

Money Market Funds Today

ACT Cash Management Conference – February 2020

Veronica Iommi, Secretary General

Institutional Money Market Funds Association

*“Revenue is vanity, profit is sanity,
but cash is king.”*

Agenda

- What is IMMFA, its mission and membership
- Money Market Funds - the Benefits
- European Money Market Fund Reform is behind us, what does this mean for investors?
- Key Themes
- MMFs - Channelling Liquidity in the Real Economy
- Looking Forward

WHAT IS IMMFA?

IMMFA's Mission

- The Institutional Money Market Funds Association (IMMFA) is the only trade association in Europe dedicated to Money Market Funds (MMFs)
- Promotes and supports the development and integrity of the MMF industry by
 - Engaging with and informing policy makers regarding MMF issues
 - Educating investors about MMFs
 - Providing timely data on members' funds
 - Providing a centralized point of contact
- Membership includes a variety of asset managers, banks and other firms

IMMFA Full Members

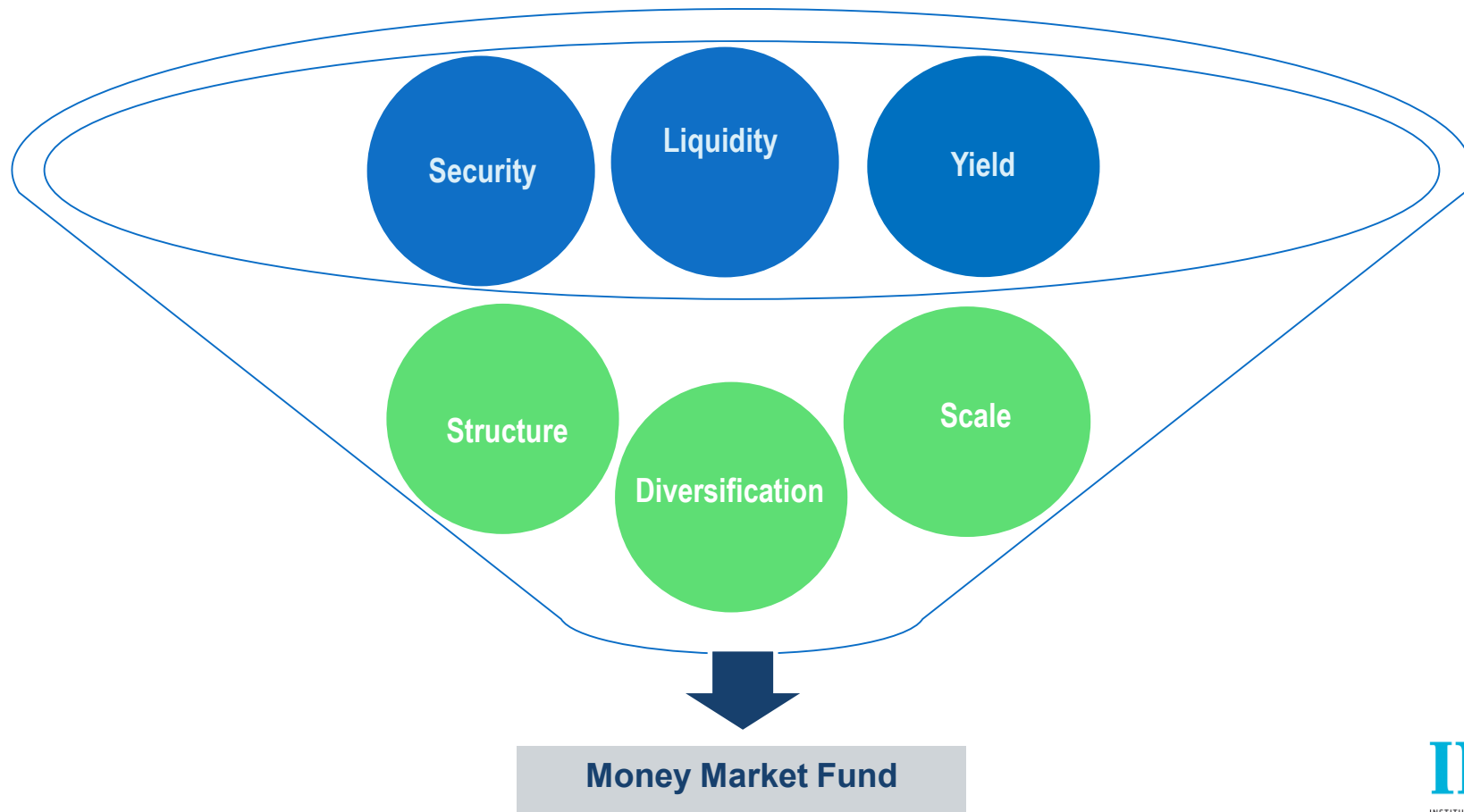


IMMFA Associate Members



The Benefits of Money Market Funds

MMFs must comply with provisions set out in the EU MMF Regulation, as well as the wider EU funds legislation (primarily UCITS). As a result, they operate in accordance with highly-prescriptive, low-risk investment parameters, designed to preserve capital and provide liquidity.



