

The European Money Market Funds (MMF) Regulation

Consultation Paper

CP18/4*

January 2018



How to respond

We are asking for comments on this Consultation Paper (CP) by 23 March 2018

You can send them to us using the form on our website at: www.fca.org.uk/cp18-04-response-form

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How to navigate this document onscreen



returns you to the contents list



takes you to helpful abbreviations

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1 Summary

Content

- 1.1** This CP sets out our proposed Handbook changes and approach to FCA fees in relation to the European Money Market Funds Regulation (the MMF Regulation, or the Regulation).

Why we are consulting

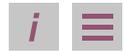
- 1.2** The MMF Regulation is directly applicable under European Union (EU) law and does not require implementation by individual Member States. However, the FCA and the Treasury have identified areas of the UK regulatory framework that require changes so that the MMF Regulation can work properly in the UK. The Treasury intends to give us certain powers to ensure that we can supervise firms' adherence to the requirements of the Regulation.

Who this applies to

- 1.3** This CP on the MMF Regulation will be of interest to:
- UK fund managers which already manage and/or market funds as money market funds (MMFs), or funds that are substantially similar to MMFs as defined in the MMF Regulation, in the UK or another Member State, or intend to do so
 - European Economic Area (EEA) fund managers which already manage and/or market MMFs in the UK or intend to do so
 - MMF depositaries
 - intermediaries advising on and distributing MMFs and
 - investors in MMFs

Next steps

- 1.4** You are invited to respond to this paper by **23 March 2018**.
- 1.5** We will consider the responses received and publish the final rules as soon as possible after the end of this consultation.



2 The wider context

- 2.1** As part of a G20 commitment following the 2008 global financial crisis, the European Commission (the Commission) reviewed the regulation of shadow banking. The Commission defines shadow banking as 'a system of credit intermediation that involves entities and activities outside the regular banking system'. One of the issues the Commission reviewed was MMFs. These are funds that invest in short-term debt, such as treasury bills, commercial paper and certificates of deposit, and assets under management in EU MMFs are currently at least EUR 1 trillion.
- 2.2** The Commission was concerned that, during periods of high market turbulence, it was difficult for these funds to remain liquid and stable, particularly if there were large withdrawals or, ultimately, investor runs. They identified a particular issue with Constant Net Asset Value (CNAV) funds. These offer immediate redemptions at a rounded constant price, which might not reflect the true value of the fund's underlying portfolio in times of market stress or doubts about underlying asset quality. In such circumstances, the Commission considered CNAV funds to be vulnerable to destabilising runs, as institutional investors sought to benefit from the implied advantage of being the first to withdraw their funds.
- 2.3** To address this risk, on 4 September 2013, the Commission adopted a proposal for a Regulation on MMFs. Following negotiation between the Council of the EU (the Council) and the European Parliament (EP), the final text of the Regulation was published in the EU Official Journal on 30 June 2017.
- 2.4** The Regulation will subject MMFs – and any funds which are substantially similar in character – to authorisation and supervision. It aims to preserve the internal market's integrity and stability by making MMFs more resilient and limiting the likelihood of any contagion from the MMF sector to others. It also aims to ensure that MMFs are able to meet redemption requests from investors, especially under stressed market conditions, in particular by ensuring that they are able to deal with substantial and sudden redemption requests by a large group of investors. The Regulation should ensure the equal treatment of an MMF's investors and prevent late redeemers being disadvantaged if redemptions are temporarily suspended or an MMF is liquidated. Taken together, these changes will support the operation of the short-term funding market for financial institutions, corporate issuers of short-term debt and governments.
- 2.5** The Regulation came into force directly in every EU Member State on 21 July 2017, and will take effect on 21 July 2018. From that date, new MMFs will need to be authorised as an MMF by their National Competent Authority (NCA). In practice, this means that new MMFs will need to seek authorisation before that date. Existing funds that are already branded as MMFs and operating under the regime set out in European Securities and Markets Authority (ESMA) guidance, and any existing funds that are substantially similar to MMFs as defined in the MMF Regulation, will have to comply with the new Regulation by 21 January 2019.

What the Regulation does

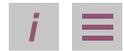
2.6 The Regulation establishes a framework of requirements to improve the liquidity and stability of MMFs. Most existing MMFs operate under the Undertakings for Collective Investment in Transferable Securities (UCITS) Directive but some operate under the Alternative Investment Fund Managers Directive (AIFMD). The MMF Regulation will not amend either Directive and MMFs and/or their managers will need to remain authorised under one or other of them. Instead, the Regulation introduces product rules that dis-apply and replace the investment restrictions in the UCITS Directive for MMFs that are UCITS funds, and introduces product rules for those MMFs that are Alternative Investment Funds (AIFs).

2.7 The key provisions of the Regulation:

- Define three types of MMF (see Annex 3), each of which may be a short term MMF or a standard MMF:
 - Variable NAV (VNAV) MMF
 - Public Debt Constant NAV (CNAV) MMF and
 - Low Volatility NAV (LVNAV) MMF.

Each type of MMF has a different set of risk characteristics.

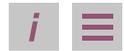
- Set out the eligible assets that MMFs can hold.
- Set minimum liquidity requirements. These are higher for CNAV MMFs and LVNAV MMFs than for VNAV MMFs.
- Require the manager of an MMF to establish and implement a prudent internal credit quality assessment procedure, which the management and Board must review annually.
- Require MMFs to conduct regular stress tests and report the results to the relevant NCA, for onward transmission to ESMA.
- Ban external support for MMFs by third parties, such as cash injections or buying assets at inflated prices.
- Ensure market transparency. CNAV MMFs and LVNAV MMFs must publish daily information about the subscription/redemption spread and NAV per unit. All MMFs must make key information about their portfolios available each week, and
- Require MMFs to report to the relevant NCA quarterly or, for smaller funds, annually. The reports will include key portfolio indicators, the results of stress tests and any proposed action plans, and information on the MMF's assets and liabilities. NCAs are required to provide ESMA with regular reports based on their authorisation activities and the reports they receive from MMFs.



- 2.8** In several areas, such as credit quality assessments, stress tests and regular reporting to NCAs, there will be more detailed requirements. The Commission and ESMA will specify these through delegated acts, guidelines and templates, between now and late 2019.

3 Handbook changes

- 3.1** Our Handbook currently specifies investment restrictions and other provisions for MMFs which are authorised funds. These reflect the guidelines on a common definition of European MMFs, issued by ESMA's predecessor, the Committee of European Securities Regulators, in May 2010. Those guidelines have now been superseded by the requirements of the MMF Regulation, so we need to amend the Handbook accordingly.
- 3.2** We, therefore, propose to delete COLL 5.9, which deals with the investment powers of money market funds, and other provisions in the Collective Investment Schemes sourcebook (COLL) that are superseded by the requirements of the Regulation, for example on MMFs' transparency requirements. There are references to MMFs in the Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU) and Client Assets sourcebook (CASS) which are unaffected by the Regulation (see paragraph 3.6).
- 3.3** There are provisions in COLL 5.2, 5.6 and 8.4 that apply investment restrictions to MMFs that are structured as UCITS, non-UCITS retail schemes (NURSSs) or qualified investor schemes (QISs) respectively. Since the Regulation requires that any fund that is an MMF, or substantially similar to an MMF, must be authorised in accordance with the Regulation, any MMF that is structured as a UCITS, NURS or QIS will need to be authorised under the Regulation, and comply with its investment restrictions. We, therefore, believe certain provisions in COLL 5.2, 5.6 and 8.4 are no longer required and propose to disapply them.
- 3.4** In a number of places within COLL 5, 6, 7 and 8, we propose to make amendments to provisions that are overridden by, or require modification to be consistent with, the Regulation. The issues covered include stock lending, cash borrowing and lending, dealing, valuation and pricing of funds, and suspension and restart of dealings. Our aim is to remove any potential discrepancy between our rules and the provisions in the Regulation and so provide useful clarity to firms.
- 3.5** We propose to amend COLL 6.3.8 to reflect Articles 33 and 34 of the Regulation, which appear to allow for dilution levies as defined in the Handbook, but not dilution adjustments. We also propose to change COLL 6.6 and 8.5 to ensure that the obligations that currently apply to depositaries of authorised funds continue to apply to them in the same way, once the Regulation takes effect. These will not significantly affect depositaries' duties, but they will change the material to which they may need to refer in discharging their supervisory obligations.
- 3.6** However:
- The references to a 'qualifying money market fund' in CASS 7.13 and in COLL reflect our implementation of the Markets in Financial Instruments Directive (MIFID) and MIFID II, and their delegated Regulations and Directives. The MMF Regulation does not update nor supersede the definition of money market instruments or funds in these Directives. As the MIFID definition is different from that in the MMF Regulation, we propose to leave the Handbook provisions unchanged in this area.



