continues to evolve, Irish Funds is at the forefront in engaging on market and regulatory developments through its Money Market Funds Working Group.

IRISH FUNDS WILL CONTINUE TO ENGAGE CONSTRUCTIVELY WITH RELEVANT AUTHORITIES AND STAKEHOLDERS TO ENSURE THAT THE MMF REGULATION PROVIDES FOR MMF PRODUCTS WHICH ADEQUATELY MEET THE NEEDS OF EXISTING MMF INVESTORS AND THE FINANCING REQUIREMENTS OF THE REAL ECONOMY.

⁴ COM(2013) 615 final, Brussels, 4.9.2013; http://ec.europa.eu/internal_market/investment/docs/money-market-funds/130904_mmfs-regulation_en.pdf

⁵ Report A8-0041/2015, 4.3.2015; <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+REPORT+A8-2015-0041+0+DOC+PDF+VO//EN>

⁶ Interinstitutional File 2013/0306 COD ECOFIN 556, 10.06.2015; <http://data.consilium.europa.eu/doc/document/ST-9874-2016-INIT/en/pdf>



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About Irish Funds

Established in 1991 the Irish Funds Industry Association (Irish Funds) is the representative body of the international investment fund community in Ireland. We represent the fund promoters / managers, administrators, custodians, transfer agents and professional advisory firms involved in the international funds industry in Ireland, with more than 13,500 funds and net assets of more than €3.8 trillion. The objective of Irish Funds is to support and complement the development of the international funds industry in Ireland, ensuring it continues to be the location of choice for the domiciling and servicing of investment funds. Through its work with governmental and industry committees and working groups, Irish Funds contributes to and influences the development of Ireland's regulatory and legislative framework. Irish Funds is also involved in defining market practice through the development of policy and guidance papers and the promotion of industry-specific training.



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