

IMMFA Response to ESMA Consultation Paper on the methodology included in the Guidelines on stress testing scenarios under the MMF regulation.

We are pleased to respond to ESMA's consultation on Stress Testing Guidelines. We particularly welcome the opportunity to provide our views given that due to time pressure, ESMA did not consult with the industry on the 2020 update.

Introduction to IMMFA

The Institutional Money Market Fund Association (IMMFA) is the trade association which represents the European short term money market fund (MMF) industry. IMMFA's mission is to promote and support the development and integrity of the MMF industry by engaging with and informing policy makers and, amongst other things, providing a primary point of contact for MMF expertise and information.

IMMFA has 26 members, consisting primarily of asset managers but also custodial banks and other firms. Of the 26, 17 are asset managers. IMMFA MMFs assets under management are currently EUR884bn EUR equivalent. This is comprised almost exclusively of institutional funds, denominated in three main currencies, USD, GBP and EUR, of which USD is the largest (USD531bn), followed by GBP (GBP237bn) and EUR (EUR128bn).¹ The overwhelming majority of IMMFA MMFs are stable Net Asset Value (NAV) in the form of either Low Volatility NAV (LVNAV) (76%) or Public Debt Constant NAV (PDCNAV) (19%). IMMFA MMFs are domiciled in Ireland and Luxembourg and are all rated AAA (MMF rating) by one or more authorised credit rating agency.

As of the end of the fourth quarter 2022, the ECB recorded total European MMF assets under management as EUR1,526bn, meaning IMMFA MMFs (EUR917bn equivalent at that time) accounted for 60% of the total market.

IMMFA continues to be recognised as the quality label for the MMF industry and as such we aim to exemplify the objectives of high standards and consistency of information across the industry. IMMFA supports ESMA's objective of assessing, as accurately as possible, the ability of funds to withstand adverse events, and the concomitant application of proportionate and effective stress testing.

Summary

Existing stress testing is already rigorous.

Our fundamental premise is that stress testing should be proportionate and should offer meaningful insights. This can be achieved by positing 'severe but plausible redemption shocks'². MMFs have demonstrated significant resilience in recent years by continuing to meet their core objectives of preserving capital and providing liquidity through a number of challenging periods. Existing stress testing, which was significantly tightened in the 2020 update, already allows for shock scenarios which severely affect MMF redemptions. Having said this, we are supportive of efforts to enhance stress testing by making it more reflective of market realities, and we recognise that the interaction between liquidity and redemption pressure is an important aspect. Attempts to measure this interaction should be based on empirical and transparent criteria.

¹ As of 31 March 2023. Sources iMoneyNet and IMMFA.

² Antoine Bouveret 'Liquidity Stress Tests for investment funds', 2017 IMF Working Paper

We would like transparency on the underlying data sources and assumptions.

Our concern with the current proposals, in particular the introduction of a new ‘price impact factor’, is that this would be based on market size or market depth and/or daily trading volume numbers for which accurate data is not currently available. Given the short-term nature of issuance, the size of the market will demonstrate potentially meaningful variations over time, in particular relating to reporting dates. Lack of reliably accurate money market data would, in our view, risk compromising the integrity of ESMA’s calculations and conclusions.

Our members expend considerable effort in gathering information on the money market instruments and issuers in which we invest. The overall market is, however, more challenging to assess due to the fragmented nature of information and a lack of consistency and standardisation of information available. We highly value any initiative to increase transparency in the short-term market. Ultimately, more information will enable us to make more informed choices for the benefit of the real economy investors in our money market funds. The most comprehensive assessment of the short-term market (known to us) was from the ECB in 2020.³ This report had significant benefits – it originated from an official source and the information it contained was both consistently presented and standardised. We are concerned that there has been no publication since. We understand that ESMA and other public sector bodies have access to frequent, granular information on the short-term markets. We believe that the regular publication of this information would greatly aid market participants in assessing *overall* market characteristics and developments. Furthermore, this information would provide a transparent and objective basis for the establishment of stress testing parameters.

Market size is not necessarily the key determinant of liquidity - availability of balance sheet for intermediation is also crucial.

An additional concern with the use of market size and depth data is that although it is a factor in liquidity, there is a complex interplay between the characteristic liquidity of an individual asset and the availability of bank balance sheet capacity which means that market size may not be the key determinant. The key determinant in the March 2020 crisis was availability of bank balance sheet for intermediation. If banks have limited or no balance sheet capacity, then market size becomes largely irrelevant. The volume sold in Option 1 is therefore a more meaningful factor than market footprint. On this basis we prefer Option 1 over Option 2 which also relies directly on having accurate market size data, seemingly by market segment.

