IMMFA INSIGHTS

INSTITUTIONAL MONEY MARKET FUNDS ASSOCIATION

EUROPEAN MONEY MARKET FUNDS AND BREXIT

Summary

- This note explains what UK and other investors need to know about European Money Market Funds if there is a "no deal" Brexit.
- Essentially it will be business as usual.

Briefing

The biggest Brexit impacts for money market funds (MMF) relate to where a fund is domiciled and where the investors are based.

All IMMFA member funds, except one, are already domiciled in the EU (in Ireland or Luxembourg with local infrastructure). This means there will be **no noticeable impact on European and other non-UK investors** should the UK leave the EU without a deal.

IMMFA has been discussing the position of UK investors with HM Treasury since the referendum vote. A year ago the Chancellor, Philip Hammond, committed in Parliament to ensure a continuation of existing arrangements for UK investors in MMFs in the event of a "no deal" EU-exit.

IMMFA has worked for months with HM Treasury over the delivery of this commitment. Statutory Instruments are now in place to keep the MMF legislation in place after Brexit. A Temporary Permissions Regime (TPR) has been created at the Financial Conduct Authority (the relevant UK regulator) into which EU-domiciled MMFs may register prior to 29 March 2019. **Once registered, MMFs will have up to 3 years to continue promoting their fund to UK investors exactly as they do now**. After the TPR comes to an end, the MMFs will have a range of options available to continue their business with UK investors.

UK Local Authorities will also be able to invest in IMMFA member MMFs on the same basis as now. The Ministry of Housing, Communities and Local Government has implemented "no deal" arrangements in line with the Chancellor's commitment. Two Statutory Instruments are in place to deal with it (Local Government EU-exit regulations, 2018 No.1386 and, very recently, 2019 No.396). Both come into effect on EU-exit day.

What should I do now?

- UK investors should check that MMFs have been registered through the TPR.
- Local Authorities should check both Statutory Instruments.