- The definition of a 'designated money market fund' in BIPRU 12 does not match the definition of a 'money market fund' in the MMF Regulation. If we aligned the BIPRU definition to that of the MMF Regulation definition for a 'money market fund', there would be a corresponding impact upon the liquidity requirements for firms. We do not think this is desirable or necessary from a prudential perspective. Therefore, we propose to retain the BIPRU definition for 'designated money market fund' in the Handbook.

3.7 The table in the appendix sets out in detail the proposed Handbook changes.

- Q1:** Do you agree with our overall approach to amending the Handbook in the light of the MMF Regulation coming into force?
- Q2:** Do you have any comments on the detailed changes that we are proposing to make, as set out in the appendix?
- Q3:** Are there any other Handbook provisions relating to money market funds, or otherwise relevant to the implementation of the MMF Regulation, that we should consider amending?

4 Fees

- 4.1** The Treasury is in the process of drafting legislation to give the FCA the necessary powers to supervise firms' adherence to the requirements of the Regulation. This will include an amendment to the Financial Services and Markets Act 2000 (Qualifying EU Provisions) Order 2013, which will allow the FCA to levy fees to cover the cost of authorising and supervising MMFs under the Regulation. We expect this to come into force around the time that it is possible for new MMFs to obtain authorisation under the Regulation on 21 July 2018. We intend to make it possible for firms to submit draft applications for the authorisation of new MMFs from 21 May 2018. An application is not complete until the fee is paid. When we are given the legal power to set the fees, applicants will be able to formalise their applications by paying the fee and notifying us that they have done so. Application forms will be available on the FCA website from early May 2018.
- 4.2** Since MMFs are structured as UCITS funds or AIFs, they will continue to come under the existing requirements derived from those Directives. Accordingly, the firms managing them will continue to pay annual FCA fees in:
- fee-block A.9 as managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes, and
 - in some cases as portfolio managers in fee-block A.7
- 4.3** However, we will need to carry out additional supervisory work on MMFs. We propose to recover these costs through targeted charges on the funds (fee-block C) to avoid cross-subsidy.

Application fees

- 4.4** We estimate our costs in reviewing applications to authorise MMFs as UCITS schemes and authorised AIFs will be comparable to the costs of authorising other UCITS schemes and authorised AIFs. So we propose that the fees for these remain the same. We will have to undertake additional work to authorise other types of MMF structures so we also propose additional fees to cover this. We propose to integrate the charges into the list of flat-rate fees for applications and notifications in FEES 3 Annex 2. The flat-rate is multiplied by two when the application is for an 'umbrella' scheme.¹
- 4.5** Our proposals cover three types of application.
- 1.** Some MMFs are included in schemes that are also to be authorised as an ICVC (investment company with variable capital) under Regulation 12 of the OEIC (Open-Ended Investment Company) Regulations 2001, an AUT (authorised unit trust) under section 242 of FSMA or an ACS (authorised contractual scheme) under section 261C of FSMA. We are proposing no additional charge when a scheme also has to be authorised under the MMF Regulation. Firms will continue to pay the charges set out in Table 1.

¹ In an umbrella scheme, the contributions of the participants and the income or profits are pooled and the participants are entitled to exchange rights in one part for another.

Table 1: Application fees currently payable for authorisation as an ICVC, AUT or ACS – to include MMFs from 21 July 2018 with no change

	£
UCITS scheme (www.handbook.fca.org.uk/handbook/glossary/G1204.html)	1,200
Non-UCITS retail scheme (www.handbook.fca.org.uk/handbook/glossary/G769.html)	1,500
Qualified investor scheme (www.handbook.fca.org.uk/handbook/glossary/G937.html)	2,400

2. Where firms apply for a UK or non-EEA MMF to be authorised under Article 4 of the MMF Regulation, we propose to introduce the new charges set out in Table 2.

Table 2: Application fees proposed to be charged for UK or non-EEA MMFs applying for authorisation under Article 4 of the MMF Regulation

	£
UK AIF (apart from those authorised as a Non UCITS Retail Scheme or a Qualified Investor Scheme)	500
Non EEA AIF which is marketed in the UK/Union without a passport	750
Non EEA AIF which is marketed in the UK/Union with a passport or is not marketed in the UK/Union	500
Non EEA AIF not managed by an EU AIFM but is marketed in the UK/Union with a passport	750

3. MMFs which already exist when the MMF Regulation comes into effect on 21 July 2018 will need to be authorised under it before 21 January 2019. We expect that this will involve less work for us than reviewing applications for new MMFs and so are proposing an administration charge of £300.

Q4: Do you have any comments on our proposed charges for authorising money market funds?

Periodic fees

- 4.6 We charge periodic fees to recover our annual supervisory costs. We do not believe we will need to create new charges for MMFs and so propose to incorporate them into the fees structure for ICVCs, AUTs, ACSs and other schemes. The rates are set out in FEES 4 Annex 4. We calculate a flat rate according to the number of funds and sub-funds managed. In 2017/18, the rates range from £410 for a firm with one or two funds, up to £9,020 for a firm with over fifty funds. We will add MMFs to the list of schemes with effect from 21 July 2018. Where MMFs are already included in schemes on which firms are paying fees, their payments will stay the same. As new MMFs are authorised, the fees will be calculated pro-rata according to the number of months remaining in the fee-year. We will consult on the rates for 2018/19 as part of our consultation on FCA fees in Spring 2018.

Q5: Do you have any comments on our proposal to include money market funds in the structure of fees for collective investment schemes?

Annex 1

Questions in this paper

- Q1:** Do you agree with our overall approach to amending the Handbook in the light of the MMF Regulation coming into force?
- Q2:** Do you have any comments on the detailed changes that we are proposing to make, as set out in the appendix?
- Q3:** Are there any Handbook provisions relating to money market funds, or otherwise relevant to the implementation of the MMF Regulation, that we should consider amending?
- Q4:** Do you have any comments on our proposed charges for authorising money market funds?
- Q5:** Do you have any comments on our proposal to include money market funds in the structure of fees for collective investment schemes?
- Q6:** Do you agree with our cost benefit analysis for changes to the Handbook linked to the MMF Regulation?