The lack of reliable market wide data for money markets or short-term funding markets has been widely discussed since the 2020 crisis and is now the subject of regulatory focus. The outcome of these discussions has been that the FSB is leading work to improve transparency and consistency in the short-term funding markets, a project to which we and other industry associations such as the ICMA have contributed. The European money markets form a complex ecosystem of varying and overlapping jurisdictions, currencies and market practices, which make the accurate compilation of trading data challenging. Accurate market data on market size and depth would be very useful to our members and we certainly support efforts to improve its provision. We have, as part of the regulatory debate, argued that greater transparency would contribute to overall market functionality and liquidity, which would be to the benefit of MMFs. We have also highlighted that the absence of consistency and standardisation was an impediment to liquidity and specifically to efforts to support

³ ECB, Euro money market study 2020

https://www.ecb.europa.eu/pub/euromoneymarket/html/ecb.euromoneymarket202104_study.en.html

the market during the crisis which followed the outbreak of the COVID-19 pandemic.⁴ Not only would a more transparent and consistent fully functional market benefit all participants, but it would also contribute to the core objective of creating a strong Capital Markets Union in Europe.

Should ESMA decide to proceed, we as an industry would value a description and presentation of the market data assumptions and analysis which will constitute the factors applied. We would also appreciate further clarity on use of the information and its possible public exposure.

MMFs are highly transparent whereas the underlying markets lack the same degree of visibility.

EU Money Market Fund Regulation (MMFR) ensured that MMFs themselves are highly transparent. Each MMF now publishes daily data on key metrics, making MMFs arguably the most transparent investment products available. However, the underlying markets in which they operate do not offer similar visibility. In our view, the issue with market data should be addressed before implementing further tests which rely on said data.

Question 1. Do you have any comments or suggestions based on your experience of the application of the current Guidelines (including credit, FX, interest rate and redemption scenarios)?

The current Guidelines do not raise any issues. We understand IMMFA members are currently reporting in line with existing Guidelines and the MMFR Article 28 (1) requirement that ‘Each MMF shall have in place sound stress testing processes that identify possible events or future changes in economic conditions which could have unfavourable effects on the MMF’.

Stress tests have remained complementary tools for risk managers, alongside the MMFR liquidity requirements. In our view they are best understood not as simple pass/fail tests, but rather as tools to inform internal risk management functions at a given point in time.

Q1 (a) Did you encounter any difficulty or challenges in understanding the requirements of the different stress tests in the current Guidelines?

The requirements of the current Guidelines were clear and have been understood.

Q1 (b) Do you deem that further clarifications are required to ensure that the current Guidelines are being implemented correctly beyond the proposals in the present Consultation Paper. If yes, please specify which parts of the Guidelines are concerned.

No further clarifications are required.

Q2 Do you agree that the price impact of asset sales should be taken into account?

We agree with the rationale for taking the price impact of asset sales into account as outlined in section 3.1.10-14 of the paper. Liquidity is a function of market conditions and therefore it is reasonable to factor this in. MMFs are part of a complex ecosystem where functionality can depend on the interaction of the various market participants. During the COVID 19 crisis all sectors of the market were impacted by the lack of liquidity, including those intermediaries who normally make

⁴ See IMMFA Position Paper on ‘How to Improve the Resilience of the Short-Term Funding markets (March 2020), attached as an Appendix, and IMMFA Responses to ESMA and ESRB Consultations on MMFR Reforms. Only some STEP registered paper was eligible for Euro system purchase under PEPP.

secondary markets. Although the money market instruments (MMIs) which MMFs buy are liquid under normal circumstances, liquidity deteriorates in a stress scenario, as noted by ESMA in its 2020 update, which observed that ‘lack of liquidity of assets may result from secondary market issues’ (4.2).

ESMA’s proposals aim in particular to ‘better take into account the interaction between liquidity and redemption pressures’. With regard to this interaction, we trust that the impact of redemption pressure in a future stress scenario will be alleviated by constructive reforms which aim to make liquidity more accessible, allowing those MMFs, namely LVNAVs and CNAVs, which are subject to a link between liquidity thresholds and the possible imposition of fees and gates, to use their ample liquidity reserves to meet redemptions. We understand this to have been the original objective of MMFR and an area where the regulation did not work as intended. The removal of this link has been recommended by ESMA in its Opinion on reforms to MMFR, as well as by the FSB, the SEC and the ESRB, and is very widely supported by other stakeholders. It would significantly enhance MMF resilience by improving their ability to use available liquidity to meet redemptions.

