



26 February 2015

**Statement on the position reached by the European Parliament Economic and Monetary Affairs Committee on the Proposal for Regulation on Money Market Funds (MMFs)**

*The European Association of Corporate Treasurers (EACT) welcomes the position reached today in the ECON Committee on the Proposal for regulating Money Market Funds. We congratulate Rapporteur Neena Gill and Shadow Rapporteurs Brian Hayes, Syed Kamall, Petr Jezek, Fabio De Masi and Philippe Lamberts for their good work and for bringing the negotiations within ECON to a successful result.*

*Since the Commission adopted its proposal in September 2013, we have been concerned about its potential consequence, if adopted as such, on corporate end-users. MMFs are an important cash management tool for businesses that need to be able to deposit their short-term cash balances in secure and highly liquid vehicles. The proposals would have made it very difficult for corporate investors to continue to use MMFs because of the proposed ban on external credit ratings and the proposed capital buffer for CNAV funds. We believe that the consequences of the proposed reforms would have been a higher concentration of funds in a small number of systemically risky banks and an outflow of funds from the EU, neither of which we believe are desirable outcomes from the overall policy perspective. From the perspective of non-financial companies the result would have been all the more difficult as some other recent regulatory measures, such as bank bail-in and CRD IV, are putting additional challenges and restrictions on corporates for the management of their liquidity.*

*We therefore appreciate the ECON Committee's position to allow MMFs to seek external credit ratings, and to allow for new types of CNAV funds and Low Volatility funds, which in our understanding would retain the essential characteristics of the current CNAV product. We are however worried that the sunset clause imposed on the Low Volatility funds could cause reluctance in fund managers to set up such funds and therefore limit their offering on the market, and therefore we would favour not including any sunset clause in the final text.*

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*We will now seek to engage with the Council and thereafter with the trilogue negotiators in order to achieve an outcome that takes into account the needs of corporate investors.*



## The European Association of Corporate Treasurers

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