I

(Resolutions, recommendations and opinions)

RECOMMENDATIONS

EUROPEAN SYSTEMIC RISK BOARD

RECOMMENDATION OF THE EUROPEAN SYSTEMIC RISK BOARD

of 2 December 2021

on reform of money market funds

(ESRB/2021/9)

(2022/C 129/01)

THE GENERAL BOARD OF THE EUROPEAN SYSTEMIC RISK BOARD,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board ([1]), and in particular Article 3(2)(b) and (d) and Articles 16 and 18 thereof,

Having regard to Decision ESRB/2011/1 of the European Systemic Risk Board of 20 January 2011 adopting the Rules of Procedure of the European Systemic Risk Board ([2]), and in particular Article 18 thereof,

Having regard to Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds ([3]),

Whereas:

(1) The financial market turmoil at the onset of the coronavirus COVID-19 pandemic revealed persisting systemic vulnerabilities in certain sub-sectors of private debt money market funds (MMFs). This calls for a reassessment of certain aspects of the post-global financial crisis regulatory reforms.

(2) The global financial crisis of 2008 showed that MMFs are vulnerable to credit risk and large volumes of redemptions. This vulnerability means that they can spread or amplify risks throughout the financial system. Recommendation ESRB/2012/1 of the European Systemic Risk Board ([4]) recommended the European Commission to address these vulnerabilities. Specifically, the European Systemic Risk Board (ESRB) recommended a move to variable net asset value for all MMFs, enhanced liquidity requirements, greater public disclosures, as well as more reporting and information sharing.

([1]) OJ L 331, 15.12.2010, p. 1.
([2]) OJ C 58, 24.2.2011, p. 4.
([3]) OJ L 169, 30.6.2017, p. 8.
([4]) Recommendation ESRB/2012/1 of the European Systemic Risk Board of 20 December 2012 on money market funds (OJ C 146, 25.5.2013, p. 1).

(3) Regulation (EU) 2017/1131 (hereinafter the 'MMFR') sets out rules designed to make MMFs more resilient and limit the contagion channels highlighted during the global financial crisis. It imposes direct obligations on MMFs and their managers throughout the Union. The ESRB analysed the content of the MMFR against the provisions set out in Recommendation ESRB/2012/1 and found it to be largely compliant ([5]).

(4) At the onset of the COVID-19 pandemic, as investors 'dashed for cash' ([6]), some MMFs investing in private sector debt securities experienced acute liquidity strains when faced with a high level of redemptions by investors combined with a lack of liquidity in private debt money markets. This led to concerns that liquidity strains in those MMFs would amplify the effects of the COVID-19 shock in other parts of the financial system. The situation was particularly serious in the United States and the Union. Exceptional measures taken by the Eurosystem, the Federal Reserve System and the Bank of England under their respective monetary policy mandates helped improve this situation.

(5) The liquidity strains observed on MMFs reflect an underlying tension between the two primary economic functions performed by MMFs for the financial system and the real economy: (i) providing short-term funding to issuers, mainly banks and non-financial corporations; and (ii) being used as cash management vehicles by investors. The tension arises from the fact that MMFs offer on-demand liquidity to investors and are often assumed to be cash-like instruments, whereas the instruments in which they invest are not reliably liquid, especially during periods of stress when MMFs might need to sell them. This is particularly the case for MMFs that invest primarily in commercial paper and certificates of deposit (low-volatility net asset value (LVNAV) and variable net asset value (VNAV) MMFs), as these assets are generally held to maturity and do not benefit from deep secondary markets ([7]).

(6) The European market for short-term debt securities is fragmented and composed of four main blocks: the market for negotiable European commercial paper (NEU-CP), for Euro commercial paper (Euro-CP), for other national commercial paper and certificates of deposit, and for sovereign short-term bills. This fragmentation and lack of information on these markets, in particular on secondary over-the-counter markets, impairs the assessment of their size and of their liquidity, which is important to enable MMFs to meet large redemption requests via the selling of assets if necessary ([8]).