In recent years, EU MMFs have successfully navigated two significant stress scenarios, the COVID-19 pandemic in March 2020, which was globally systemic, and the more localised turmoil in the UK Gilt market in September 2022, which impacted Sterling denominated MMFs. MMFs have also faced a period of sharply rising interest rates as central banks sought to contain the inflation caused by Russia’s invasion of Ukraine. These events brought a combination of risks to bear on MMFs, which nevertheless have continued to serve their primary purpose of preserving capital and providing liquidity. Given MMFs have demonstrated sustained resilience in difficult circumstances we believe the current stress testing regime sufficiently contemplates a range of scenarios, including an episode of severe stress.

To assess the interaction between liquidity and redemption pressure, ESMA suggests introducing a price impact parameter. ESMA state that ‘For each asset, this interaction depends on the MMF footprint and depth of the underlying market’ (paragraph 16). We have outlined below our concerns that the lack of availability of accurate data on footprint and depth of markets may undermine assumptions derived from them.

The paper appears to suggest that ‘each asset’ refers to the three categories as per Table 1 (page 10) ‘Debt Securities held by EA members’ which are Financial corporate, Corporate non-financial and Sovereign. ESMA state they will be using the market footprint shown in Table 1 on the size of the underlying market ‘to reference future calibration’, but Section 4.8.1 of the Guidelines (page 45) refers to the six existing categories which are Sovereign Bonds, Corporate Bonds, Commercial Paper, Certificates of deposit, ABCPs and eligible securities, which will require more granular data.

Table 1 is titled ‘Debt securities **held by** EA members’ without specifying who the issuers are, i.e., EA or non-EA. It is unclear whether the debt securities are both EA and non-EA. Paragraph 16 refers to Table 1 as showing that MMFs hold ‘only a fraction of debt securities **issued by** EA members’ which suggests the table is only EA securities/issuance. Much of the asset base of IMMFA MMFs is non-EA.

As per our comments above, our members expend considerable effort in gathering information on the money market instruments and issuers in which we invest. The overall market is, however, more challenging to assess due to the fragmented nature of information available and a lack of consistency and standardisation of information available. We highly value any initiative to increase transparency in the short-term market. We believe that the regular publication of this information would greatly aid market participants in assessing *overall* market characteristics and developments. Further, this

information would provide a transparent and objective basis for the establishment of stress testing parameters.

Q3 What are your views on the different options? Option 1: Price impact factor increases with volume sold; Option 2: Market impact factor increases with the market footprint of the MMF for each individual instrument it holds in its portfolio.

Option 1

In our view, Option 1 is preferable. We agree in principle that volume sold is likely to impact the price and the less liquid the market the greater the impact.

Option 1 more accurately reflects the nature of the market where smaller sales have less price impact than larger sales due to recycling (i.e., the ability to resell to other investors) and inventory risk for dealer banks who act as intermediators. In our view, the absolute size of the market may be less relevant than the size of dealer balance sheet capacity and it is the absolute size of sales relative to the size of dealer balance sheets available for this type of business (i.e., intermediating the CP/CD market) that will most impact pricing. This balance sheet capacity varies significantly according to the financial calendar year. The volume/size of a number of key money market products will rise and shrink commensurately as balance sheet capacity fluctuates around reporting dates. This effect is most obvious at quarter end and, more acutely, year ends, when demand for both secured and unsecured short-term funding which does not contribute to bank liquidity ratios is severely limited. This was noted by the ECB in their 2020 report which observed ‘Turnover in the secured segment tends to drop at quarter-end and year-end, for the purposes of “window dressing” (see Chart 1.2 above).⁵

ESMA propose to capture the liquidity of the market in the ‘price impact parameter’. We agree with ESMA that the calibration of the price impact factor will be ‘of the essence’ (paragraph 20). The price impact should be reasonable and based on empirical evidence where possible, perhaps it would be possible for ESMA to look at price levels where sales were made during March 2020 in order to appropriately calibrate the extreme stressed impact threshold. We would recommend that calibrations based on such data should be granular in order to avoid cliff edge effects.