Annex 2

Cost benefit analysis

1. The Financial Services and Markets Act 2012 (FSMA) requires us to publish a cost benefit analysis (CBA) of our proposed rules. Specifically, section 138I requires us to publish a CBA of proposed rules, defined as 'an analysis of the costs, together with an analysis of the benefits that will arise if the proposed rules are made'. It also requires us to include an estimate of those costs and benefits, unless we cannot reasonably estimate them or it is not reasonably practicable to produce an estimate.
2. As the MMF Regulation is an EU Regulation directly applicable to firms, we are not required to conduct a CBA for the requirements it introduces. However, under FSMA we are required to take into account the costs and benefits from any consequential changes we make to the Handbook to take account of the new framework for MMFs. Many of the changes outlined in this document will remove Handbook provisions that have become redundant as a result of the MMF Regulation coming into force. We do not, therefore, believe that they impose any costs. They produce a marginal, but unquantifiable, benefit of removing provisions that would otherwise conflict with those that apply because of the MMF Regulation, and might create some legal ambiguity if not deleted. However, our proposed amendments to COLL 6.6 and 8.5 will require depositaries to ensure that the manager of an MMF runs the fund and calculates its value in accordance with the requirements of the Regulation. This is broadly similar to their current duties, but it will require depositaries to become familiar with the Regulation. So there will be a one-off cost to them, which we estimate might be in the order of several thousand pounds at most, given that only a limited number of firms currently act as depositaries for UK-authorised MMFs.

Q6: Do you agree with our cost benefit analysis for changes to the Handbook linked to the MMF Regulation?

3. As far as the fees element of our proposals is concerned, FSMA section 138I(6)(d) exempts us from the requirement to publish a CBA.

Annex 3

Definitions and explanations

1. The MMF Regulation defines a **public debt constant net asset value (CNAV) MMF** as an MMF:
 - a. that seeks to maintain an unchanging NAV per unit or share;
 - b. where the income in the fund is accrued daily and can either be paid out to the investor or used to purchase more units or shares in the fund;
 - c. where assets are generally valued according to the amortised cost method, and where the NAV is rounded to the nearest percentage point or its equivalent in currency terms; and
 - d. that invests at least 99.5 per cent of its assets in instruments referred to in Article 17(7), reverse repurchase agreements secured with government debt referred to Article 17(7), and in cash.

Broadly, the references to Article 17(7) here refer to:

- money market instruments issued or guaranteed by the EU, national, regional and local administrations of the Member States or their central banks, a central authority or central bank of a third country, or a relevant European or international financial institution or organisation; and
- reverse repurchase agreements secured against these instruments.

2. The MMF Regulation defines a **low volatility net asset value (LVNAV) MMF** as an MMF that complies with the specific requirements laid down in Articles 29, 30 and 32 and in Article 33(2)(b).

Broadly, this means an MMF that:

- may apply the amortised cost method to valuing money market instruments with a remaining maturity below 75 days, as long as the difference between the amortised cost and market price of the instruments remains below 10 basis points; and
- may issue or redeem units or shares at a price equal to the MMF's CNAV per unit or share, as long as the difference between the CNAV per unit or share and the NAV per unit or share using the mark-to-market or mark-to-model method remains below 20 basis points.



3. The MMF Regulation defines a **variable net asset value (VNAV) MMF** as an MMF that complies with the specific requirements laid down in Articles 29 and 30 and in Article 33(1).

Broadly, this means an MMF that:

- has assets valued using the mark-to-market method where possible or, if not, by using mark-to-model 'conservatively'; and
- issues or redeems units or shares at a price equal to the MMF's NAV per unit or share.

Annex 4

Compatibility statement

Compliance with legal requirements

1. This Annex records our compliance with a number of legal requirements that apply to the proposals in this consultation. These requirements include an explanation of our reasons for concluding that these proposals are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA).
2. When consulting on new rules, we are required by section 138I(2)(d) FSMA to include an explanation of why we believe making the proposed rules is (a) compatible with our general duty, under s. 1B(1) FSMA, so far as reasonably possible, to act in a way which is compatible with our strategic objective and advances one or more of our operational objectives, and (b) our general duty under s. 1B(5)(a) FSMA to have regard to the regulatory principles in s. 3B FSMA. We are also required by s. 138K(2) FSMA to state our opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.
3. This Annex also sets out our view of how the proposed rules are compatible with our duty to discharge our general functions (which include rule-making) in a way which promotes effective competition in the interests of consumers (s. 1B(4)). This duty applies in so far as promoting competition is compatible with advancing our consumer protection and/or integrity objectives.
4. This Annex includes our assessment of the equality and diversity implications of these proposals.

The FCA's objectives and regulatory principles: Compatibility statement

5. The proposals set out in this consultation are primarily intended to advance our operational objective of enhancing market integrity – protecting and enhancing the integrity of the UK financial system.
6. We consider these proposals are compatible with our strategic objective of ensuring that the relevant markets function well because they remove from the Handbook provisions that are no longer needed because of the coming into force of the EU Money Market Regulation. So they remove the potential for legal uncertainty, for example over the investment powers of an MMF, by eliminating Handbook terms that are redundant and potentially at odds with the provisions in the Regulation that have replaced them. For the purposes of our strategic objective, "relevant markets" are defined by s. 1F FSMA.
7. In preparing the proposals in this consultation, we have had regard to the regulatory principles set out in s. 3B FSMA. We cover the most relevant of these below.



- 8. The principle that a burden or restriction should be proportionate to the benefits**
This principle is particularly relevant to our proposal to raise fees to cover the cost of authorising and supervising money market funds. In designing the new fee structure, we have considered the cost of the additional activities that we will need to carry out as a result of the Regulation coming into force. We have tried to ensure that we have appropriately targeted the fees we levy to meet that cost, so that MMFs are not cross-subsidised by other funds.

- 9. The principle that we should exercise our functions as transparently as possible**
We have explained as clearly as we can in this paper why we need to amend or delete specific provisions in our Handbook as a result of the Regulation coming into force. We have also highlighted references to money market funds which we think are unaffected by the Regulation and explained why we think it is unnecessary or undesirable to amend or delete them.

- 10. Expected effect on mutual societies**
We do not expect the proposals in this paper to have a direct impact on mutual societies.

Compatibility with the duty to promote effective competition in the interests of consumers

- 11.** The fees we propose are designed to meet the additional costs of authorising and supervising MMFs. We are targeting our cost recovery to minimise any potential distortions to competition.

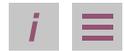
Equality and diversity

- 12.** We are required under the Equality Act 2010 to 'have due regard' to the need to eliminate discrimination and to promote equality of opportunity in carrying out our policies, services and functions. We believe the policy proposals in this CP do not raise equality or diversity questions but we welcome comments on any equality and diversity issues you believe may arise.

Annex 5

Abbreviations used in this paper

ACS	Authorised Contractual Scheme
AIF	Alternative Investment Fund
AIFMD	Alternative Investment Fund Managers Directive
AUT	Authorised Unit Trust
BIPRU	Prudential Sourcebook for Banks, Building Societies and Investment Firms
CASS	Client Assets Sourcebook
CBA	Cost Benefit Analysis
CNAV	Constant Net Asset Value
COLL	Collective Investment Schemes Sourcebook
CP	Consultation Paper
EEA	European Economic Area
EP	European Parliament
ESMA	European Securities and Markets Authority
EU	European Union
FCA	Financial Conduct Authority
FSMA	Financial Services and Markets Act 2012
ICVC	Investment Company with Variable Capital
LVNAV	Low Volatility Net Asset Value
MIFID	Markets in Financial Instruments Directive
MMF	Money Market Fund
NAV	Net Asset Value



NCA	National Competent Authority
NURS	Non-UCITS Retail Scheme
OEIC	Open-ended Investment Company
QIS	Qualified Investor Scheme
UCITS	Undertakings for Collective Investment in Transferable Securities
UK	United Kingdom
VNAV	Variable Net Asset Value

We have developed the policy in this Consultation Paper in the context of the existing UK and EU regulatory framework. The Government has made clear that it will continue to implement and apply EU law until the UK has left the EU. We will keep the proposals under review to assess whether any amendments may be required in the event of changes in the UK regulatory framework in the future.

