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ESRB
European Systemic Risk Board
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Adverse scenario for the 2025 European Securities and Markets Authority money market fund stress-testing guidelines

Introduction

This document sets out the adverse financial market scenario for the stress-testing exercise carried out by the European Securities and Markets Authority (ESMA).[1] Managers of money market funds (MMFs) are required to conduct internal stress tests and report the results to the national competent authorities and ESMA.[2] For this purpose, ESMA issues guidelines that establish common reference parameters in an adverse scenario designed by the European Systemic Risk Board (ESRB), in collaboration with the European Central Bank (ECB).[3] The updated stress parameters for the 2025 ESMA MMF stress tests were approved by the ESRB General Board on 3 December 2025 and transmitted to ESMA on 4 December 2025.

All assumptions about redemptions and the additional guidance on how to apply the scenario are provided by ESMA as part of its MMF stress-testing guidelines.

[1] The European Supervisory Authorities, in cooperation with the European Systemic Risk Board (ESRB), are required by law to conduct stress tests to assess the resilience of financial institutions and financial market participants in the face of adverse market developments. As part of this, the ESRB designs adverse economic and financial market scenarios.

[2] Article 28 of Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds (the MMF Regulation) stipulates that ESMA will issue guidelines that establish common reference parameters of the stress test scenarios to be included in the stress tests that managers of MMFs are required to conduct.

[3] The scenario presented in this document is not a forecast. It should not be interpreted as the ESRB's expectations about future economic and financial developments, including monetary policy decisions and their impact. It is a severe, hypothetical scenario.

Scenario calibration and methodology

This section outlines the main sources of risk that drive the adverse scenario and elaborates on the scenario narrative, as well as the key features that ESMA considers relevant to the MMF sector, before explaining the calibration methodology. The scenario calibration has benefited from interactions with ESMA and discussions with ESRB member institutions.

Main sources of risk driving the adverse scenario

The scenario reflects the ESRB's assessment of prevailing sources of systemic risks identified for the EU financial system as of the fourth quarter of 2025. These include:

- the materialisation of geopolitical and/or macro risks resulting in balance sheet stress for the private sector, notably for non-financial corporations;
- the materialisation of geopolitical and/or macro risks triggering a disorderly market correction, possibly amplified by the non-banking financial sector;
- unfavourable growth and debt financing cost dynamics triggered by increased borrowing needs leading to a re-emergence of sovereign debt sustainability concerns;
- deteriorating asset quality and funding liquidity risk for the banking sector triggered by adverse macro-financial or geopolitical shocks;
- adverse macro-financial developments leading to a materialisation of vulnerabilities in the real estate sector, particularly in the commercial real estate sector.

Narrative of the scenario

The adverse scenario is calibrated to be severe, consistent with the materialisation of tail risks amid elevated geopolitical uncertainty stemming from global trade tensions and multiple conflicts worldwide. These geopolitical events amplify trade disruptions and lead to a sharp rise in commodity prices, causing disruptions in supply chains and ultimately triggering inflationary pressures. In turn, resurgent inflation expectations cause a spike in risk-free rates.

The resulting tightening of financing conditions, combined with expectations of sluggish economic growth, drives up asset price volatility. Geopolitical instability and high levels of volatility cause significant disruptions in financial markets, with corporate and government bond spreads particularly affected. This is due to the weakening of corporate debt servicing capabilities and the elevated levels of government debt, exacerbated by high interest rates, increased defence spending and trade disruptions. The upward shifts in sovereign risk premia vary across countries because of differing macroeconomic and fiscal positions.

The perceived risk increase on debt securities, together with highly volatile market conditions, causes an abrupt slowdown in market activity, as mirrored by a sharp reduction in instruments' market liquidity and a widening of bid-ask spreads. Lastly, this market reaction leads to an abrupt revaluation of other financial asset and real estate prices, amplifying substantial volatility for market participants and causing sharp increases in risk premia.