Bank Deposits and Money Market Funds compared

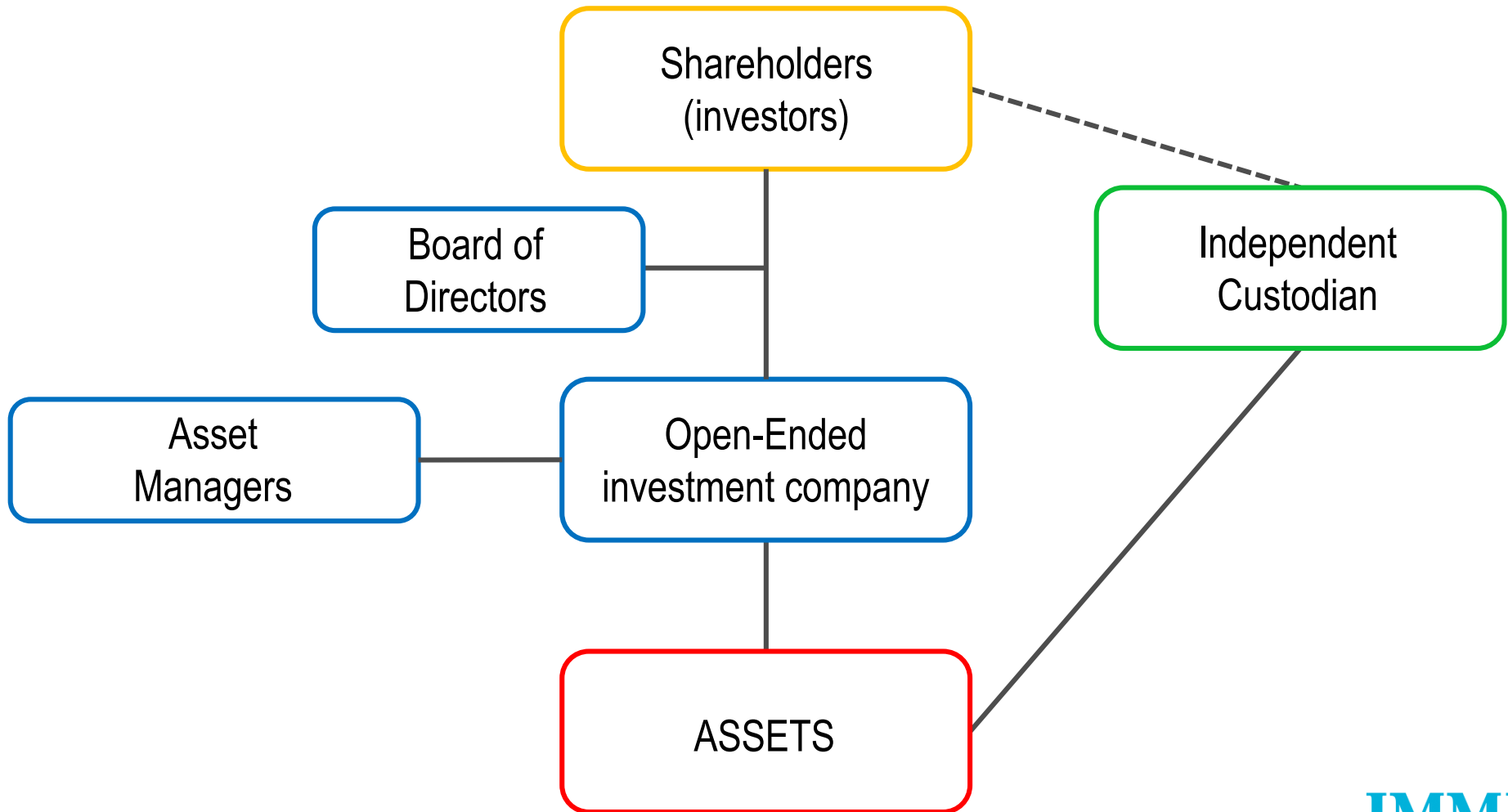
Bank Deposits

- Concentrated credit risk
- Widespread downgrades in recent years
- Limited universe of very highly rated counterparties
- Regulated
- Same day liquidity
- Yield reflects specific term