(7) This Recommendation contributes to the Commission's forthcoming 2022 review of the MMFR to address persisting systemic vulnerabilities in certain sub-sectors of private debt MMFs. It is intended to reflect the aim of Recommendation ESRB/2012/1 of reducing deposit-like features being offered by certain MMFs via redemption at par in the context of the existing MMFR. It has been prepared in the context of wider work underway internationally and elsewhere in the EU on MMF reform. In particular, this Recommendation has been informed by the feedback the European Securities and Markets Authority (ESMA) received in response to its consultation on reform of the MMFR. It is also consistent with the proposals of the Financial Stability Board (FSB), albeit that it does not envisage requiring MMFs to have capital buffers or a minimum balance at risk ([9]). The ESRB believes that such own funds requirements are not needed, provided that features that make MMFs similar to deposit taking institutions are reduced and features that make MMFs similar to other investment funds are increased.

(8) Recommendation A is designed to reduce threshold effects. In particular, it aims at eliminating the unintended consequences deriving from two regulatory requirements. First, the MMFR provides that LVNAV MMFs can value certain assets at amortised cost, provided that the resulting net asset value (NAV) remains within a collar of 20 basis points of the NAV that is calculated applying mark-to-market or mark-to-model valuation to all assets. This collar

([5]) See Compliance assessment of the implementation of the Recommendation of the European Systemic Risk Board of 20 December 2012 on money market funds (ESRB/2012/1), March 2019, available on the ESRB website at www.esrb.europa.eu

([6]) See Holistic Review of the March Market Turmoil, FSB, 17 November 2020, available on the FSB website at www.fsb.org

([7]) See Issues note on systemic vulnerabilities of and preliminary policy considerations to reform money market funds (MMFs), July 2021, available on the ESRB website at www.esrb.europa.eu

([8]) See Economic rationale and assessment of the Recommendation of the ESRB of 2 December 2021 on money market funds, available on the ESRB website.

([9]) See Policy Proposals to Enhance Money Market Fund Resilience, FSB, 11 October 2021, available on the FSB website at www.fsb.org provides a first mover advantage to investors, as they can redeem their units at an NAV that does not reflect the market valuation of certain assets. This could incentivise runs and should be eliminated. Instead, the NAV of LVNAV MMFs should be fluctuating. Removing the collar will alter an important feature of LVNAV MMFs and, with it, may also impact the choices taken by investors attracted by the relative stability of the NAV so far. At the same time, Recommendation B seeks to enhance the liquidity requirements for LVNAV MMFs, which aims to make them relatively less risky and less volatile than short-term VNAV MMFs. Second, when other thresholds are breached, managers of LVNAV and public debt constant net asset value (PDCNAV) MMFs have to assess and document the appropriate course of action. This might include the use of certain specific liquidity management tools (LMTs), such as liquidity fees on investors and the use of redemption gates. At the onset of the COVID-19 pandemic, one of these thresholds may have caused some investors to redeem in anticipation of such actions being imposed automatically. They should therefore be removed. The removal of these thresholds would also facilitate the use by LVNAV and PDCNAV MMFs of the provisions of the MMFR that allow them, under certain conditions, to temporarily breach their liquidity requirements, as provided for in Article 24(2) of the MMFR.

(9) Recommendation B is designed to reduce the liquidity transformation of MMFs and improve their asset-liability matching. Higher liquidity requirements for VNAV and LVNAV MMFs, composed of daily and weekly maturing assets and public debt assets, ensures greater and more diversified liquidity in the portfolio and reduces the risk that MMFs destabilise the wider money markets in stressed market conditions. To ensure sufficient availability of public debt assets, these can be of a longer maturity than weekly maturing assets. While this can increase maturity risk, it also decreases liquidity risk. The MMFR provides some flexibility to MMF managers, who may breach their liquidity requirements for reasons beyond their control. Flexibility at individual level might, however, not be sufficient in case of market-wide stress. In such cases, MMF managers should, in addition, be explicitly allowed to use their liquid assets to meet redemptions and hold less weekly maturing assets and public debt assets than is usually required. National competent authorities (NCAs) should have the power to specify, for all or a subset of MMFs in their jurisdiction, a time limit defining the period during which MMFs may opt to hold fewer liquid assets than are usually required. This would ensure a system-wide response to a market-wide development. Coordination by ESMA during this process would avoid distortions within the Single Market.