With respect to foreign currency shocks, two potential developments are considered in the adverse scenario. In one variant, a loss of confidence in the stability of the euro area triggers a substantial depreciation of the euro against the US dollar and other major currencies. In the other variant, the US dollar loses its safe-haven status, driving an appreciation of the euro relative to the US dollar and other major currencies.

Both outcomes magnify global financial instability through heightened exchange rate volatility, hindering cross-border trade, issuance of external debt obligations and capital flows. These dynamics highlight the increased fragility of financial markets in the face of geopolitical and macroeconomic shocks, contributing to the severity of the adverse scenario.

Scenario methodology and calibration

The methodology for the scenario calibration is based on a non-parametric multivariate copula model, as used for the calibration of the stress test parameters in previous updates of the ESMA MMF stress-testing guidelines.[4] The scenario is the outcome of several simulations based on a number of triggers that reflect the main sources of financial stability risks, in particular swap rates, market volatility indices and energy prices. In close collaboration with ESMA, the calibration sample for the triggering events has been set to reflect the main narrative of the scenario as outlined above. This narrative is dictated by the current risk landscape, in accordance with the risks identified by the ESRB General Board. In particular, the sample period for the calibration spans from January 2008 to June 2025, and the shocks for all the triggering events (see Tables in Annex A) are calibrated over a horizon of one-quarter, except for shocks to bid-ask spreads (Table A5), which is calibrated over a five-day horizon. The shocks reported should be interpreted as immediate and permanent shifts in asset prices relative to their cut-off date levels, as specified in ESMA's guidelines.

[4] See "Technical note on the Financial Shock Simulator", ECB, Frankfurt am Main, February 2019.

Annex A

Table A.1: Shocks to swap rates

Shocks to swap rates Absolute changes (basis points)							
Geographical area	Country	Description	1M	3M	6M	1Y	2Y
EU	Euro area	Interest rate swap on the EUR (euro)	83	88	97	100	106
EU	Bulgaria	Interest rate swap on the BGN (Bulgarian lev)	143	154	166	174	180
EU	Czech Republic	Interest rate swap on the CZK (Czech koruna)	104	110	123	130	136
EU	Denmark	Interest rate swap on the DKK (Danish krone)	86	93	100	103	108
EU	Hungary	Interest rate swap on the HUF (Hungarian forint)	115	123	137	152	170
EU	Poland	Interest rate swap on the PLN (Polish zloty)	121	129	138	148	159
EU	Romania	Interest rate swap on the RON (Romanian leu)	143	154	166	174	180
EU	Sweden	Interest rate swap on the SEK (Swedish krona)	84	91	100	106	112
Rest of Europe	United Kingdom	Interest rate swap on the GBP (British pound)	95	100	109	127	137
Rest of Europe	Norway	Interest rate swap on the NOK (Norwegian krone)	95	98	102	106	110
Rest of Europe	Russia	Interest rate swap on the RUB (Russian ruble)	231	257	286	319	355
Rest of Europe	Switzerland	Interest rate swap on the CHF (Swiss franc)	56	66	78	88	97
Rest of Europe	Türkiye	Interest rate swap on the TRY (Turkish lira)	114	122	132	141	152
North America	Canada	Interest rate swap on the CAD (Canadian dollar)	102	108	116	132	141
North America	United States	Interest rate swap on the USD (US dollar)	118	122	128	140	164
Australia and Pacific	Australia	Interest rate swap on the AUD (Australian dollar)	101	107	114	125	138
Australia and Pacific	New Zealand	Interest rate swap on the NZD (New Zealand dollar)	101	107	118	126	135
South and Central America	Chile	Interest rate swap on the CLP (Chilean peso)	164	180	198	206	213
South and Central America	Colombia	Interest rate swap on the COP (Colombian peso)	237	255	268	274	289
South and Central America	Mexico	Interest rate swap on the MXN (Mexican peso)	164	180	198	206	213
Asia	China	Interest rate swap on the CNY (Chinese yuan)	35	40	44	46	51
Asia	Hong Kong	Interest rate swap on the HKD (Hong Kong dollar)	114	122	131	140	144
Asia	India	Interest rate swap on the INR (Indian rupee)	114	130	143	150	168
Asia	Japan	Interest rate swap on the JPY (Japanese yen)	8	9	16	19	25
Asia	Korea	Interest rate swap on the KRW (South Korean won)	97	103	109	112	122
Asia	Malaysia	Interest rate swap on the MYR (Malaysian ringgit)	108	110	113	124	130
Asia	Singapore	Interest rate swap on the SGD (Singapore dollar)	101	103	107	116	129
Asia	Thailand	Interest rate swap on the THB (Thai baht)	102	103	107	117	125
Africa	South Africa	Interest rate swap on the ZAR (South African rand)	147	160	171	189	219
EU	All countries	Default value for countries not included in the table	110	118	129	136	144
Other Advanced Economies	All countries	Default value for countries not included in the table	84	89	96	105	114
Emerging Markets	All countries	Default value for countries not included in the table	153	166	180	192	207

