



#### Eligible Assets for Money Market UCITS/AIFs https://www.pwc.lu/en/regulatory-compliance/awm/ awm-investment-management-compliance-services.html Reverse Repurchase Agreements Financial Derivative Instruments Money Market Instruments, Securitisations and ABCPs Shares or Units of Money Market Funds (MMF) Bank Deposits Repurchase Agreements (Article 15) (Article 13) (Article 12) (Articles 10 & 11) (Article 14) With a legal maturity at issuance of 397 days or less The targeted Money Market Fund is included in the ESMA Central Public Technique used only on a temporary The underlying consists of eligible Money The underlying consists of basis (maximum 7 working days) for Market Instruments (except Securitisations Register identifying each authorised Money Market Fund 1. Interest rates With a residual maturity of 397 days or less liquidity management purposes and ABCPs) issued by issuers which are 2. Exchange rates or currencies Indices representing one of the above categories independent from the counterparty (no high Money Market Instruments that undergo regular yield adjustments in line with money market correlation) conditions at least every 397 days with a residual maturity/maturity at issuance not exceeding 2 years (only for standard MMFs) Cash received may only be: The Derivative is an OTC derivative No more than 10% of the net assets of the targeted Money Market Fund (i) placed on Bank Deposits; or, may be invested in aggregate in units or shares of other Money Market The issuer and the quality of the Money Market Instrument have received a favourable assessmen (ii) invested in liquid Transferable Funds in terms of internal credit quality (not applicable to Money Market Instruments issued by a central Securities or Money Market authority or a central bank of a Member State, the European central bank, the Union, the European The eligible Money Market Instruments Instruments issued or guaranteed by: Mature in no more than 12 The counterparty is subject to prudential Financial Stability, the European Stability Mechanism, the European Investment Bank) received by the Money Market Fund as part of 1. a central authority or a central bank of a supervision the Reverse Repurchase Agreement shall not Member State, the European Central Bank, the Union, the European Financial Stability be sold, reinvested, pledged or otherwise Listed on an official stock exchange or traded on a regulated market Facility, the European Stability Mechanism, transferred The targeted Money Market Fund does not hold units or shares of the the European Investment Bank; or, 2. a central authority or a central bank of a The Derivative is subject to reliable and verifiable acquiring Money Market Fund third country with a favourable credit risk valuation on a dailv basis 1. Fair value which does not rely on market quotations from Issued by an Simple and Simple and undertaking 2. Either market value or value determined by a pricing Level 2B **ABCP** by a state any securities by an model using a recognised methodology of which are issuer/ sued under 3. Verification of the valuation: third party independent from With a credit institution that The Money Market Fund has the right to supranational Or listed subject to issued by an ABCP the investment manager and with adequate resources The counterparty is prohibited Money Market Fund and the targeted Money Market Fund are managed has its registered office in a terminate the agreement at any time upon a from selling, investing, pledging or directly or under delegation by the same manager or by any other notice of maximum 2 working days Member State or in a third vehicles otherwise transferring the assets company linked to the manager of the acquiring Money Market Fund country provided that it is subject received in collateral without the prior to prudential rules considered The Derivative can be sold, liquidated or closed consent of the Money Market Fund equivalent to those laid down in by an offsetting transaction at any time at its fair No Union law value at the Money Market Fund's initiative Are prudential rules With the following sufficiently stringent? Either an The market value of the assets received as The Money Market Fund has the right 1. fully supported No subscription or redemption fees are charged to part of the Reverse Repurchase Agreement is The Derivative serves only the purpose of hedging the by a credit to terminate the agreement at any 1. Located in the EEA or the Money Market Fund time upon a notice of maximum 2 at all times at least equal to the value of the interest rate or exchange rate risks inherent in other institution 2. Located in the OECD 2. is not a reworking days investments of the Money Market Fund securitisation the group of Ten or 3. does not include synthetic grade or 4. It can be demonstrated securitisations by an indepth analysis on a case-by-case basis Maximum 5% of the net assets in units/shares of a single Money Market Fund (limit not applicable to AIF MMFs or UCITS imum 5% of the net assets in Money Market Instruments, Securitisations and ABCP's issued by the same body (Article 17 1. (a)) in Bank Deposits with the same For VNAV MMF, by way of derogation, this limit of 5% is raised up to 10% of its net assets provided that the total value of such instruments in each issuing body in which it invests more than 5% does not exceed 40% of its net assets MMFs under certain conditions) (Article 16.2) credit institution (Article 17 1. (b)) (Article 14 (d)) By way of derogation, a Money Market Fund may derogate to this limit of 10% up to 15% in 17,5% of the net assets (limit not applicable to AIF MMFs or UCITS MMFs under certain conditions) (Article 16.3) Fund may invest up to 100% of its net assets with a least 6 issues of an issuer assets with a least 6 issues of an issuer and maximum 30% per issue when the issuer is a central bank/central authority of a Member State/third country or other supranational institutions (Articles 15 6. & 17 7.) markets where the number of credit institutions is insufficient (Article 17 1. (b)) (this derogation (Article 17 3.) A Money Market Fund shall not combine investments in Money Market Instruments (including ABCPs and Securitisations) issued by a body, deposits made with that body and OTC derivative instruments giving exposure to that body in excess of 15% of its net assets. This limit of 15% is raised up to 20% for markets where the number of viable financial institutions is insufficient (Article 17 6.) Companies which are included in the same group for the purposes of consolidated accounts, as regulated by Directive 2013/34/EU or in accordance with recognised international accounting rules, shall be regarded as a single body (Article 17 10.)