We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

All our publications are available to download from www.fca.org.uk. If you would like to receive this paper in an alternative format, please call 020 7066 9644 or email: publications_graphics@fca.org.uk or write to: Editorial and Digital team, Financial Conduct Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS



Appendix 1

Draft Handbook text

MONEY MARKET FUNDS REGULATION INSTRUMENT 2018**Powers exercised**

- A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 137A (The FCA’s general rules);
 - (b) section 137T (General supplementary powers);
 - (c) section 139A (Power of the FCA to give guidance);
 - (d) section 214 (General);
 - (e) section 247 (Trust scheme rules);
 - (f) section 248 (Scheme particulars rules);
 - (g) section 261I (Contractual scheme rules);
 - (h) section 261J (Contractual scheme particulars rules);
 - (i) paragraph 23 (Fees) of schedule 1ZA (The Financial Conduct Authority); and
 - (2) regulation 6(1) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228).
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on [date] 2018.

Amendments to the Handbook

- D. The modules of the Financial Conduct Authority’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2) below.

(1)	(2)
Glossary of definitions	Annex A
Collective Investment Schemes sourcebook (COLL)	Annex B
Fees manual (FEES)	Annex C

Citation

- E. This instrument may be cited as the Money Market Funds Regulation Instrument 2018.

By order of the Board
[*date*] 2018

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

Money Market Funds Regulation Regulation (EU) No 2017/1131 of the European Parliament and the Council of 14 June 2017 on money market funds.

regulated money market fund a *UCITS* scheme that is authorised as a money market fund as envisaged in article 4, or an *AIF* that is authorised as a money market fund as envisaged in article 5, of the *Money Market Funds Regulation*.

Amend the following definition as shown.

valuation point (in *COLL*) a *valuation point* fixed by the *authorised fund manager* for the purpose of *COLL* 6.3.4R (Valuation points) or *COLL* 8.5.9R (Valuation, pricing and dealing), or, in the case of a *regulated money market fund*, the applicable requirements of article 29 to article 32 of the *Money Market Funds Regulation*.

Delete the following definitions. The text is not shown struck through.

CESR's guidelines on a common definition of European money market funds the Committee of European Securities Regulators' guidelines on a common definition of European money market funds: 19 May 2010 (CESR/10-049). These are available at https://www.esma.europa.eu/sites/default/files/library/2015/11/10-049_cesr_guidelines_mmfs_with_disclaimer.pdf

money market fund an *authorised fund* or, in the case of an *umbrella*, a *sub-fund* (if it were a separate fund) which satisfies the conditions in *COLL* 5.9.5R (Investment conditions: money market funds) and is not a *qualifying money market fund*.

money market instrument activity an activity in respect of a transaction:

- (a) which involves any of the following *investments* and is not regulated by the rules of a *recognised investment exchange*:
 - (i) a *debenture* which is issued on terms requiring repayment not later than five years from the date of issue;

- (ii) any *government and public security* which is issued on terms requiring repayment not later than one year or, if issued by a local authority in the *United Kingdom*, five years from the date of issue; or
 - (iii) a *warrant* which entitles the holder to subscribe for an *investment* within (a)(i) or (a)(ii);
- (b) which involves any of the following *investments* and is not made on a *recognised investment exchange* or expressed to be so made:
- (i) a *certificate representing certain securities* or rights to or interests in *investments* relating, in either case, to an *investment* within (a)(i) or (a)(ii);
 - (ii) an *option* relating to:
 - (A) an instrument in (a)(i) or (a)(ii); or
 - (B) currency of the *United Kingdom* or of any other country or territory; or
 - (C) gold or silver;
 - (iii) a *future* for the sale of:
 - (A) an instrument in (a)(i) or (a)(ii); or
 - (B) currency of the *United Kingdom* or of any other country or territory; or
 - (C) gold or silver;
 - (iv) a *contract for differences* by reference to fluctuations in:
 - (A) the value or price of any instrument within any of (a)(i) to (a)(iii) or (b)(i) to (b)(iii); or
 - (B) currency of the *United Kingdom* or of any other country or territory; or
 - (C) the rate of interest on loans in any such currency or any index of such rates; or
 - (v) an *option* to acquire or dispose of an instrument within (b)(ii), (b)(iii) or (b)(iv); or
- (c) where one of the parties agrees to sell or transfer a *debenture* or *government and public security* and by the same or a collateral agreement that party agrees, or acquires an option,

to buy back or re-acquire that *investment* or an equivalent amount of a similar *investment* within twelve *months* of the sale or transfer.

For the purposes of (c) *investments* are regarded as similar if they entitle their holders to the same rights against the same *persons* as to capital and interest and the same remedies for the enforcement of those rights.

short-term money market fund

an *authorised fund* or, in the case of an *umbrella*, a *sub-fund* (if it were a separate fund) which satisfies the conditions in *COLL* 5.9.3R (Investment conditions: short-term money market funds) and is not a *qualifying money market fund*.

weighted average life

(in accordance with the definitions section in *CESR's guidelines on a common definition of European money market funds*) the weighted average of the remaining life (maturity) of each *security* held in a fund, meaning the time until the principal is repaid in full (disregarding interest and not discounting).

weighted average maturity

(in accordance with the definitions section in *CESR's guidelines on a common definition of European money market funds*) a measure of the average length of time to maturity of all of the underlying *securities* in a fund weighted to reflect the relative holdings in each instrument, assuming that the maturity of a floating rate instrument is the time remaining until the next interest rate reset to the money market rate, rather than the time remaining before the principal value of the *security* must be repaid.

Annex B

Amendments to the Collective Investment Schemes sourcebook (COLL)

In this Annex, underlining indicates new text and striking through indicates deleted text.

4 Investor Relations

...

4.2 Pre-sale notifications

...

Table: contents of the prospectus

4.2.5 R This table belongs to *COLL* 4.2.2R (Publishing the prospectus)

...		
Investment objectives and policy		
3		
	...	
	(qa)	where the <i>authorised fund</i> is a <i>qualifying money market fund</i> , <i>short-term money market fund</i> or <i>money market fund</i> , a statement identifying it as such a fund and a statement that the <i>authorised fund's</i> investment objectives and policies will meet the conditions specified in the definition of <i>qualifying money market fund</i> , <i>short-term money market fund</i> or <i>money market fund</i> , as appropriate;
	...	
...		

...

4.7 Key investor information and marketing communications

...

Money market funds that are KII-compliant NURS

4.7.3B R Where a *KII-compliant NURS* is a ~~*short-term money market fund*~~, a ~~*money market fund*~~ or a *qualifying money market fund*, the *authorised fund manager* or *ICVC* must include a statement in its *NURS-KII document*:

- (1) identifying it as such a *fund*; and

- (2) stating that the NURS' investment objectives and policies will meet the conditions of the definition of ~~short-term money market fund, money market fund or qualifying money market fund, as appropriate.~~

...

Synthetic risk and reward indicators and ongoing charges disclosures in the KII

...

