EU Money Market Fund Reform

NEW RULES IN 2018

The European Commission new rules to regulate money market funds ("MMFs") will apply to all MMFs created after **21st July 2018**, and existing MMFs have until **21 January 2019** to comply.

The MMF Regulation permits four types of MMF:

CONSTANT NAV (CNAV MMF):

Public debt constant NAV MMFs ("Public Debt CNAV MMFs")	Invests 99.5% in government securities and maintains a constant NAV Low volatility
Low volatility NAV MMFs ("LVNAV MMFs")	Invests in "prime" money market fund assets and maintains a constant NAV within certain parameters

VARIABLE NAV:

Short-term variable NAV MMFs	Invests in "prime" money market fund assets and maintains a variable NAV
NAV Standard variable NAV MMFs	Invests in "prime" money market fund assets and maintains a variable NAV but invests in assets with long maturity than the short-term variable NAV MMF

Corporate treasury cash investments are typically constant NAV MMFs ("CNAV MMF"). The main differences between existing CNAV MMFs and the two new types of CNAV MMF include:

	STATUS
Valuation	Amortised cost still permitted LVNAV can use amortised cost up to 75 days maturity and mark-to market for longer asset maturities
Liquidity	New daily and weekly liquidity requirements in place
Eligible assets	Similar to current rules Public Debt CNAV must have 99.5% government assets, cash or reverse repo backed by government assets
Diversification	Additional more restrictive rules
Redemption gates and fees	If weekly liquidity falls below the 30% threshold and the net daily redemptions on a single business day exceed 10% of total assets: must consider applying liquidity fees, redemption gates or a suspension of redemptions. Where weekly maturing assets falls below 10% either liquidity fees on redemptions or a suspension of redemptions must be implemented

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