Eligible investment

Non-eligible investment

Other non-eligible investments/techniques: short selling, direct or indirect exposure to equities or commodities, entering into securities lending or borrowing agreements, borrowing and cash lending (Article 9 2.)

Covered bonds issued by a single EU credit institution are eligible up to 10 % of the net assets provided that the total value of such instruments in each issuing body in which a MMF invests more than 5% does not exceed 40% of the net assets.

This limit of 10% is raised up to 20 % for High Quality Liquid Assets (HQLA) covered bonds level 1 and level 2a provided that the total value of such instruments together with the other covered bonds in each issuing body in which a MMF invests more than 5% does not exceed 60% of the net assets

A public debt CNAV MMF must invest at least 99.5% of its net assets in instruments referred to in article 17.7, Reverse Repurchase Agreements secured with government debts referred to in

Your contacts for investment restrictions and eligibility issues

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## **The Money Market Fund Regulation**

The Money Market Fund Regulation (the "MMF Regulation" that applies from July 2018 (January 2019 for existing funds) imposes many changes to all UCITS/ AIFs Money Market Funds (regardless of whether they operate as constant/stable NAV or Variable NAV MMF).

Such changes include for instance:



More stringent rules on eligibility of investments and investment restrictions



New liquidity requirements



New processes to implement (stress testing, internal credit quality assessment, specific KYC process...)



New pricing and NAV calculation requirements



New reporting to investors and regulator

funds' range, do not hesitate to contact us.



Update of the prospectus and articles



The scope of the regulation is broader than the previous CESR guidelines on MMF.

Indeed, any UCITS or AIF (including sub-funds thereof) that invest in short term assets (residual maturity not exceeding 2 years) and have as distinct or cumulative objective to offer return in line with money market rates or preserving the value of investment might fall under the scope of the regulation. This regulation does not only apply to funds sold as money market funds - your short-term funds (or subfunds) might fall under the scope of the regulation.



We can provide real support to you on this matter. Indeed, we have already been assisting asset managers and service providers to implement this regulation. We have been closely following all the phases of the finalisation and implementation of this regulation.



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### **Asset & Wealth Management Compliance Services**

The EU and Luxembourg investment management regulatory frameworks not only provide market players with opportunities but also present compliance challenges. Managing compliance risks while catering various investors' expectations is your key challenge.

### How we can help



# We provide online access to our AWM Compliance Workbench database

AWM Compliance Workbench is a user-friendly web-based database designed to provide our clients with access to a library of investment compliance related documents.

#### It includes:

- Product, index and stock exchange analysis;
- Technical notes:
- Applicable directives, laws, regulations and circulars.



# We organise training sessions and bespoke workshops

Our training sessions and workshops are tailored to your company's needs.



### We assist you in the form of ad hoc advice and analysis

### For Product Developers and/or Investment Managers

- We do eligibility reviews of sophisticated financial products and complex derivative instruments;
- We support your company in the implementation of innovative investment strategies;
- We perform comparative analyses to identify the most suitable regulatory environment for your new fund.

### **For Legal Departments**

• We do prospectus reviews to make sure that (i) all existing risks in terms of wording, format and presentation are identified, remediated and covered, (ii) consistency of the document is increased and the document landscape (e.g. KIID, Sales & Marketing material, homepage information) can be easily aligned, and (iii) we assist in the implementation of new regulatory and market requirements.

### For Board Members or Conducting Persons

- We perform on-going eligibility reviews of specific assets, stock exchanges or regulated markets for you;
- We analyse potential compliance issues;
- We perform periodic reviews of fund portfolios given the investment restrictions and the eligibility criteria imposed by the law.

### **For Risk Managers**

- We perform reviews of risk management processes for complex UCITS funds;
- We review operational risk management frameworks;
- We support you in the selection and implementation of risk management systems.

### **For Compliance Officers**

- We interpret regulations applicable to your product and business;
- We review your compliance control framework;
- We assist you in the selection and the review on investment guidelines monitoring set up.

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