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Commission Notice on the interpretation and implementation of certain legal provisions of the Money Market Funds Regulation

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The European Commission has prepared this frequently asked questions (FAQs) document on money market funds (MMFs), as a follow-up action to the Commission report on MMFs, published on 20 July 2023 (the 2023 MMF Report). It accompanies the European Commission's 2026 follow-up MMF Report (the 2026 MMF Report) ([1]).

The 2023 MMF Report concluded that the MMF Regulation had successfully passed the test of liquidity stress experienced by MMFs during the COVID-19-related market turmoil of March 2020, with the interest rate increases applied around that period and the related financial asset re-pricing. No EU-based MMF had to apply redemption fees or gates, or to suspend redemptions during these stress events. Similarly, EU MMFs focused on GBP assets withstood the redemption pressure linked to the September 2022 gilt market stress. These experiences indicate that the safeguards in the MMF Regulation have been working as intended. However, **the 2023 MMF Report identified some shortcomings and noted that they should be further assessed.**

EU MMFs also benefit from the recent review of the Alternative Investment Fund Managers Directive (AIFMD) and the Undertakings for Collective Investment in Transferable Securities (UCITS) Directives ([2]) which laid down harmonised rules to increase the availability of liquidity management tools (LMTs) for open-ended funds. The new LMT framework further strengthens the liquidity management of EU MMFs and increases their resilience in times of stress.

Finally, this notice takes into account the findings of the Financial Stability Board which noted in its October 2021 'Final Report on MMF resilience', that MMF rules in some jurisdictions may have encouraged pre-emptive investor redemptions, as investors sought to avoid the possible imposition of LMTs where certain regulatory thresholds were breached. There is some evidence that this may have occurred during the March 2020 'dash for cash' stress.

In light of the above, and supported by data analysis, the European Commission considers it necessary to address the interpretation of certain aspects of the MMF Regulation to provide greater certainty for the EU MMF community.

With this notice, the European Commission supports and calls for a harmonised approach to supervising EU MMFs, as well as appropriate information sharing among national competent authorities, particularly where risks arise which pose a potential threat to financial stability.

(1) What are the main provisions on portfolio composition that asset managers of MMFs must comply with?

Articles 24, 25 and 34 of the MMF Regulation lay down portfolio requirements that MMFs must take into account to ensure their liquidity and stability. These provisions stipulate the portfolio composition of MMFs, in respect of daily and weekly maturing assets and reversed repurchase agreements, with minimum thresholds for each type of MMF (public debt constant net asset value (CNAV), low volatility net asset value (LVNAV) and variable net asset value (VNAV) MMFs).

Article 28 of the MMF Regulation sets out a framework for MMF stress testing to demonstrate that the liquidity and quality of the assets of an MMF are robust enough to withstand vulnerabilities.

([1]) Report from the Commission to the European Parliament and the Council on the adequacy of Regulation (EU) 2017/1131 of the European Parliament and of the Council on money market funds from a prudential and economic point of view (COM(2026) 350).

([2]) Directive (EU) 2024/927 of the European Parliament and of the Council of 13 March 2024 amending Directives 2011/61/EU and 2009/65/EC as regards delegation arrangements, liquidity risk management, supervisory reporting, the provision of depositary and custody services and loan origination by alternative investment funds (OJ L, 2024/927, 26.3.2024, ELI: http://data.europa.eu/eli/dir/2024/927/oj).

(2) **If the portfolio of an MMF comprises the precise percentages of reverse repurchase agreements, and daily and weekly maturing assets, as set out in the MMF Regulation, is this considered always sufficient to comply, at all times, with the relevant portfolio rules under the MMF Regulation?**

No. Articles 24, 25 and 34, together with Article 28, of the MMF Regulation lay down that the percentages of portfolio composition set out are minimum requirements. While it is necessary to comply with the thresholds set out in Articles 24, 25 and 34, they should be understood as minimum thresholds. The MMF Regulation also sets out other obligations, which, depending on the circumstances of the MMF, can result in higher requirements. In accordance with Article 28(4) of the MMF Regulation, MMFs must be robust in terms of the liquidity and quality of the assets held. These must be sufficient to withstand vulnerabilities, particularly in times of stress. As a result, it can be necessary for the portfolio composition of an MMF to go above the regulatory percentages, having regard notably to the requirements of 'know your customer', under Article 27, and the outcomes of the MMFs stress tests, under Article 28 of the MMF Regulation.