Table A.2: Shocks to government bond spreads

Shocks to government bond spreads Absolute changes (basis points)					
Geographical area	Country	3M	6M	1Y	2Y
EU	Austria	28	32	41	50
EU	Belgium	40	46	57	70
EU	Bulgaria	37	42	54	68
EU	Croatia	34	39	50	63
EU	Cyprus	37	42	54	68
EU	Czech Republic	28	32	41	51
EU	Denmark	21	25	32	40
EU	Finland	28	32	41	51
EU	France	44	52	65	74
EU	Germany	25	29	37	47
EU	Greece	59	72	91	110
EU	Hungary	56	69	87	105
EU	Ireland	25	29	37	48
EU	Italy	55	67	81	100
EU	Latvia	37	42	54	68
EU	Lithuania	28	32	41	51
EU	Luxembourg	21	25	33	41
EU	Malta	29	33	43	53
EU	Netherlands	23	27	35	43
EU	Poland	51	59	69	80
EU	Portugal	50	57	67	77
EU	Romania	56	68	85	102
EU	Slovakia	34	39	50	63
EU	Slovenia	32	36	47	59
EU	Spain	51	60	69	81
EU	Sweden	21	25	33	41
Euro area (weighted averages)	Euro area (weighted averages)	38	45	55	67
EU (weighted averages)	EU (weighted averages)	38	45	55	66
Advanced economies	United Kingdom	32	40	52	66
Advanced economies	Switzerland	25	31	33	37
Advanced economies	Norway	30	37	39	47
Advanced economies	United States	42	54	61	79
Advanced economies	Japan	11	13	19	21
Advanced economies	Advanced economies non EU and non US	25	30	36	43
Advanced economies	Advanced economies (weighted average)	30	37	43	53
Emerging markets	Emerging markets	95	120	135	144
World	World	62	78	89	98

Notes: The weighted averages are based on real GDP and some missing values have been interpolated. “Advanced economies excluding the EU and the United States” refers to all other advanced economies (as defined by the International Monetary Fund).

Table A.3: Shocks to foreign exchange rates (EUR appreciation against USD)