(10) Recommendation C is designed to increase the availability and encourage the use of LMTs that impose on redeeming (and subscribing) investors the cost of their respective redemptions (and subscriptions). Recommendation ESRB/2017/6 of the European Systemic Risk Board ([10]) provides that relevant Union legislation should make LMTs available to all types of investment funds, including MMFs. Furthermore, all MMFs should have available at least one LMT, such as anti-dilution levies, liquidity fees or, for MMFs with a fluctuating NAV, swing pricing, that can impose redemption (and subscription) costs on departing (or incoming) investors, respectively. In addition, criteria should be developed for inclusion in relevant Union legislation to facilitate more generally the use of LMTs. When mandating ESMA to develop these criteria and additional guidance, the Commission should request that no threshold effects be introduced.

(11) Recommendation D is designed to enhance monitoring and stress testing. This will provide national and Union bodies with better information to identify systemic vulnerabilities in the MMF sector as a whole. First, regular reporting should be enhanced by increasing its frequency and by providing more information on the investor base of MMFs. Second, it should be made possible for NCAs to share data stemming from regular reporting and from crisis-specific reporting with Union bodies with a financial stability mandate. Further to this Recommendation, data sharing between central banks and NCAs would also contribute to the capacity of authorities to assess risks. Finally, Union-wide stress tests should complement existing internal stress tests performed by individual MMFs. To ensure consistent application of the scenarios and to validate the results, ESMA, in cooperation with NCAs, should coordinate the tests. On the basis of these results, ESMA should publish its assessment of financial stability risks.

(12) To comprehensively address the vulnerabilities stemming from the MMF sector the measures set out in this Recommendation should be implemented as a package.

([10]) Recommendation ESRB/2017/6 of the European Systemic Risk Board of 7 December 2017 on liquidity and leverage risks in investment funds (OJ C 151, 30.4.2018, p. 1).

(13) The ESRB believes that the MMFR should be further reviewed five years after the entry into force of the new provisions to assess whether the resilience of MMFs has been improved by the legislative reforms and contagion channels reduced. This review should include the calibration of the liquidity requirements and assess whether additional tools with macroprudential effect are needed,

HAS ADOPTED THIS RECOMMENDATION:

SECTION 1

RECOMMENDATIONS

Recommendation A – Reducing threshold effects

The Commission is recommended to propose:

1. that relevant Union legislation should require all low-volatility net asset value (LVNAV) money market funds (MMFs) to have a fluctuating net asset value;
2. the repeal of the regulatory thresholds set out in Article 34(1)(a) and (b) of Regulation (EU) 2017/1131 (hereinafter the 'MMFR').

Recommendation B — Reducing liquidity transformation

The Commission is recommended to propose that relevant Union legislation:

1. should incorporate new liquidity requirements for variable net asset value (VNAV) MMFs and LVNAV MMFs, composed of daily maturing assets, weekly maturing assets and public debt assets;
2. should permit individual MMF managers to take actions leading them to hold fewer weekly maturing assets and fewer public debt assets than required if:
   (a) there are market-wide developments negatively affecting the assets MMFs hold or MMF unit holders; and
   (b) MMF managers immediately inform their national competent authorities (NCAs) accordingly.
3. should authorise NCAs to specify a time limit defining the period during which MMFs under their supervision may hold fewer weekly maturing assets and public debt assets than required as is envisaged in sub-Recommendation B(2) in the case of market-wide developments negatively affecting multiple MMFs;
4. should provide for the European Securities and Markets Authority (ESMA) to coordinate the action taken by NCAs when acting as envisaged in sub-Recommendation B(3), in order to ensure consistency in the application of the measure across the Union.

Recommendation C — Imposing on redeeming and subscribing investors the cost of their redemptions and subscriptions

The Commission is recommended to propose that relevant Union legislation:

1. should require the incorporation in the constitutional documents of MMFs and any other pre-contractual information of at least one of the following liquidity management tools (LMTs):
   (a) anti-dilution levies;
   (b) liquidity fees;
   (c) swing pricing for MMFs with a fluctuating net asset value (NAV);
2. should mandate ESMA to develop criteria for inclusion in relevant Union legislation to facilitate the use of LMTs by MMF managers in all market conditions, as well as guidance on those criteria.