As an illustration, ESMA suggest that in an ‘extreme stress’ scenario selling EUR10bn in a specific category would move prices by 10%, using ‘empirical evidence’. We question whether this would be a valid assumption and the correct calibration as the referenced empirical evidence is based broadly on debt and equity markets which are significantly more volatile than money market prices due to higher duration and risk. It is highly likely that more than 10 billion of non-public debt money market instruments were sold in March 2020 as MMFs looked to top up liquidity buffers above regulatory minimum. Given no LVNAV MMFs breached their 20bps collar in March 2020 and even VNAV MMFs experienced very low levels of price volatility it is unlikely that there were sales done at 90 cents as implied by Table 2. We did not see evidence of MMFs selling assets at this level even though aggregate sales across the industry would have been in the tens of billions.

ESMA suggest that future work can build on an existing analytical framework illustrated in Box 1. The calculation requires both market depth and average daily trading volumes (ADV). We are concerned

⁵ ECB money market report 2020, as above. The report goes on to state ‘Close to regulatory reporting dates banks reduce the size of their balance sheets in order to comply with prudential regulations and to optimise bank levies.’

that a lack of available accurate market data could lead to inaccuracies on market depth. Average Daily Volume is not available for core money market instruments such as CP and CDs which constitute the majority of MMF securities. Most MMIs are not frequently traded since, due to their short maturity, they are bought on a 'buy to hold' basis which means trading volumes would be a misleading indicator. We discuss this in more depth below.

ESMA state that this approach is empirically tractable and can be updated by relying on external sources. Given the well-publicised lack of data on some areas of the European money markets, we feel such data should be made widely available as it would benefit MMFs and other stake holders.

We suggest that the price impact factor should take account of the maturity of the asset, as the existing 'liquidity discount' does, since shorter securities can be assumed to be more liquid. Market quotes are usually provided on a yield/spread basis therefore the 'price impact' on a three-month maturity would be approximately one quarter of that of a one-year maturity. This does not appear to have been taken into consideration in the 'price impact parameter'. It should also take into account the asset type.

Given the output will be very sensitive to calibration, calibration is very important. Calibrations should be granular so that a smooth distribution provides a more coherent pathway through the various stress scenarios, whilst avoiding cliff edges. It is also vital that any underlying market data assumptions used to arrive at the calibrations should be accurate. Regrettably, the lack of availability of accurate market data makes this challenging, especially when considering that this data is not confined to Euro denominated instruments. Authorised European MMFs are denominated in various currencies, as noted in the recent ESMA EU MMF market 2023 report, which showed that 54% of total MMF assets are in non-EU currencies, with 32% in USD and 22% in GBP. IMMFA members and other firms also manage smaller currencies such as Australian, Canadian and New Zealand Dollar MMFs, where availability of data may be limited.

Option 2 – market footprint

In our view Option 2 is less likely to be reflective of market liquidity. Whereas we understand Option 1 to depend on the three categories listed in Table 1 (Financial corporates, Corporates (non-financial) and Sovereigns), Option 2 depends upon more granular market data: 'ESMA would define the list of relevant assets by currency (based on a list of eligible assets)'. Once again, we would draw attention to the lack of available accurate money market data on market size which arguably becomes more difficult as the attempt to capture it becomes more detailed. The complexities in measuring the size of the market are illustrated by the last comprehensive study on Euro money markets published by the ECB in 2020 where the short-term issuance captured is mostly issuance by Euro area banks.

In addition, we feel that calculating the share of a MMF's particular asset holding relative to the relevant market size is not the most pertinent consideration. The key determinant of liquidity will be the available allocation of balance sheet for the purchase of such an asset by market intermediators. Assuming a dealer has a level of balance sheet available to intermediate in the CP/CD market, this allocation will be a function of how much balance sheet that asset consumes rather than the size of the underlying issuance. Furthermore, this allocation will, as noted above, vary significantly according to the financial calendar. This can be illustrated by events in March 2020 when the widespread liquidity 'crunch' resulted in the amount of balance sheet allocated to mediation being significantly reduced as banks prioritised other requirements. At such a time, the footprint of an individual asset becomes largely irrelevant. This obstacle was only surmounted by the US Federal Reserve providing an outlet for sales of CP/CDs which, crucially, was balance sheet neutral for banks.

