

Circular to the financial services industry on the Proposed Regulation on Money Market Funds ('MMFs')

On 27 November 2014, the Presidency of the Council of the European Union issued a [second compromise proposal \(16185/14\)](#) relating to the proposed Regulation on MMFs to delegations (the 'Regulation').

The European Parliament's Committee on Economic and Monetary Affairs is due to consider the draft report in December 2014 and January 2015 and the final text of the Regulation is expected to be issued by the first half of 2015.

MMFs are important sources of short-term financing for financial institutions, corporates and governments in Europe. The proposed regulation will rely on the existing authorisation procedures harmonised by the UCITS Directive as well as the AIFM Directive.

Fund Managers will continue to be regulated by either the UCITS or AIFM Directive but collective investment schemes falling under the scope of this Regulation will have to comply with this additional layer of specific MMF product rules, which are intended to safeguard the integrity and robustness of the internal market whilst reducing systemic risk.

The changes in the proposed Regulation *inter alia* include: [i] a revised classification of eligible assets including the use of securitisations; [ii] the introduction of minimum liquidity and diversification requirements (10% in daily maturing assets, 20% in weekly maturing assets; [iii] an obligation to maintain a "know your client" policy; [iv] change in the valuation of MMFs assets; and [v] the prohibition of sponsor support unless approved by the appropriate National Competent Authority in exceptional circumstances.

Should you have any queries, please do not hesitate to contact Mr Ian Meli, Analyst, Securities and Markets Supervision Unit (imeli@mfsa.com.mt).

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