Recommendation D — Enhancing monitoring and stress testing

The Commission is recommended to propose that the relevant Union legislation:

1. should incorporate provisions aimed at enhancing the timely sharing of data stemming from the regular reporting of MMFs to their respective NCAs;
2. should mandate ESMA to coordinate and, where necessary, to harmonise ad hoc data requests made by the NCAs to MMFs in times of stress resulting from market-wide developments;
3. should incorporate provisions to ensure that NCAs share the data referred to in sub-Recommendations D(1) and D(2) with Union bodies with a financial stability mandate;
4. should provide for ESMA to initiate and coordinate Union-wide stress tests on MMFs in cooperation with NCAs; to develop scenarios and parameters for an adequate Union-wide stress testing regime for MMFs in cooperation with the European Systemic Risk Board (ESRB); to publish an assessment of the impact of such scenarios on the MMF sector, including the potential contagion to other market participants; and, where appropriate, to coordinate the follow-up supervisory actions.

SECTION 2

IMPLEMENTATION

1. **Definitions**

1. For the purposes of this Recommendation the following definitions apply:

   (a) 'money market funds' (MMFs) means regulated and supervised Union collective investment undertakings whose primary objective is to maintain the principal of the fund, while providing a return in line with money market rates, by investing in money market instruments or deposits with credit institutions that are established, managed or marketed in the Union;

   (b) 'MMFR' means Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds;

   (c) 'liquidity management tools' (LMTs) means tools that assist MMFs as well as their managers to manage requests for redemption appropriately and effectively at all times and especially in stressed market conditions;

   (d) 'low-volatility net asset value MMF' or 'LVNAV MMF' means a low-volatility net asset value MMF as defined in point (12) of Article 2 of Regulation (EU) 2017/1131;

   (e) 'variable net asset value MMF' or 'VNAV MMF' means a variable net asset value MMF as defined in point (13) of Article 2 of Regulation (EU) 2017/1131;

   (f) 'public debt assets' means money market instruments listed in Article 17(7) of the MMFR, with legal or residual maturities in line with Article 10(1)(b) of the MMFR for short-term MMFs and Article 10(2) of the MMFR for standard MMFs and aligned with the predominant investment currency of the individual MMF;

   (g) 'public debt constant net asset value MMF' or 'PDCNAV MMF' means a public debt constant net asset value MMF as defined in point 11 of Article 2 of Regulation (EU) 2017/1131;

   (h) 'central banks' means central banks as defined in point (46) of Article 4(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council [11];

   (i) 'new liquidity requirements' means the requirements listed under the compliance criteria for sub-Recommendation B(1);

   (j) 'competent authority' means competent authority of the MMF as defined in point 17 of Article 2 of the MMFR;

   (k) 'redemption gates' means a liquidity management tool to prevent investors in the fund from withdrawing a portion of their capital for a period of time;

   (l) 'suspension of redemptions' means a liquidity management tool to prevent investors in the fund from withdrawing the entirety of their capital for a period of time;

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[11] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

(m) 'liquidity fees' means charges applied to individual transacting investors, payable to the fund, to protect remaining investors from bearing the costs associated with an MMF's purchases or sales of assets because of large inflows or outflows. Such charge is not derived specifically from the associated transaction costs, but instead is a flat (or tiered) fee outlined in advance. A liquidity fee does not involve any adjustment to the value of the fund's shares (e. g. NAV);

(n) 'swing pricing' means a liquidity management tool that applies a dilution adjustment to a fund's NAV to pass on to investors who redeem or purchase shares liquidity costs stemming from net flows into or out of the fund;

(o) 'anti-dilution levies' means charges applied to individual transacting investors, payable to the fund, to protect remaining investors from bearing the costs associated with an MMF's purchases or sales of assets because of large inflows or outflows. An anti-dilution levy does not involve any adjustment to the value of the fund's shares (e.g. NAV);

(p) 'Union bodies with a financial stability mandate' means:

i. the European Banking Authority;

ii. the European Insurance and Occupational Pensions Authority;

iii. the European Securities and Markets Authority;

iv. the European Systemic Risk Board;

v. the European Central Bank;

vi. the Single Supervisory Mechanism;

vii. the Single Resolution Board;

