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ESMA Issues Stress Testing Requirements for Money Market Funds

On 19 July 2019, the European Securities and Markets Authority (ESMA) issued two sets of guidelines [regarding the stress testing of money market funds](#) and [reporting on money market funds to national competent authorities](#) (NCAs), aimed at ensuring a coherent application of the Money Market Fund (MMF) Regulation.

The Guidelines on stress testing establish common reference parameters of the stress test scenarios MMFs or managers of MMFs should include in their stress scenarios. The Guidelines on reporting provide guidance on how to fill in the reporting template on money market funds that managers of MMFs will be required to transmit to competent authorities as of Q1 2020, which report would also include the result of stress tests. The current guidelines include the calibration of the stress test scenarios for 2019.

MMFs and managers of MMFs are expected to measure the impact of the common reference stress test scenarios specified in the Guidelines, the results of which should be shared with regulators through the reporting template with their first quarterly reports for Q1 2020. Therefore, the Guidelines include stress test scenarios in relation to hypothetical changes in **MMFs'**:

- liquidity levels;
- credit and interest rate risks;
- redemptions levels;
- widening/ narrowing of spreads among indexes to which interest rates of portfolio securities are tied; and
- macro-economic shocks

The guidelines will be updated on an annual basis and will take into account the latest market developments.

The MFSA will be providing more details on the submission form and format under separate cover.