In this regard, in the 2026 MMF Report, the European Commission identified resilience levels based on weekly liquid assets capable of serving as supervisory and risk management tools to ensure compliance with the MMF Regulation. Below these resilience levels, to ensure market-wide resilience ('market resilience levels'), the risk management teams of MMFs and their managers should intensify their scrutiny, and national competent authorities should increase their level of supervisory scrutiny and engagement.

(3) **Does the manager of a CNAV or LVNAV MMF need to activate LMTs as soon as the level of liquid assets falls below the limits set out in Articles 24, 25 and 34 of the MMF Regulation?**

No. The intention of setting minimum liquidity buffers is to ensure that MMFs can address redemptions and to prevent the assets of an MMF from being liquidated at heavily discounted prices, which may arise during times of stressed market conditions.

Managers of CNAV and LVNAV MMFs are required to comply with Article 24(2) of the MMF Regulation whenever the relevant portfolio requirements are no longer met (for example, where the assets of a CNAV or an LVNAV MMFs consist of less than 30 % of weekly maturing assets).

Article 25(2) of the MMF Regulation contains similar provisions, where a 'standard' VNAV MMF breaches the portfolio requirements laid down in Article 25 of the MMF Regulation.

Finally, Article 34(1)(a) of the MMF Regulation contains specific provisions for CNAV and LVNAV MMFs.

These Articles provide for and envisage that the portfolio composition of MMFs may fall below the regulatory limits, including the minimum liquid asset requirements, due to exercising subscription or redemption rights, or for reasons beyond the control of the MMF manager. In this regard, increased redemptions in stressed market conditions are to be seen as beyond the manager's control noting, however, that such reasons will arise very rarely.

Under these provisions, where the MMF is no longer meeting the relevant portfolio requirements, the MMF manager, on behalf of the MMF, should adopt, as a priority, the objective of correcting that situation, while also taking into account the interests of investors as stipulated by the MMF Regulation.

In relation to public debt CNAV MMFs and LVNAV MMFs, the board has the duty to undertake a documented assessment of the situation to determine the appropriate course of action, as provided in Article 34(1)(a) of the MMF Regulation, and this should be fulfilled within a reasonable timeframe as necessary for such assessment. Until the documented assessment is completed, managers of short-term MMFs are not required to take any measure in relation to portfolio rules other than fulfilling the general obligations set out in Article 24(2) of the MMF Regulation to adopt as a priority objective the correction of that situation, taking due account of the interests of its unit holders or shareholders.

In accordance with Article 34(1)(a) of the MMF Regulation, after undertaking a documented assessment of the situation, the board can choose between the alternative measures laid down in that provision and can therefore decide to take no immediate action other than fulfilling the obligation laid down in Article 24(2) as provided for in Article 34(1)(a)(iv) of the MMF Regulation.

As a result, in the cases referred to in Article 34(1)(a) of the MMF Regulation, CNAV and LVNAV MMFs may use their buffers for liquidity management purposes under stressed market conditions where they temporarily fall below the liquidity thresholds without having to activate LMTs. In those cases, managers of CNAV and LVNAV MMFs are expected to prioritise taking corrective actions to restore the buffers. These must be taken as soon as possible and within a timeframe that protects investors' interests. This does not affect the information and evaluation obligations under Article 34(1)(a) and (b) of the MMF Regulation. However, this does not apply to cases referred in Article 34(1)(b) of the MMF Regulation which concern situations where the proportion of weekly maturing assets as set out in point (e) of Article 24(1) falls below 10 % of its total assets.