- 4.7.9 G ~~Authorised fund managers of a UCITS scheme and KII-compliant NURS are further advised that CESR, and its successor body, ESMA, have has issued guidelines in relation to several other matters concerning key investor information. These are:~~

~~CESR's guidelines on a common definition of European money market funds, which refer to matters that should be included in the key investor information for money market funds and short-term money market funds (CESR/10-049)~~

~~https://www.esma.europa.eu/sites/default/files/library/2015/11/10-049_cesr_guidelines_mmfs_with_disclaimer.pdf~~

~~that apply to all authorised funds in the UK.~~

~~For UCITS only, ESMA's guidelines Guidelines on ETFs and other UCITS issues, which refer to matters that should be included in the key investor information for certain types of UCITS (ESMA 2012/832)~~

~~https://www.esma.europa.eu/sites/default/files/library/2015/11/2012-832en_guidelines_on_etfs_and_other_ucits_issues.pdf~~

...

5 Investment and borrowing powers

5.1 Introduction

Application

- 5.1.1 R ...

- (4) ~~COLL 5.9 applies to the authorised fund manager and the depositary of an authorised fund which is a UCITS scheme or a non-UCITS retail scheme operating as a money market fund or a short-term money market fund. [deleted]~~

...

5.2 General investment powers and limits for UCITS schemes

...

Table of application

5.2.2 R This table belongs to *COLL* 5.2.1R

Rule	ICVC	ACD	Authorised fund manager of an AUT or ACS	Depositary of an ICVC, AUT or ACS	Authorised fund manager of an AUT or ACS, or ACD of an ICVC that is a regulated money market fund
5.2.3R to 5.2.9R		x	x		<u>x</u>
<u>5.2.4R</u>		x	x		
<u>5.2.4AG</u>					<u>x</u>
<u>5.2.5R to 5.2.9R</u>		<u>x</u>	<u>x</u>		
...					
<u>5.2.11R to 5.2.21R 5.2.20R</u>		x	x		
<u>5.2.20AR</u>		<u>x</u>	<u>x</u>		<u>x</u>
<u>5.2.20BG</u>		<u>x</u>	<u>x</u>		
<u>5.2.21R</u>		<u>x</u>	<u>x</u>		<u>x</u>
5.2.22R	x		x		<u>x</u>
5.2.22AG	x	x	x	x	<u>x</u>
5.2.23R(1)	x	x	x		<u>x</u>
...					
<u>5.2.29R</u>	<u>x</u>	<u>x</u>	<u>x</u>		
<u>5.2.30R</u>	<u>x</u>	<u>x</u>	<u>x</u>		<u>x</u>
<u>5.2.31R to 5.2.33R</u>	<u>x</u>	<u>x</u>	<u>x</u>		

...					
-----	--	--	--	--	--

...

Investment powers: general

...

5.2.4A **G** Investment powers and limits for UCITS schemes that are regulated money market funds are set out in the Money Market Funds Regulation. Subject to complying with that Regulation, the instrument constituting the fund may further restrict:

- (1) the kind of money market instruments in which the scheme property may be invested;
- (2) the proportion of the capital property of the UCITS scheme to be invested in money market instruments of any description;
- (3) the descriptions of transactions permitted; and
- (4) the borrowing powers of the UCITS scheme.

...

Guidance on assessing liquidity and quality of money-market instruments

5.2.7I **G** ...

- (2) Where an *approved money-market instrument* forms part of the *scheme property* of a *qualifying money market fund*, ~~*short term money market fund or money market fund*~~, the *authorised fund manager* should adequately monitor that the instrument continues to be of high quality, taking into account both its credit risk and its final maturity.

[**Note:** *CESR's UCITS eligible assets guidelines* with respect to article 4(2) of the *UCITS eligible assets Directive*. ~~Paragraph 11 of *CESR's guidelines on a common definition of European money market funds*.~~]

...

Eligible markets regime: purpose

5.2.9A **R** The ability to hold up to 10% of the *scheme property* in ineligible assets under *COLL 5.2.8R(4)* is subject to the following limitations:

- (1) for a *qualifying money market fund*, the 10% restriction is limited to high quality money market instruments with a maturity or residual

maturity of not more than 397 *days*, or regular yield adjustments consistent with such a maturity, and with a weighted average maturity of no more than 60 days;

- (2) ~~for a *short term money market fund* or a *money market fund*, the 10% restriction is limited to high quality approved money market instruments as determined under COLL 5.9.6R (High quality money market instruments): [deleted]~~

...

OTC transactions in derivatives

5.2.23 R A transaction in an *OTC derivative* under COLL 5.2.20R(1)(b) or, for the purposes of (1) only, by or on behalf of a regulated money market fund, must be:

- (1) with an approved counterparty; a counterparty to a transaction in *derivatives* is approved only if the counterparty is:
- (a) an *eligible institution* or an *approved bank*; or
 - (b) a *person* whose *permission* (including any *requirements* or *limitations*) as published in the *Financial Services Register*, or whose *Home State authorisation*, permits it to enter into the transaction as *principal off-exchange*;

...

...

5.4 Stock lending

Application

- 5.4.1 R (1) ~~This~~ Subject to (2), this section applies to an *ICVC*, the *depository* of an *authorised fund* and an *authorised fund manager* in any case where the *authorised fund* is a *UCITS scheme* or a *non-UCITS retail scheme*.
- (2) This section does not apply in any case where a *UCITS scheme* or a *non-UCITS retail scheme* is a *regulated money market fund*. The *Money Market Funds Regulation* sets out restrictions in relation to *stock lending* and *repo* contracts that apply in relation to *regulated money market funds*.

...

5.5 Cash, borrowing, lending and other provisions

Application

- 5.5.1 R (1) ~~This~~ Subject to (2), this section applies to an ICVC, an ACD, an authorised fund manager of an AUT or ACS, and a depositary of an ICVC, AUT or ACS, where such ICVC, AUT or ACS is a UCITS scheme as set out in COLL 5.5.2R (Table of application).
- (2) Other than COLL 5.5.3R, this section does not apply to an ICVC, an ACD, an authorised fund manager of an AUT or ACS, or a depositary of an ICVC, AUT or ACS, where such ICVC, AUT or ACS is a regulated money market fund.

...

5.6 Investment powers and borrowing limits for non-UCITS retail schemes

Application

- 5.6.1 R (1) ~~This~~ Subject to (3), this section applies to the authorised fund manager and the depositary of a non-UCITS retail scheme and to an ICVC which is a non-UCITS retail scheme.
- ...
- (3) Other than COLL 5.6.3R(1), 5.6.4AG, 5.6.14R, 5.6.15R and 5.6.24R, this section does not apply to the authorised fund manager and the depositary of a non-UCITS retail scheme that is a regulated money market fund, or to an ICVC which is a non-UCITS retail scheme and a regulated money market fund.

...

Investment powers: general

...

- 5.6.4A G Investment powers and limits for non-UCITS retail schemes that are regulated money market funds are set out in the Money Market Funds Regulation. Subject to complying with that Regulation, the instrument constituting the fund may further restrict:
- (1) the kind of money market instruments in which the scheme property may be invested;
- (2) the proportion of the capital property of the non-UCITS retail scheme to be invested in money market instruments of any description;
- (3) the descriptions of transactions permitted; and
- (4) the borrowing powers of the non-UCITS retail scheme.

...