(q) 'daily maturing assets' means eligible money market instruments issued by private or public entities as referred to in Article 10(1) and (2) of the MMFR and maturing within a day, reverse repurchase agreements which are able to be terminated by giving prior notice of one working day, or cash which is able to be withdrawn by giving prior notice of one working day, as set out in point (c) of Article 24(1) of the MMFR;

(r) 'weekly maturing assets' means eligible money market instruments issued by private or public entities as referred to in Article 10(1) and (2) of the MMFR and maturing within a week, reverse repurchase agreements which are able to be terminated by giving prior notice of five working days, or cash which is able to be withdrawn by giving prior notice of five working days, as set out in point (e) of Article 24(1) of the MMFR.

2. **Criteria for implementation**

1. The following criteria apply to the implementation of this Recommendation:

(a) due regard should be paid to the principle of proportionality, taking into account the objective and content of this Recommendation;

(b) the Recommendation covers all MMFs as defined;

(c) regulatory arbitrage should be avoided;

(d) specific criteria for compliance with this Recommendation are set out in the Annex.

2. The addressee is requested to report to the ESRB and to the Council on the actions undertaken in response to this Recommendation, or adequately justify any inaction. The reports should as a minimum contain:

(a) information on the substance and timeline of the actions undertaken;

(b) a detailed justification of any inaction or departure from this Recommendation, including any delays.

3. **Timeline for the follow-up**

In accordance with Article 17(1) of Regulation (EU) No 1092/2010, the addressee must communicate to the European Parliament, the Council, the Commission and to the ESRB the actions undertaken in response to this Recommendation or substantiate any inaction. The addressee is requested to submit such communication by 31 December 2023.

4. **Monitoring and assessment**

1. The ESRB Secretariat will:

   (a) assist the addressee, ensuring the coordination of reporting and the provision of relevant templates, and detailing where necessary the procedure and the timeline for the follow-up;

   (b) verify the follow-up by the addressee, provide assistance at their request, and submit a follow-up report to the General Board.

2. The General Board will assess the actions and justifications communicated by the addressee and, where appropriate, may decide that this Recommendation has not been followed and that the addressee has failed to provide adequate justification for its inaction.

Done at Frankfurt am Main, 2 December 2021.

The Head of the ESRB Secretariat,
on behalf of the General Board of the ESRB
Francesco MAZZAFERRO

ANNEX

SPECIFICATION OF COMPLIANCE CRITERIA APPLICABLE TO THE RECOMMENDATION

Recommendation A – Reducing threshold effects

The following compliance criterion is applicable to sub-Recommendation A(2).

The current reference in Article 34(1)(a) of Regulation (EU) 2017/1131 of the European Parliament and of the Council [1] (hereinafter the 'MMFR') to the proportion of weekly maturing assets falling below 30 % of the total assets of the money market fund (MMF) and the net daily redemptions on a single working day exceeding 10 % of the total assets and the reference in Article 34(1)(b) to the proportion of weekly maturing assets falling below 10 % of the total assets should be repealed.

Recommendation B — Reducing liquidity transformation

The following compliance criteria are applicable to sub-Recommendation B(1).

New liquidity requirements for variable net asset value (VNAV) and low-volatility net asset value (LVNAV) MMFs should ensure that:

— the depth of liquidity in the portfolios of private debt-focused MMFs is enhanced;

— further reassurance to investors is provided and hence run risk is reduced;

— MMFs have enough liquidity to meet heightened redemptions demands during periods of market stress without involving spill-over effects to other parts of the financial system; and

— MMFs hold a portion of their liquid assets in public debt assets issued by a diversified set of bodies, where possible in the main investment currency of that fund, in order to contribute to greater diversification and stability in the net asset value (NAV) of private debt MMFs.

In respect of LVNAV MMFs in particular, Article 24(1)(g) of the MMFR should be repealed to align the eligibility of assets for the weekly maturing assets, daily maturing assets and public debt assets with those of VNAVs.

The new liquidity requirements for short-term VNAV MMFs should at least be equal to 20 % of their assets and be split between:

— at least 15 % of weekly maturing assets, including at least 10 % of daily maturing assets; and

— at least 5 % of additional public debt assets.

