



Mr Kamil Sasko, Slovak Presidency
Ms Neena Gill, European Parliament ECON Committee
Mr Sven Gentner, European Commission

11 November 2016

Dear Mr Sasko, Ms Gill, Mr Gentner,

Re: Money Market Fund Regulation trilogues

I am writing to you with regard to the trilogue discussions you are currently holding in order to finalise the Money Market Fund Regulation.

Money Market Funds are an important cash management tool for businesses as they allow corporates to deposit their short-term cash balances in a secure manner and with quick access to their funds when needed. In addition, MMFs have the advantage of allowing diversification of corporates' cash deposits, thereby reducing counterparty risk. In the current context where banks are increasingly reluctant to accept short-term corporate deposits due to regulatory constraints, it is of utmost importance to ensure that corporates have viable options for managing their cash balances. We believe that if businesses in Europe are to thrive and grow, the management of the lifeblood of these businesses – their cash flows – is absolutely crucial.

We would like to highlight below some of our concerns regarding the issues being addressed in the trilogue discussions.

1. Preservation of government CNAV funds

Maintaining a usable CNAV fund structure for all European corporates is extremely important. Investment in VNAV funds is not acceptable for a number of corporates due to the accounting and tax treatment of VNAV funds, which differ across the EU Member States. Furthermore, there is great uncertainty as to the future take-up of the LVNAV model. Hence the **importance of having at least one fund model in the future that corporates are sure to be able to invest in.**

We are very worried of the direction that the current trilogue discussions seem to be taking, with proposals to allow only retail CNAV funds and not to preserve the government debt CNAV fund structure, which would effectively leave European corporates without the option of investing in any form of CNAV fund. We would strongly encourage policy makers to reconsider this proposal and allow for the continued availability of government debt CNAV funds. We do not see a justification for the elimination of a product that plays an important role in many corporates' daily cash management. It is also important to effectively allow all European corporates to invest in such CNAV government debt funds by not restricting CNAV government funds' assets to EU public debt only. Having such a limitation in place would mean that EU-based corporates with a non-EU functional currency and euro-based exporters to the UK or the US which typically need USD / GBP MMFs to park cash would not be able to invest in those funds due to the currency mismatch.

2. Deletion of LVNAV 'sunset clause'

For the LVNAV fund structure to have any chance of developing into a usable vehicle by corporates, it needs to be provided without the 'sunset clause'. In our view, fund managers are very unlikely to invest in setting up limited-life products and corporate treasurers unlikely to invest in them.

3. Liquidity requirements, fees and redemption gates

The above products will only be attractive to investors if the market and fund providers can maintain them. Therefore the requirements concerning liquidity holdings, fees and redemption gates should be set at realistic levels that correspond to current and future market realities that do not undermine the funds' viability. Furthermore, regarding liquidity fees and redemption gates, it is important that there are clear criteria and rules in place to provide certainty to corporate investors as to when exactly such measures could be activated.

We hope that you can take the above concerns into consideration in your next trilogue meeting. We of course remain at your disposal for any further clarifications.



Jean-Marc Servat
Chair
European Association of Corporate Treasurers

Copied to:

European Parliament:

Roberto Gualtieri, ECON Chair
Eva Joly, Greens
Peter Jezek, ALDE
Syed Kamall, ECR
Brian Hayes, EPP
Zertasha Malik, ECON Secretariat
Claudia Lindemann, ECON Secretariat

European Commission:

Sven Gentner, Head of Unit, Directorate C4 Asset Management, DG FISMA
Stefanie Thorns, Policy Analyst