- 5.6.5C R ~~Where a *scheme* is a *short-term money market fund* or a *money market fund*, the ability to hold up to 20% of *scheme property* in ineligible assets under *COLL 5.6.5R(2)* is limited to high quality *approved money market instruments* as determined under *COLL 5.9.6R* (*High quality money market instruments*); [deleted]~~

Money Market funds

- 5.6.5D R ~~*Approved money market instruments* held within a *non-UCITS retail scheme* which is a *short-term money market fund* or *money market fund* must also satisfy the criteria in *COLL 5.2.7FR* to *COLL 5.2.7HR* (*Approved money market instruments*); [deleted]~~

...

COLL 5.9 (Investment powers and other provisions for money market funds) is deleted in its entirety. The deleted text is not shown.

5.9 Investment powers and other provisions for money market funds [deleted]

Amend the following as shown.

6 Operating duties and responsibilities

...

6.2 Dealing

Application

- 6.2.1 R (1) ~~This~~ Subject to (2), this section applies to an *authorised fund manager*, a *depository*, an *ICVC* and any other *director* of an *ICVC*.
- (2) *COLL 6.2.21R* does not apply where the *authorised fund* in question is a *regulated money market fund*.

...

Payments for units issued

- 6.2.13 R (1) The *authorised fund manager* must, by the close of business on the fourth *business day* following the *issue* of any *units*, arrange for payment to the *depository* of an *AUT* or *ACS* or the *ICVC* of:
- (a) in the case of a *single-priced authorised fund*, the *price* of the *units* and any payments required under *COLL 6.3.8R* (*Dilution*); ~~or~~

- (b) in the case of a *dual-priced authorised fund*, the *issue price* of the *units*; or
- (c) in the case of a *regulated money market fund*, the sum required pursuant to article 33 of the *Money Market Funds Regulation*.

Payment for cancelled units

- 6.2.14 R (1) On cancelling *units* the *authorised fund manager* must, before the expiry of the fourth *business day* following the *cancellation* of the *units* or, if later, as soon as practicable after delivery to the *depository* of the *AUT* or *ACS* or the *ICVC* of such evidence of title to the *units* as it may reasonably require, require the *depository* to pay:
- (a) in the case of a *single-priced authorised fund*, the *price* of the *units* (less any deduction required under *COLL* 6.3.8R); ~~or~~
 - (b) in the case of a *dual-priced authorised fund*, the *cancellation price* of the *units*; or
 - (c) in the case of a *regulated money market fund*, the sum required pursuant to article 33 of the *Money Market Funds Regulation*;
- to the *authorised fund manager* or, where relevant, the *Unitholder* or, for a *relevant pension scheme*, in accordance with the relevant provisions of the *trust deed* or *contractual scheme deed*.

...

...

Sale and redemption: guidance

- 6.2.17 G
- ...
- (4) ~~*CESR's guidelines on a common definition of European money market funds* recommend that, for a *UCITS scheme* which is a *short-term money market fund* or a *money market fund*, the settlement period in *COLL* 6.2.16R(5) should expire at the close of business on the *third business day*. [deleted]~~
- ~~[Note: paragraph 14 of *CESR's guidelines on a common definition of European money market funds*]~~

...

Deferred redemption: guidance

- 6.2.22 G (1) In times of high levels of *redemption*, deferred *redemption* will enable

the *authorised fund manager* to protect the interests of continuing *Unitholders* by allowing it to match the sale of *scheme property* to the level of *redemptions*. This should reduce the impact of *dilution* on the *scheme*.

- (2) Article 34 of the *Money Market Funds Regulation* provides for deferred *redemption* in relation to *regulated money market funds* in particular circumstances.

...

6.3 Valuation and pricing

Application

- 6.3.1 R (1) ~~This~~ Subject to (3) and (4), this section applies to an *authorised fund manager*, a *depository*, an *ICVC* and any other *director* of an *ICVC*.

...

- (3) The following *rules and guidance* do not apply to an *authorised fund manager*, a *depository*, an *ICVC*, or any other *director* of an *ICVC* where the *authorised fund* is a *regulated money market fund*:

- (a) *COLL 6.3.3R*;
- (b) *COLL 6.3.3DR*;
- (c) *COLL 6.3.4R(1)* and (3) to (6D);
- (d) *COLL 6.3.5R(1)* and (3); and
- (e) *COLL 6.3.5AR* to *COLL 6.3.5CG*.

- (4) Where an *authorised fund* is a *regulated money market fund*, *COLL 6.3.6G* applies to the *authorised fund manager* and *depository* of that *authorised fund* to the extent it is consistent with the requirements of the *Money Market Funds Regulation*.

...

Valuation points

- 6.3.4 R ...
- (6B) ~~*UCITS schemes* operating as *short term money market funds* must have at least one *valuation point* every *business day* at which the valuation is carried out on an amortised cost or mark to market basis. [deleted]~~
- (6C) ~~*Non-UCITS retail schemes* operating as *short term money market funds* must have at least one *valuation point* every *business day* or,~~

~~where the scheme is marketed solely through employee savings schemes or to a specific category of investors that is subject to redemption restrictions, at least one every week at which the valuation is carried out on an amortised cost or mark to market basis. [deleted]~~

(6D) ~~Money market funds must value with the appropriate frequency as required in (6B) or (6C) on a mark to market basis. [deleted]~~

...

...

Valuation and pricing guidance

6.3.6 G Table: this table belongs to COLL 6.3.2G(2)(a) and COLL 6.3.3R (Valuation).

Valuation and pricing		
1	The valuation of scheme property	
	...	
	(2B)	Short-term money market funds may value approved money market instruments on an amortised cost basis. [deleted]
	[Note: paragraph 21 of CESR's guidelines on a common definition of European money market funds]	
	...	
...		

...

Dilution

6.3.8 R (1) ~~When~~ Subject to (1A), when arranging to *sell*, redeem, *issue* or cancel *units*, or when *units* are *issued* or cancelled under COLL 6.2.7R(1) (Issues and cancellations through an authorised fund manager), an *authorised fund manager* is permitted to:

- (a) require the payment of a *dilution levy*; or
- (b) make a *dilution adjustment*; or
- (c) neither require a *dilution levy* nor make a *dilution adjustment*;

in accordance with its statements in the *prospectus* required by COLL 4.2.5R(18) (Table: contents of the prospectus).

(1A) When arranging to *sell*, redeem, *issue* or cancel *units*, or when *units* are *issued* or cancelled under COLL 6.2.7R(1) (Issues and cancellations through an authorised fund manager), an *authorised fund manager* of a *regulated money market fund* may require the payment of a *dilution levy* in circumstances specified by the *Money Market Funds Regulation*, but may not make a *dilution adjustment*.

...

Maintaining the value of a qualifying money market fund ~~or a short-term money market fund~~

- 6.3.13 R The *authorised fund manager* of a *qualifying money market fund* ~~or a short-term money market fund~~ valuing *scheme* property on an amortised cost basis must:
- (1) carry out a valuation of the *scheme property* on a mark to market basis at least once every week and at the same *valuation point* used to value the *scheme property* on an amortised cost basis; and
 - (2) ensure that the value of the *scheme property* when valued on a mark to market basis does not differ by more than 0.5% from the value of the *scheme property* when valued on an amortised cost basis.
- 6.3.14 G The *authorised fund manager* should advise the *depository* when the mark to market value of a *qualifying money market fund* ~~or a short-term money market fund~~ valuing *scheme* property on an amortised cost basis varies from its amortised cost value by 0.1%, 0.2% and 0.3% respectively. The *authorised fund manager* of a *qualifying money market fund* ~~or short-term money market fund~~ should agree procedures with the *depository* designed to stabilise the value of the *scheme* in these events.