There are significant complexities involved in measuring the size of the market for MMIs either in aggregate or in some cases, in the individual sectors. Almost all MMIs are traded over the counter and originate in a number of jurisdictions and in multiple currencies. This has resulted in a lack of consistency and standardisation across markets. Within this complex system, various sub sectors have evolved which overlap and resemble each other but operate with slightly different conventions. Whilst individual sectors such as NEU CP (which is largely EUR denominated French domestic issuance) or STEP labelled CP (which is not universal) are publicly reported by the Banque de France, other areas such as the much larger Euro CP/CD market are mostly only captured by commercial providers.

Given the short-term nature of issuance, the size of the market also demonstrates meaningful variation over time. 'Window dressing' around reporting dates, for instance, has a very significant effect in the secured segment and some CP/CD issuers will reduce outstandings around key reporting dates.

The lack of reliable whole market data for the money markets has been widely discussed since the 2020 crisis and is now the subject of regulatory focus. The outcome of these discussions has been that the FSB is leading work to improve transparency and consistency in the short-term funding markets, a project to which IMMFA and other industry associations such as the ICMA have contributed. Improved data provision would be very useful to our members. Greater transparency would contribute to overall market functionality and liquidity, which would be to the benefit of MMFs.

As above, we note concerns over average daily trading volumes. Box 1 in the Paper gives an example showing market depth is derived by daily trading volumes and asset volatility over time, noting that this framework 'can also be used for a range of assets... including MMIs'. In our view accurate daily trading volumes are not currently available for the money market instruments typically held by MMFs. Whilst daily turnover would be an important metric for investment grade corporate bonds or government debt, which are longer term, money market instruments such as CP and CDs, are typically 'buy to hold' and as such tend to trade much less. This is because due to their short maturity, they are largely held to maturity after purchase. Consequently, daily trading volume, even if were available, would be a misleading (understating) indicator of liquidity.

Q4 Do you have views on

- **The calculation of the size and market depth of the money markets MMFs invest in (eligible money market instruments)?**

As noted in our response to Q3 above, we are concerned that the current lack of availability of accurate money market data would lead to flaws in the calculation of market size and market depth. We wholeheartedly support efforts to enhance the availability of such data as it is very much in the interests of our members to have improved market transparency. Many money market stakeholders recognise that the lack of transparency and consistency raises some very challenging issues which to date have not been adequately addressed. How to improve transparency and consistency across the European money market arena, in particular in the CP and CD markets, is now a regulatory priority. The European money markets encompass not only EUR but other currencies such as USD and GBP, as well as smaller currencies. Given this context, the inclusion of market size/footprint/depth data into stress testing appears to be premature. Market size assumptions would at this stage be based on *a priori* assumptions rather than empirical data. In our view, empirical-based data should be a prerequisite.

We note that in the US, stress testing is required but is less prescriptive and that the SEC do not impose calibrations. The US money markets is the only market where accurate underlying market data is available, made easier by the fact that there is one regulator and one currency.

- **The threshold in option 2 (e.g., the threshold regarding the individual asset market footprint) above which the cost of liquidating positions may increase?**

As we feel Option 1 is preferable to Option 2 we will confine our comments to repeating that the calculation of thresholds would be undermined by the absence of reliably accurate underlying data on individual asset market footprints.

Q5 Do you have views on the price impact factor, i.e., the impact on the price of an assets (in bps) for a given amount of sales under option 1 and 2?

We suggest one method of approach would be to consider how much was sold across the global industry in March 2020, and what were the levels, how stressed was March 2020 as an 'extreme scenario' and extrapolate from there.

Q6 Do you have views on any other options which would allow to take into account the interaction between liquidity and redemption pressures?

We think that the ESMA approach would be reasonable if the market data were available and accurate, but we would welcome more transparency on the data used. As noted, we think bank balance sheet capacity is a key factor, but this is also an area where capturing data would be challenging.

Q7 Do you have views on the proposal that ESMA could use the information reported in the macro-systemic shock to assess systemic risk? Do you agree that the two options are not mutually exclusive and could be conducted in parallel?

Given our reservations about the accuracy of the underlying market data, we do have concerns about extending the application of the results to extrapolate spill-over effects onto other market participants and the broader economy.

We would appreciate further clarity over use of the information reported for the purposes of simulating macro-systemic shocks and its possible public disclosure. If ESMA have access to comprehensive and accurate data on the underlying markets then we would request that they share it with market participants.