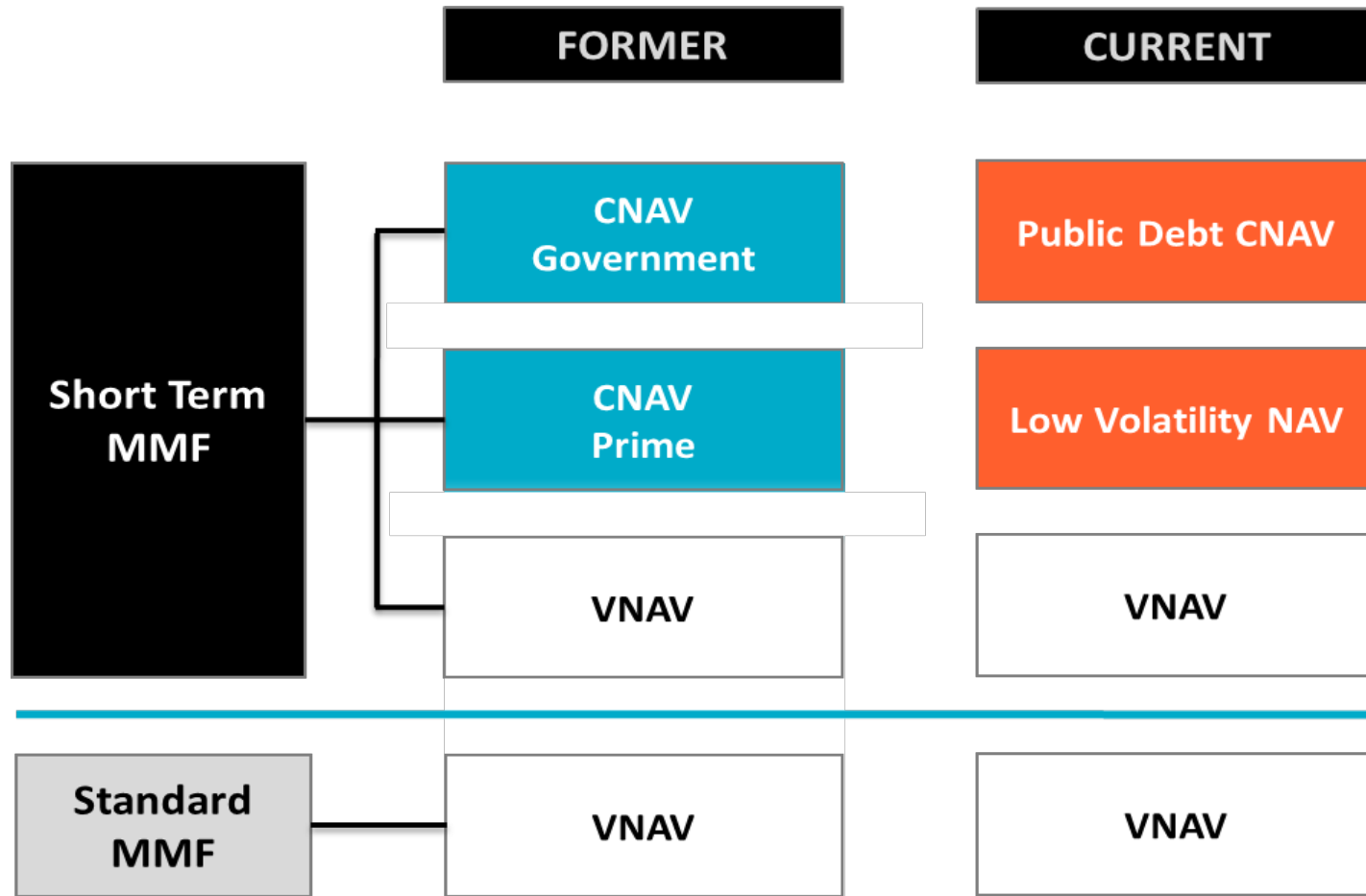
Money Market Funds

- Diversified credit risk
- Typically AAA rated by at least one agency
- No supply constraints of highly rated product
- Regulated
- Same day liquidity
- Return reflects a composite portfolio