Shocks to FX (appreciation of the EUR against the USD) Relative changes (%)			
Geographical area	**Description**	**Exchange rate name**	**Shock**
EU	EUR/BGN represents 1 EUR per x BGN (Bulgarian lev)	**EUR/BGN**	
EU	EUR/CZK represents 1 EUR per x CZK (Czech koruna)	**EUR/CZK**	6
EU	EUR/HUF represents 1 EUR per x HUF (Hungarian forints)	**EUR/HUF**	18
EU	EUR/PLN represents 1 EUR per x PLN (Polish zloty)	**EUR/PLN**	15
EU	EUR/RON represents 1 EUR per x RON (Romanian leu)	**EUR/RON**	3
EU	EUR/SEK represents 1 EUR per x SEK (Swedish krona)	**EUR/SEK**	11
Rest of Europe	EUR/RSD represents 1 EUR per x RSD (Serbian dinar)	**EUR/RSD**	2
Rest of Europe	EUR/NOK represents 1 EUR per x NOK (Norwegian krone)	**EUR/NOK**	9
Rest of Europe	EUR/GBP represents 1 EUR per x GBP (British pound)	**EUR/GBP**	10
Rest of Europe	EUR/CHF represents 1 EUR per x CHF (Swiss franc)	**EUR/CHF**	5
Rest of Europe	EUR/RUB represents 1 EUR per x RUB (Russian ruble)	**EUR/RUB**	45
Rest of Europe	EUR/TRY represents 1 EUR per x TRY (Turkish lira)	**EUR/TRY**	21
North America	USD/CAD represents 1 USD per x CAD (Canadian dollar)	**USD/CAD**	-6
North America	EUR/USD represents 1 EUR per x USD (US dollar)	**EUR/USD**	9
Australia and Pacific	AUD/USD represents 1 AUD per x USD (Australian dollar)	**AUD/USD**	9
Australia and Pacific	NZD/USD represents 1 NZD per x USD (New Zealand dollar)	**NZD/USD**	8
South and Central America	USD/ARS represents 1 USD per x ARS (Argentine peso)	**USD/ARS**	-17
South and Central America	USD/BRL represents 1 USD per x BRL (Brazilian real)	**USD/BRL**	-18
South and Central America	USD/MXN represents 1 USD per x MXN (Mexican peso)	**USD/MXN**	-7
Asia	USD/CNY represents 1 USD per x CNY (Chinese yuan renminbi)	**USD/CNY**	-4
Asia	USD/HKD represents 1 USD per x HKD (Hong Kong dollar)	**USD/HKD**	-1
Asia	USD/INR represents 1 USD per x INR (Indian rupee)	**USD/INR**	-2
Asia	USD/JPY represents 1 USD per x JPY (Japanese yen)	**USD/JPY**	-8
Asia	USD/KRW represents 1 USD per x KRW (South korean won)	**USD/KRW**	-10
Asia	USD/MYR represents 1 USD per x MYR (Malaysian ringgit)	**USD/MYR**	-5
Asia	USD/SGD represents 1 USD per x SGD (Singapore dollar)	**USD/SGD**	-5
Asia	USD/THB represents 1 USD per x THB (Thai baht)	**USD/THB**	-6
Asia	USD/TWD represents 1 USD per x TWD (New Taiwan dollar)	**USD/TWD**	-3
Africa	USD/ZAR represents 1 USD per x ZAR (South African rand)	**USD/ZAR**	-11

Notes: The grey cell indicates where data are unavailable. A positive figure denotes an appreciation of the first currency against the second.

Table A.4: Shocks to foreign exchange rates (EUR depreciation against USD)