The new liquidity requirements for standard VNAV MMFs should at least be equal to 25 % and be split between:

— at least 15 % of weekly maturing assets, including at least 10 % of daily maturing assets; and

— at least 10 % of additional public debt assets.

The new liquidity requirements for LVNAV MMFs should at least be equal to 45 % and be split between:

— at least 30 % of weekly maturing assets, including at least 15 % of daily maturing assets; and

— at least 15 % of additional public debt assets.

Where public debt assets are not sufficiently available in the currency of the fund, MMFs should, provided that they inform their national competent authorities (NCAs) immediately, be allowed to meet their public debt liquidity requirements through:

— deposits with credit institutions that can be withdrawn at any time upon giving prior notice of no more than one working day, without prejudice to the diversification requirements set out in Article 17(1)(b) of the MMFR; and

[1] Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds (OJ L 169, 30.6.2017, p. 8).

— reverse repurchase agreements secured with public debt assets and which are able to be terminated at any time upon giving prior notice of no more than one working day.

The following compliance criteria are applicable to sub-Recommendation B(3).

The Commission's proposed changes to the relevant Union legislation should ensure that NCAs' decisions are applicable to subsets of MMFs according to their type and currency or to all MMFs under their supervision.

The following compliance criteria are applicable to sub-Recommendation B(4).

The Commission's proposed changes to the relevant Union legislation should provide for the European Securities and Markets Authority (ESMA) to coordinate NCAs' decisions as referred to in sub-Recommendation B(3) with regard to:

— subsets of MMFs located in several Member States, according to their type and currency of denomination; and

— the time limit by which MMFs that benefit or may benefit from decisions as referred to in sub-Recommendation B(3) should correct their situation.

Recommendation C — Imposing on redeeming investors the cost of their redemptions

The following compliance criteria are applicable to sub-Recommendation C(2).

The Commission should ensure that relevant Union legislation mandates ESMA to develop specific criteria and guidance defining the circumstances in which liquidity management tools, including but not restricted to those referred to in sub-Recommendation C(1), redemption gates and suspensions, should be deployed. The choice of the tool, the activation of the tool and the calibration of its deployment should be decided upon by the individual MMF manager, subject to the criteria to be developed. Where quantitative parameters are considered, threshold effects should not be introduced.

Recommendation D — Enhancing monitoring and stress testing

The following compliance criterion is applicable to sub-Recommendation D(1).

The Commission's proposed changes to the relevant Union legislation should increase the frequency of the reporting by MMF managers to their respective competent authority, as referred to in Article 37 of the MMFR, to a monthly frequency at least for the main indicators and parameters used for supervisory purposes. MMFs whose assets under management in total do not exceed EUR 100 million should report on a quarterly basis at least.

In addition, the data should include information on the percentage of NAV categorised both by the type of investor and their place of domicile. An investor's sector breakdown should at least include the following sectors:

— non-financial corporations, specifying their economic activity, for example according to the Statistical Classification of Economic Activities in the European Community (NACE);

— credit institutions;

— insurers;

— pension funds;

— governments;

— MMFs;

— non-MMF investment funds;

— other financial institutions;

— households;

— others.

The following compliance criteria are applicable to sub-Recommendation D(2).

ESMA should be empowered to design templates for ad hoc data requests made by NCAs as provided for in Article 39 of the MMFR. These templates should at least include the following data:

— NAV per share/unit and, in the case of PDCNAV MMFs, the variable NAV per share;

— total assets;

— weighted average maturity as defined in point (19) of Article 2 of the MMFR;

— weighted average life as defined in point (20) of Article 2 of the MMFR;

— inflows and outflows;

— public debt assets;

— weekly maturing assets;

— daily maturing assets;

— cash balances.

The following compliance criterion is applicable to sub-Recommendation D(4).

The Commission's proposed changes to the relevant Union legislation should be without prejudice to the provisions of Article 28 of the MMFR regulating stress test carried out by individual MMFs.

The adequate Union-wide stress testing regime for MMFs should be based on a common severe but plausible scenario and offer the possibility to conduct reverse stress tests to identify the point (in terms of redemptions, shocks to credit, liquidity, or interest rate risk) past which MMFs would not be able to operate in an orderly manner.