MMF Governance Structure



European MMF Product Range: Old to New



European Constant NAV Fund Conversions

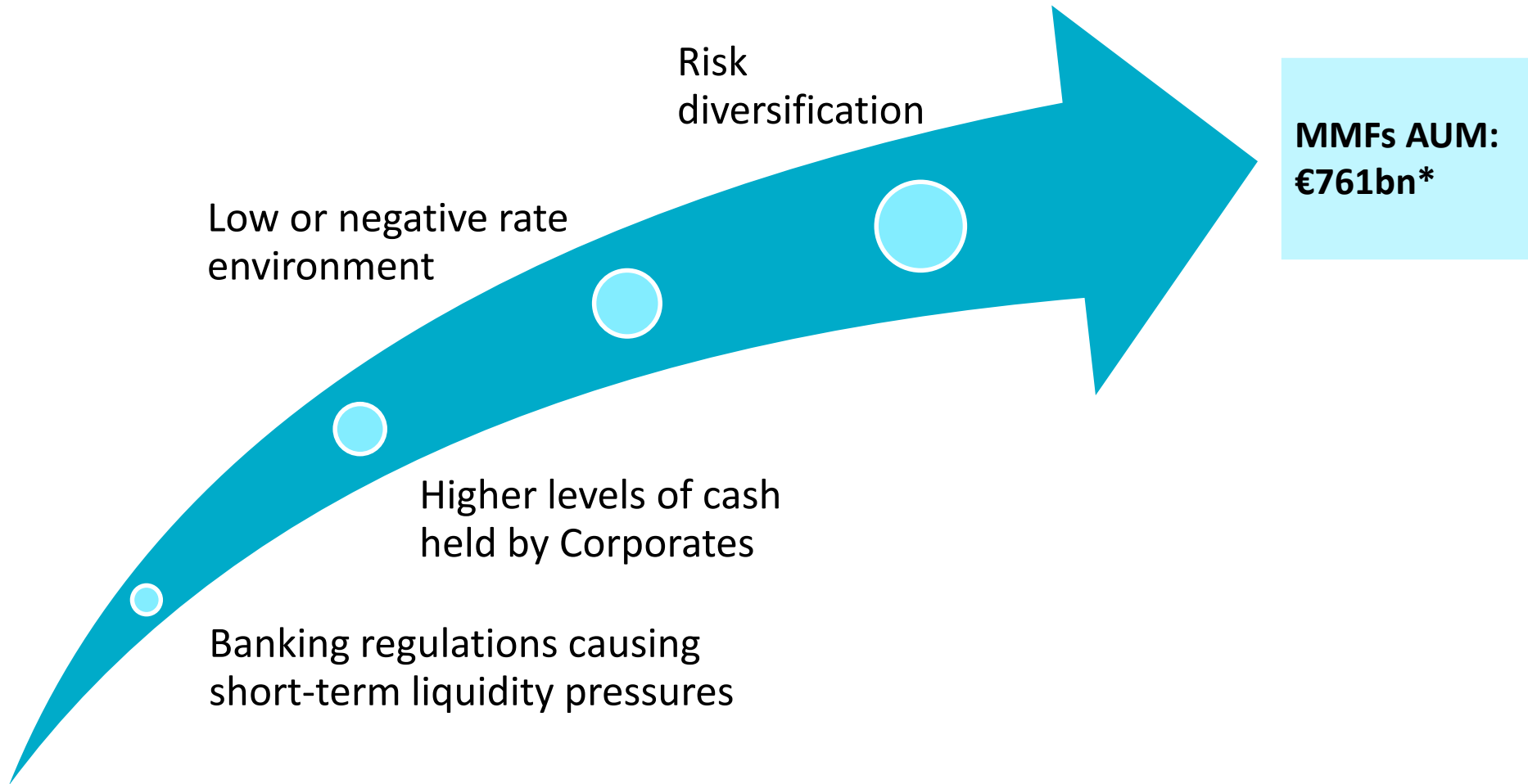


Source: IMMFA

Enhanced Protection Post Reform

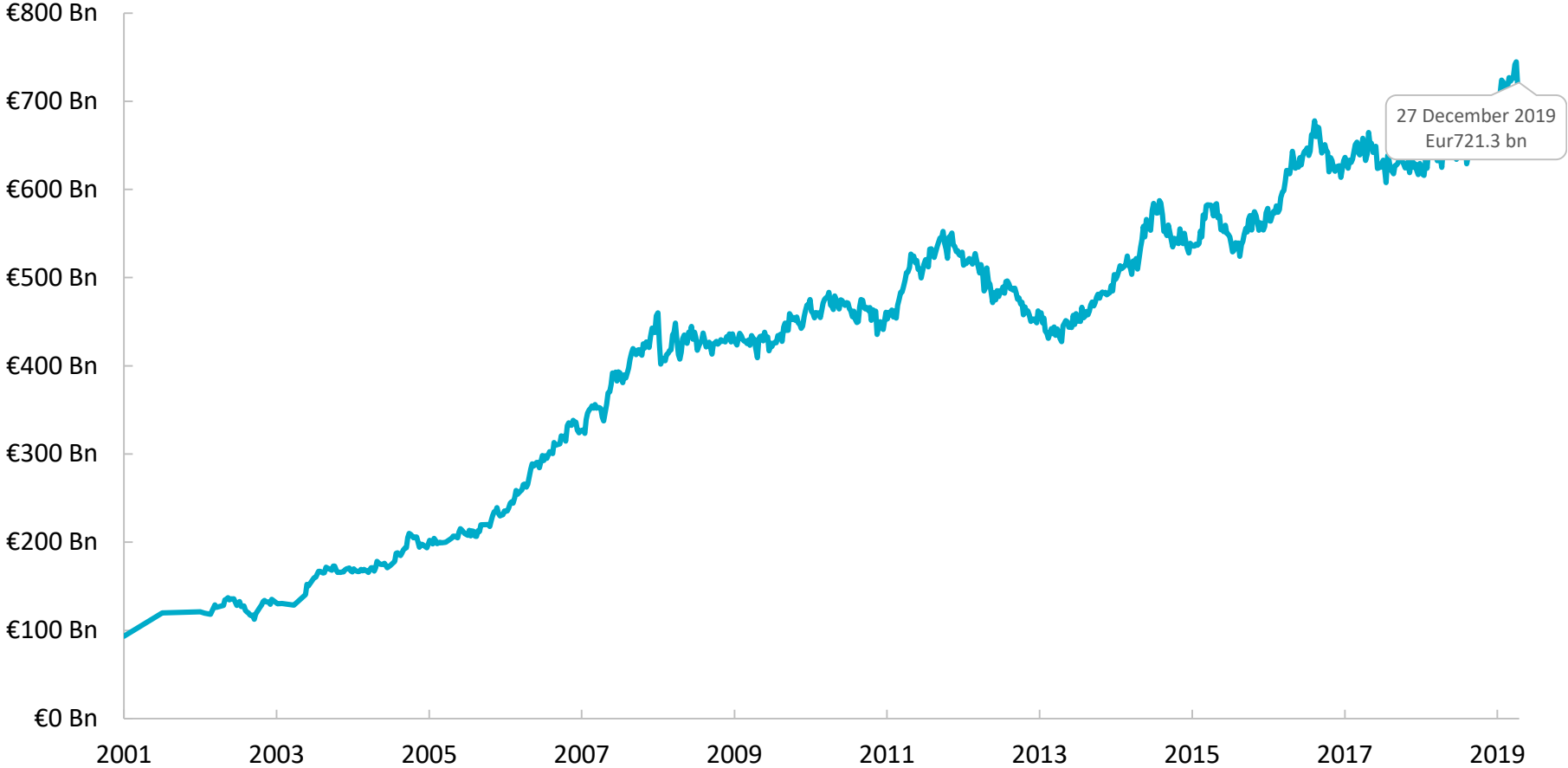
- Limitation in the difference allowable between the mark-to-market NAV and trading NAV of LVNAV and PDCNAV funds
- Minimum daily and weekly liquidity requirements
- Conservative investment parameters in terms of diversification, credit quality and maturity
- Prescriptive information disclosure requirements