Q8 Do you have views on the methodology proposed and especially:

- **the proposal to measure the systemic impact on the money market, using a price impact factor;**
- **the data and calibration;**
- **the approach to assess spillovers to short-term issuers, including the assumption that the short-term funding would not be rolled-over;**

Our views on data are expressed above. To summarise, we feel the methodology is in principle reasonable, but the absence of accurate market wide data would make the conclusions unreliable. The issue of market data should be resolved first, and we would support the efforts of ESMA and other

authorities to enhance the provision of market data as part of broader work on the short-term funding markets.

Given the sensitivity to calibrations, we would request that prior to instituting any changes based on the proposed methodology, ESMA share the sources for market wide data and calibrations with the industry since it is in the interests of both ESMA, other regulators and policy makers and our members to have transparent data on the short-term funding markets/money markets.

It is the primary objective of a short-term MMF to provide liquidity and preserve capital. At times of stress, when liquidity conditions become more challenging, it would be imprudent and detrimental to the interest of shareholders to continue expending liquidity without any adjustment. In most cases, MMFs will continue to roll over investments but will do so on condition of a shorter maturity. If such conditions do not meet the issuers' liability requirement, then that issuer may experience an interruption to their usual funding.

Assumptions about spill-over effects may fail to account for the behavioural considerations at times of stress. Generally, investors will tend to move to 'safe haven' assets such as governments, cash or Constant Net Asset Value (CNAV) MMFs. This may not hold true in all situations, however. For instance, in a sovereign crisis where the usual 'flight to quality' asset is itself the locus of the problem. Other scenarios may also lead to additional offsetting inflows into MMFs. For instance, in the March 2020 'dash for cash' USD LVNAVs experienced elevated outflows, whilst USD PDCNAVs received a similar level of inflows. In the LDI crisis in September 2022, Sterling denominated MMFs initially experienced heavy outflows (which were accommodated from liquidity holdings) but these were swiftly followed by exceptionally high levels of inflows. Extrapolating the impact of Sterling outflows onto Sterling issuers at that time would have been largely meaningless. This illustrates that MMF portfolios are characterised by rapid turnover and stress test results rapidly become outdated, unlike the case for other longer-term funds. Any resulting policy prescriptions therefore risk being erroneous.

Q9 Do you have views on the proposal to assess spillovers to short-term issuers? Do you have views on the data that could be used to assess short-term funding needs? Do you have views on potential rollover assumptions?

In a stress scenario, MMFs will exercise prudence in maintaining high levels of liquidity in order to meet possible increased redemptions. For them to do otherwise may be to expose themselves to inappropriate and unnecessary risk. Consequently, MMFs may roll maturing investments into shorter-dated exposures or not roll over all maturing investments if experiencing outflows in a stress scenario. If such conditions (shorter maturities) do not meet the issuers' liability requirement, then that issuer may experience an interruption to their usual funding.

We recognise that this will impact those short-term issuers who are reliant on such funding and that it is therefore relevant to ESMA to assess the extent to which unusual outflows from the MMF sector are likely to have a 'spillover' impact on funding more broadly.

Q10 Do you agree with the approach taken by ESMA of not including a climate scenario in the stress test methodology? And if not, please share views on how climate risks should be taken into account and calibration of parameters.

We agree with ESMA that a climate scenario should not be included. By virtue of their investments being short term, MMFs have very limited exposure to the risks associated with climate change which as noted by ESMA materialise over a long-term horizon.

Q11 Do you see any possibility to include other environmental, social and governance issues in a stress test scenario?

We see no other ESG issues that would be applicable to MMFs.

MMFs are already highly alert to governance risk and manage their portfolios accordingly. The management of credit risk is adequately provided for under MMFR. Exposure to credit risk is already provided for under current stress test guidelines.

Q12 What are your views on the costs and benefits of the 2 options? Option 1: Price impact factor increases with volume sold; Option 2: Market impact factor

We believe that the cost impact to members of implementing the change in methodology by including a price impact factor would be acceptable. We anticipate that the costs would be proportionate to the benefit.

There is no material difference in the cost impact and benefits of Options 1 and 2.

Q13 What are your views on the costs and benefits of the 2 options? Option 1: systemic impact on the money market; Option 2: spillovers to short term issuers.

We assume that this question, at least as it relates to costs, is not directly applicable to members as the cost impact of ESMA collecting and using the outflow data harvested to enhance its systemic risk monitoring would be borne by ESMA not by fund providers. With regard to the benefits, our concerns outlined above mean that we feel extrapolating the data may have limited benefits.

We note ESMA's comment that the current Guidelines will continue to apply with no consequences for the way MMF managers implement and report the results of the scenario.