6.6 Powers and duties of the scheme, the authorised fund manager, and the depository

Application

- 6.6.1 R (1) This Subject to (2), this section applies in accordance with COLL 6.6.2R (Table of application).
- (2) Where a *scheme* is a *regulated money market fund*, COLL 6.6.3R and COLL 6.6.14R apply to the *authorised fund manager* and *depository* of that *scheme* to the extent the provisions are consistent with the requirements of the *Money Market Funds Regulation*.

...

Functions of the authorised fund manager

- 6.6.3 R (1) The *authorised fund manager* must manage the *scheme* in accordance with:
- (a) the *instrument constituting the fund*;
 - (b) the applicable rules;
 - (c) the most recently published *prospectus*; ~~and~~
 - (d) for an *ICVC*, the *OEIC Regulations*; and
 - (e) where applicable, the *Money Market Funds Regulation*.

...

General duties of the depositary

- 6.6.4 R (1) The *depositary* of an *authorised fund* must take reasonable care to ensure that the *scheme* is managed by the *authorised fund manager* in accordance with:
- (a) *COLL 5* (Investment and borrowing powers);
 - (b) *COLL 6.2* (Dealing);
 - (c) *COLL 6.3* (Valuation and pricing);
 - (d) *COLL 6.8* (Income: accounting, allocation and distribution); ~~and~~
 - (e) any provision of the *instrument constituting the fund* or *prospectus* that relates to the provisions referred to in (a) to (d); and
 - (f) where applicable, the *Money Market Funds Regulation*.
- (2) The *depositary* must, in so far as not required under (1)(c), take reasonable care to ensure on a continuing basis that:
- (a) the *authorised fund manager* is adopting appropriate procedures to ensure that the *price* of a *unit* is calculated for each *valuation point* in accordance with *COLL 6.3* or, where applicable, the *Money Market Funds Regulation*; and
 - (b) the *authorised fund manager* has maintained sufficient records to show compliance with *COLL 6.3*.

...

Duties of the authorised fund manager and the depositary under the general law

- 6.6.5 R (1) The duties and powers of the *authorised fund manager*, the *directors*

of an *ICVC* and the *depository* under the *rules* in this sourcebook and under the *instrument constituting the fund* are in addition to the powers and duties under the general law.

- (2) Paragraph (1) applies only in so far as the relevant general law is not qualified by the *rules* in this sourcebook, ~~or the *instrument constituting the fund*, or the *OEIC Regulations*, or the *Money Market Funds Regulation*.~~

...

6.7 Payments

...

Charges on buying and selling units: guidance

6.7.8 G ...

- (6) In relation to a regulated money market fund, any charges for the sale or redemption of units, and any change to such charges, should reflect the restrictions of the *Money Market Funds Regulation*.

...

6.9 Independence, names and UCITS business restrictions

...

Restrictions on the use of the term ‘money market fund’

6.9.8A R ~~An authorised fund or a sub-fund may only be named or marketed as a ‘money market fund’ if it is:~~

- (1) ~~a qualifying money market fund; or~~
 (2) ~~a short-term money market fund; or~~
 (3) ~~a money market fund. [deleted]~~

~~[Note: Box 1, paragraph 2 of CESR’s guidelines on a common definition of European money market funds]~~

...

7 Suspension of dealings and termination of authorised funds

...

7.2. Suspension and restart of dealings

Requirement

7.2.1 R (1) The *authorised fund manager* may, with the prior agreement of the *depository*, and must without delay, if the *depository* so requires, temporarily suspend the *issue, cancellation, sale and redemption of units* in an *authorised fund* (referred to in this chapter as “*dealings in units*”), where due to exceptional circumstances it is in the interest of all the *Unitholders* in the *authorised fund*. Where an *authorised fund* is a *regulated money market fund*, any such suspensions may only be carried out to the extent permitted under, and in accordance with the *Money Market Funds Regulation*.

...

...

8 Qualified investor schemes

...

8.2 Constitution

...

Names of schemes, sub-funds, and classes of units

8.2.3 R ...

(2) ~~An *authorised fund* or a *sub-fund* may only be named or marketed as a ‘*money market fund*’ if it is:~~

~~(a) a *short term money market fund*; or~~

~~(b) a *money market fund* [deleted]~~

~~[Note: Box 1, paragraph 2 of *CESR’s guidelines on a common definition of European money market funds*]~~

...

8.3 Investor relations

...

Table: contents of qualified investor scheme prospectus

8.3.4 R This table belongs to *COLL 8.3.2R*

...	
-----	--

3	Investment objectives and policy	
	...	
	(6)	Where the <i>scheme</i> is a <i>money market fund</i> or a <i>short term money market fund</i> a statement identifying it as such a fund and a statement that the <i>scheme's</i> investment objectives and policies will meet the conditions in the definition of <i>money market fund</i> or <i>short term money market fund</i> , as appropriate.
	...	

...

8.4 Investment and borrowing powers

Application

- 8.4.1 R (1) ~~This~~ Subject to (1A), this section applies to an *ICVC* which is a *qualified investor scheme* and an *authorised fund manager* and a *depository* of a *qualified investor scheme*.
- (1A) ~~Other than~~ *COLL 8.4.2R*, *COLL 8.4.4CG*, *COLL 8.4.7R*, *COLL 8.4.8R* and *COLL 8.4.9AG* this section does not apply where the *qualified investor scheme* in question is a *regulated money market fund*.

...

Money market funds

- 8.4.4A R ~~The authorised fund manager of a qualified investor scheme which operates as a money market fund or short term money market fund must satisfy the conditions in~~ *COLL 5.9.3R* (Investment conditions: short term money market funds) and *COLL 5.9.5R* (Investment conditions: money market funds) respectively. [deleted]
- ~~[Note: box 2 and box 3 of CESR's guidelines on a common definition of European money market funds]~~
- 8.4.4B R ~~Approved money market instruments held within a qualified investor scheme which is a short term money market fund or money market fund must also satisfy the criteria in~~ *COLL 5.2.7FR* to *COLL 5.2.7HR* (Approved money market instruments). [deleted]
- 8.4.4C G Investment powers and limits for *qualified investor schemes* that are *regulated money market funds* are set out in the *Money Market Funds Regulation*. Subject to complying with that Regulation, the *instrument constituting the fund* may further restrict:
- (1) the kinds of assets in which the *scheme property* may be invested;

- (2) the types of transactions permitted and any relevant limits; and
- (3) the borrowing powers of the *scheme*.

...

8.4.9A G The *Money Market Funds Regulation* sets out restrictions in relation to *stock lending* and *repo* contracts that apply to *regulated money market funds*.

...

8.5 Powers and responsibilities

Application

8.5.1 R (1) ~~This~~ Subject to (2) and (3), this section applies to an *ICVC* which is a *qualified investor scheme* and the *authorised fund manager*, any other *directors* of an *ICVC* and the *depository* of a *qualified investor scheme*.

(2) *COLL 8.5.9R*(1) to (8) and (10) do not apply where the *qualified investor scheme* is a *regulated money market fund*.

(3) Where a *qualified investor scheme* is a *regulated money market fund*, *COLL 8.5.2R* and *COLL 8.5.3R* apply to the *authorised fund manager* and *depository* of that scheme to the extent the provisions are consistent with the requirements of the *Money Market Funds Regulation*.

8.5.2 R (1) The *authorised fund manager* must manage the *scheme* in accordance with:

...

(a) the *instrument constituting the fund*;

(b) the applicable rules;

(c) the most recently published *prospectus*; ~~and~~

(d) for an *ICVC*, the *OEIC Regulations*; and

(e) where applicable, the *Money Market Funds Regulation*.