Trends Driving Corporate Use of MMFs



*IMMFA member AUM as at 7 February 2020

IMMFA Assets Under Management - Continued Growth



Source: IMMFA

Key Themes

BREXIT

Benchmark Reform

Technology

ESG / SRI / Sustainability

Capital Markets Union

Brexit

Registered funds have 3 years, during which time passporting continues

Vast majority of funds domiciled in Europe

BREXIT

Temporary Permissions Regime passed in the UK in January

Benchmark Reform

Libor, the traditional money market benchmark, being phased out

Transition to more transparent risk-free reference rates based on transactions

USD Libor
➔ SOFR

Benchmark Reform

Euribor and Eonia
➔ ESTR

Sterling Libor ➔ SONIA

Investor engagement with fund providers

Technology

Investors increasingly buying over fund platforms

Platforms can be integrated with Treasury Management Systems

Technology

Easy access to buy and sell MMFs

Consolidated reporting

Trading platforms and systems used by fund providers being updated for new benchmarks

Environmental, Social, and Governance (ESG)

Asset managers working with data providers, investors, industry partners and issuers to ensure MMFs answer investor demand.

Supply of ESG dedicated funds rose sharply in 2019-now 34 globally, according to Fitch. These are typically in the 'Standard' MMF space as opposed to 'Short term'.

ESG

Launch of Rabobank 'ESG Leader' CP/CD programme in 2018 specifically targeted ESG money market demand.

"Credit-rating agencies should be more transparent in how they use ESG factors" ESMA July 2019

Capital Markets Union

Initiated in 2014 with primary goal to:

- promote growth of market-based finance as a complement to bank funding in Europe
- better connect national capital markets