FX shocks (depreciation of the EUR against the USD) Relative changes (%)			
Geographical area	**Description**	**Exchange rate name**	**Shock**
EU	EUR/BGN represents 1 EUR per x BGN (Bulgarian lev)	**EUR/BGN**	
EU	EUR/CZK represents 1 EUR per x CZK (Czech koruna)	**EUR/CZK**	-5
EU	EUR/HUF represents 1 EUR per x HUF (Hungarian forints)	**EUR/HUF**	-7
EU	EUR/PLN represents 1 EUR per x PLN (Polish zloty)	**EUR/PLN**	-4
EU	EUR/RON represents 1 EUR per x RON (Romanian leu)	**EUR/RON**	-2
EU	EUR/SEK represents 1 EUR per x SEK (Swedish krona)	**EUR/SEK**	-2
Rest of Europe	EUR/RSD represents 1 EUR per x RSD (Serbian dinar)	**EUR/RSD**	-1
Rest of Europe	EUR/NOK represents 1 EUR per x NOK (Norwegian krone)	**EUR/NOK**	-8
Rest of Europe	EUR/GBP represents 1 EUR per x GBP (British pound)	**EUR/GBP**	-5
Rest of Europe	EUR/CHF represents 1 EUR per x CHF (Swiss franc)	**EUR/CHF**	-9
Rest of Europe	EUR/RUB represents 1 EUR per x RUB (Russian ruble)	**EUR/RUB**	-40
Rest of Europe	EUR/TRY represents 1 EUR per x TRY (Turkish lira)	**EUR/TRY**	-4
North America	USD/CAD represents 1 USD per x CAD (Canadian dollar)	**USD/CAD**	9
North America	EUR/USD represents 1 EUR per x USD (US dollar)	**EUR/USD**	-12
Australia and Pacific	AUD/USD represents 1 AUD per x USD (Australian dollar)	**AUD/USD**	-13
Australia and Pacific	NZD/USD represents 1 NZD per x USD (New Zealand dollar)	**NZD/USD**	-13
South and Central America	USD/ARS represents 1 USD per x ARS (Argentine peso)	**USD/ARS**	18
South and Central America	USD/BRL represents 1 USD per x BRL (Brazilian real)	**USD/BRL**	14
South and Central America	USD/MXN represents 1 USD per x MXN (Mexican peso)	**USD/MXN**	12
Asia	USD/CNY represents 1 USD per x CNY (Chinese yuan renminbi)	**USD/CNY**	7
Asia	USD/HKD represents 1 USD per x HKD (Hong Kong dollar)	**USD/HKD**	1
Asia	USD/INR represents 1 USD per x INR (Indian rupee)	**USD/INR**	8
Asia	USD/JPY represents 1 USD per x JPY (Japanese yen)	**USD/JPY**	14
Asia	USD/KRW represents 1 USD per x KRW (South korean won)	**USD/KRW**	11
Asia	USD/MYR represents 1 USD per x MYR (Malaysian ringgit)	**USD/MYR**	6
Asia	USD/SGD represents 1 USD per x SGD (Singapore dollar)	**USD/SGD**	5
Asia	USD/THB represents 1 USD per x THB (Thai baht)	**USD/THB**	9
Asia	USD/TWD represents 1 USD per x TWD (New Taiwan dollar)	**USD/TWD**	7
Africa	USD/ZAR represents 1 USD per x ZAR (South African rand)	**USD/ZAR**	17

Notes: The grey cells indicate where data are unavailable. A positive figure denotes an appreciation of the first currency against the second.

Table A.5: Shocks to bid-ask spreads

Shocks to bid-ask prices of government bonds Absolute changes (EUR)					
	Country	3M	6M	1Y	2Y
DE	Germany	0.08	0.10	0.12	0.20
ES	Spain	0.10	0.17	0.21	0.29
FR	France	0.08	0.11	0.12	0.21
IT	Italy	0.09	0.15	0.17	0.26
NL	Netherlands	0.08	0.13	0.17	0.21
	Other	0.08	0.13	0.16	0.24

Shocks to bid-ask prices of corporate bonds Absolute changes (EUR)			
	Country	1Y	2Y
DE	Germany	0.44	0.53
ES	Spain	0.48	0.56
FR	France	0.45	0.53
IT	Italy	0.50	0.58
NL	Netherlands	0.46	0.52
	Other	0.47	0.54

Note: Bid-ask shocks are calibrated over a five-day horizon.

Table A.6: Shocks to residential mortgage-backed securities (RMBS) spreads

Shocks to RMBS spreads Absolute changes (basis points)				
Geographical area	AAA	AA	A	BBB
EU	100	113	162	216
North America	105	121	182	248
Asia	126	145	217	297
All	110	126	187	254

Table A.7: Shocks to corporate bond spreads

	Shocks to general corporate credit spreads Absolute changes (basis points)			
	Non financial	Financial covered	Financial	All
AAA	116	87	111	105
AA	128	104	129	120
A	154	116	156	142
BBB	196	157	194	183
BB	273	224	271	256
B	342	284	339	322
<=CCC	385	322	382	363
Investment grade	149	116	147	137
High yield	333	277	331	314
All	228	185	226	213

Shocks to CDS indices Absolute changes (basis points)		
Geographical area	Index	1Y
EU	iTraxx Overall 5Y	82
	iTraxx Crossover 5Y	415
	iTraxx Main HiVol 5Y	130
	iTraxx Non-financial 5Y	110
	iTraxx Subordinated Financials 5Y	167
US	Investment grade credit default swap indices	88
	High yield credit default swap indices	429