...

...

Duties of the depository

8.5.4 R (1) The *depository* is responsible for the safekeeping of all the *scheme property*.

(2) The *depository* must:

...

(g) take reasonable care to ensure that the *scheme* is managed by the *authorised fund manager* in accordance with:

- (i) *COLL* 8.4 (Investment and borrowing powers);
- (ii) *COLL* 8.5.9R (Valuation, pricing, and dealing); ~~and~~
- (iii) *COLL* 8.5.15R (income); and
- (iv) where applicable, the *Money Market Funds Regulation*;

...

...

Valuation, pricing and dealing

8.5.9 R ...

- (4A) ~~Where a *scheme* operates as a *short-term money market fund*, the value of the *scheme property* must be determined either on an amortised cost or mark to market basis. [deleted]~~
- (4B) ~~Where a *scheme* operates as a *money market fund*, the value of the *scheme property* must be determined on a mark to market basis. [deleted]~~
- (5) ~~Subject to (5A), the~~ The *scheme* must have a *valuation point* on each dealing day.
- (5A) ~~Where a *scheme* operates as a *money market fund* or a *short-term money market fund* which is marketed solely through employee savings schemes or to a specific category of investors that are subject to *redemption* restrictions, the *scheme* may have at least one *valuation point* every week. [deleted]~~

...

Maintaining the value of a short-term money market fund

8.5.9A R ~~The *authorised fund manager* of a *short-term money market fund* which values *scheme property* on an amortised cost basis must:~~

- (1) ~~carry out a valuation of the *scheme property* on a mark to market basis at least once a week and at the same *valuation point* used to value the *scheme property* on an amortised cost basis; and~~
- (2) ~~ensure that the value of the *scheme property* when valued on a mark to market basis, does not differ by more than 0.5% from the value of the *scheme property* when valued on an amortised cost basis.~~

[deleted]

~~[Note: paragraph 21 of CESR's guidelines on a common definition of European money market funds]~~

- 8.5.9B G ~~The authorised fund manager should advise the depositary when the mark to market value of a short term money market fund valuing scheme property on an amortised cost basis varies from its amortised cost value by 0.1%, 0.2% and 0.3% respectively. The authorised fund manager of a short term money market fund should agree procedures with the depositary designed to stabilise the value of the scheme in these events. [deleted]~~

Issues and cancellations of units

8.5.10 R ...

- (3) The authorised fund manager must arrange for the issue and cancellation of units and pay money or assets to or from the depositary for the account of the scheme as required by the prospectus, and, where applicable, in accordance with the Money Market Funds Regulation.

...

...

Annex C

Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text and striking through indicates deleted text.

3 Application, Notification and Vetting Fees

...

3 Annex 2R Application and notification fees payable in relation to collective investment schemes, ELTIFs, money market funds and AIFs marketed in the UK

Legislative provision	Nature and purpose of fee	Payable by	Amount of fee (£)	Umbrella factor
...				
Part 2 Application fees payable for firms to be subject to <i>COLL</i>				
Regulation 12 of the <i>OEIC Regulations</i>	On application for an order declaring a <i>scheme</i> to be an <i>ICVC</i> , where the <i>scheme</i> is:	An applicant		2
	<i>UCITS scheme</i>		1,200	
	<i>Non-UCITS retail scheme</i>		1,500	
	<i>Qualified investor scheme</i>		2,400	
	<u>This section also applies to funds where an application is also made to be authorised under the <i>Money Market Funds Regulations</i>.</u>			
Section 242 of the <i>Act</i>	On application for an order declaring a <i>scheme</i> to be an <i>AUT</i> , where the <i>scheme</i> is:	An applicant		2

	<p><i>UCITS scheme</i></p>		1,200	
	<p><i>Non-UCITS retail scheme</i></p>		1,500	
	<p><i>Qualified investor scheme</i></p>		2,400	
	<p><u>This section also applies to funds where an application is also made to be authorised under the <i>Money Market Funds Regulations</i>.</u></p>			
Section 261C of the Act	<p>On application for an order declaring a <i>scheme</i> to be an ACS, whether it is established as a <i>co-ownership scheme</i> or a <i>limited partnership scheme</i>, where the <i>scheme</i> is a:</p>	An applicant		2
	<p><i>UCITS scheme</i></p>		£1,200	
	<p><i>non-UCITS retail scheme</i></p>		£1,500	
	<p><i>qualified investor scheme</i></p>		£2.400	
	<p><u>This section also applies to funds where an application is also made to be authorised under the <i>Money Market Funds Regulations</i>.</u></p>			
Section 272 of the

Act				
	<p><u>Where funds of any kind set out in Part 2 exist prior to 21 July 2018, a flat fee will be payable on an application for authorisation under the <i>Money Market Funds Regulations</i>.</u></p>		£300	
Part 2A Application fees payable for firms applying for a UK AIF to be authorised under the ELTIF regulation				
...
<u>Part 2B Application fees payable for UK or Non-EEA firms applying for authorisation under article 5 of the Money Market Funds Regulations</u>				
<u>Article 5 of the Money Market Funds Regulations</u>	<u>UK AIF (apart from those authorised as a non-UCITS retail scheme or a Qualified Investor Scheme)</u>		500	
	<u>Non-EEA AIF which is marketed in the UK/EEA without a passport</u>		750	
	<u>Non-EEA AIF which is marketed in the UK/EEA with a passport or is not marketed in the UK/EEA</u>		500	
	<u>Non-EEA AIF not managed by an EU AIFM but is marketed in the UK/EEA with a passport</u>		750	
...				

Part 4 (Alternative Investment Funds: fees payable for making a notification to the FCA to market an AIF)				
Regulation 57 of the AIFMD UK regulation	On giving notice under regulation 57 of the AIFMD UK regulation	the AIFM	250 per AIF	N/A
Regulation 58 of the AIFMD UK regulation	On giving notice under regulation 58 of the AIFMD UK regulation	the AIFM	125 per AIF	N/A
Regulation 59 of the AIFMD UK regulation	On giving notice under regulation 59 of the AIFMD UK regulation	the AIFM	250 per AIF	N/A
	<u>The fees in this Part are payable in addition to any other authorisation application fees.</u>			
<u>Part 5 (Administration fee for money market funds that exist prior to 21 July 2018 which need to apply for authorisation by the FCA by 21 January 2019)</u>				
<u>Article 4 of the Money Market Funds Regulations</u>	<u>On application by an existing money market fund which from 21 July 2018 seeks to be authorised under the Money Market Funds Regulations</u>	<u>21 July 2018</u>	<u>300</u>	<u>2</u>

...

...

4 Periodic fees

...

4 Annex 4R Periodic fees in relation to collective investment schemes, AIFs marketed in the UK, and small registered UK AIFMs and money market funds payable for the period 1 April ~~2017~~ 2018 to 31 March ~~2018~~ 2019

Part 1 – Periodic fees payable

Scheme type	Basic fee (£)	Total funds/sub-funds aggregate	Fund factor	Fee (£)
<i>ICVC,</i>	410	1-2	1	410
<i>AUT,</i>		3-6	2.5	1,025
<i>ACS,</i>		7-15	5	2,050
<i>UK ELTIFs,</i>		16-50	11	4,510
<u>Money market funds.</u> ¹		>50	22	9,020
Section 264 of the <i>Act</i> , other than <i>non-EEA AIFs</i> recognised under section 272 of the <i>Act</i>				
...

¹ With effect from 21 July 2018