CMU remains a flagship priority under the new Commission

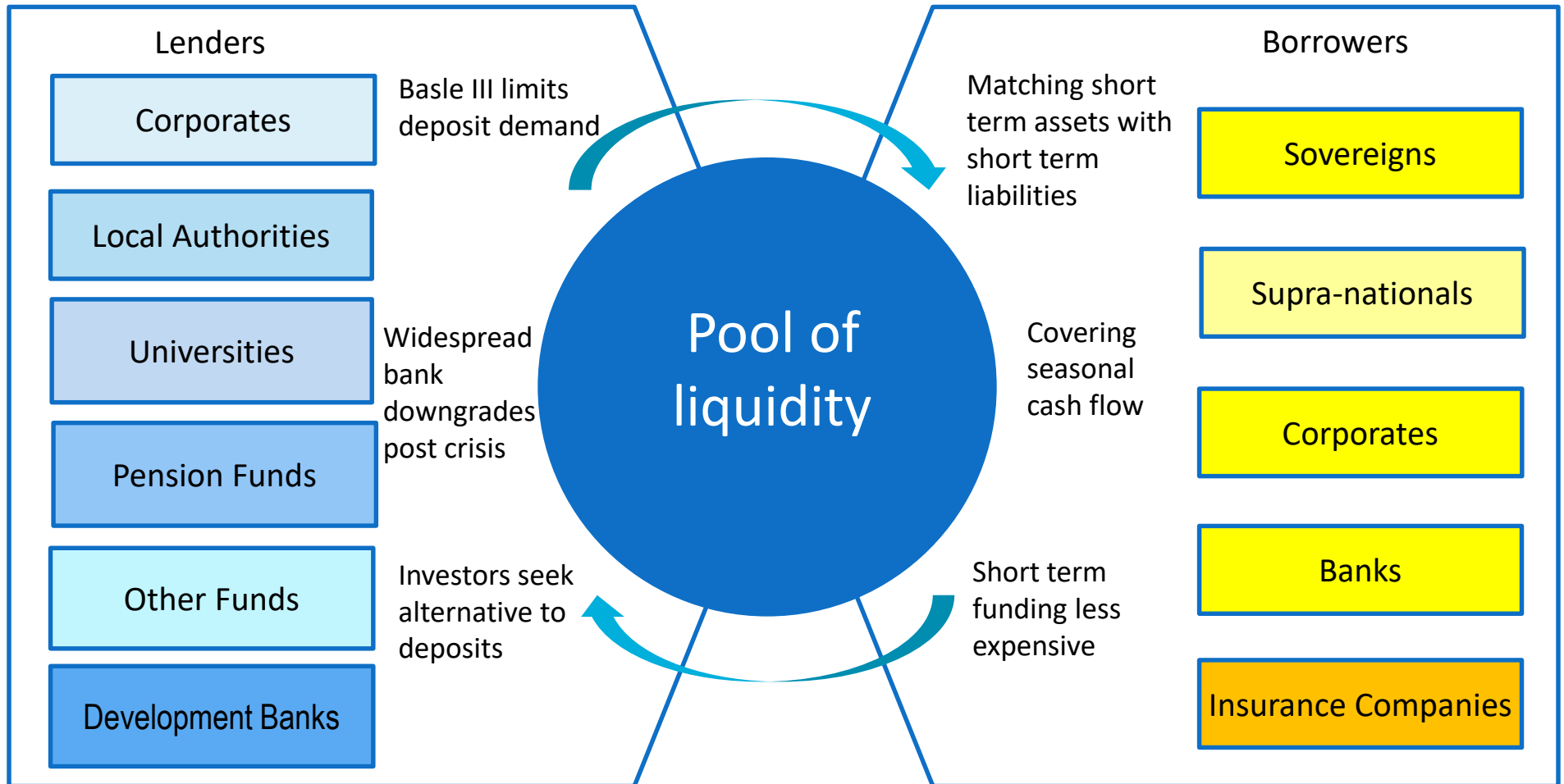
Capital Markets Union

Contribution of MMFs and IMMFA to the goals of CMU

High Level Forum on CMU established to submit policy recommendations in May to "take the CMU to the next level"

MMFs - Channelling Liquidity in the Real Economy

“MMFs are an important supplier of short-term financing to the real economy” (European Council March 2019)



Looking Forward

- IMMFA Priorities:
 - Anticipate and prepare for regulatory developments
 - Position ourselves with the new Commission and other EU stakeholders
 - Build new/enhance existing relationships at an individual country, EU and international level
 - Develop closer collaboration with other relevant trade associations
- All in parallel with delivering our core mission

*“Liquidity is oxygen for the
financial system”*

Ruth Porat

Institutional Money Market Funds Association

6 Bevis Marks, London EC3A 7BA

+44(0) 203 786 1516

admin@immfa.org

Visit our website at: www.immfa.org

Follow us on **Linked** 

This material is for information purposes only and does not necessarily deal with every important topic or cover every aspect of the topics with which it deals. It is not designed nor intended to provide legal, tax, accounting, investment or other professional advice on any matter. It may not be reproduced, in whole or in part, without the written permission of IMMFA and IMMFA accepts no liability whatsoever for the actions of third parties in this respect. IMMFA accepts no liability for any loss arising from any action taken or refrained from as a result of information contained in this material or any sources of information referred to therein, or for any consequential, special or similar damages even if advised of the possibility of such damages. This material is not an offer to buy or sell securities or a solicitation of an offer to buy or sell securities.