

The European Money Market Funds (MMF) Regulation

Policy Statement

PS18/17

July 2018



This relates to

Consultation Paper 18/4 which is available on our website at www.fca.org.uk/publications.

Please send any comments or queries to:

Mike Bolton
Strategy and Competition Division
Asset Management and
Funds Team
Financial Conduct Authority
12 Endeavour Square London
E20 1JN

Email:

cp18-04@fca.org.uk

How to navigate this document onscreen



returns you to the contents list



takes you to helpful abbreviations

Contents

1	Overview	3
2	Handbook changes	6
3	Fees	11
Annex 1		
	List of non-confidential respondents	12
Annex 2		
	Abbreviations used in this paper	13
Appendix 1		
	Made rules (legal instrument)	

1 Overview

Introduction

- 1.1** This Policy Statement (PS) sets out our response to the feedback we received to our Consultation Paper CP18/4. In the CP, we proposed a series of Handbook amendments and new fees schedules to reflect the coming into force of the European Money Market Funds (MMF) Regulation ('the MMF Regulation').¹
- 1.2** An MMF is a fund that invests in short-term debt, such as treasury bills, commercial paper and certificates of deposit. MMFs are an important source of short-term financing for financial institutions, corporates and governments. On the demand side, they offer a short-term cash management tool generally used by corporations to invest their excess cash over a short timeframe.
- 1.3** The MMF Regulation forms part of the European Union's (EU) response to the 2008 global financial crisis. It applies a common framework of rules to MMFs and any substantially similar funds within the European Economic Area (EEA), and subjects them to authorisation and supervision against those requirements. The aim is to preserve the integrity and stability of the EU's internal market, by making MMFs more resilient and limiting the likelihood of any problems in the MMF sector spilling over to other financial services markets.
- 1.4** The MMF Regulation came into force 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). Existing funds that are already branded as MMFs and operating under European Securities and Markets Authority (ESMA) guidance, and those that are substantially similar to MMFs as defined in the MMF Regulation, will have to apply by 21 January 2019 to be authorised under the new regulation.
- 1.5** The MMF Regulation is directly applicable under EU law, and does not need to be implemented by individual member states. We have identified provisions in our Handbook, principally in the Collective Investment Schemes sourcebook (COLL), that need to be amended, deleted or disappplied to MMFs to avoid conflicting with the MMF Regulation. We will charge fees to recover the costs of authorising and supervising MMFs under the regulation.

Who does this affect?

- 1.6** This PS will be of interest to:
- UK fund managers already managing and/or marketing funds as MMFs, or funds that are substantially similar to MMFs as defined in the MMF Regulation, in the UK or another member state, or intending to do so

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32017R1131&from=EN>



- EEA fund managers already managing and/or marketing MMFs in the UK or intending to do so
- intermediaries advising on and distributing MMFs
- investors in MMFs

Is this of interest to consumers?

- 1.7** This PS is largely technical, removing potential inconsistencies between the FCA Handbook and the MMF Regulation, prior to the Regulation taking effect. It is therefore unlikely to interest consumers.

Context

- 1.8** These rule changes will support our market integrity objective by ensuring that there are no inconsistencies between the requirements of our Handbook and those of the MMF Regulation. Taking no action could lead to uncertainty about which rules apply, for example in relation to the investment powers of MMFs.

Summary of feedback and our response

- 1.9** We received 5 substantive responses to our CP, mainly from industry bodies.
- 1.10** Respondents generally agreed with our overall approach of making changes to the Handbook to ensure consistency with the relevant provisions of the Regulation. We intend to proceed with the main proposals outlined in the CP, for example to remove provisions in COLL 5.9 and elsewhere that refer to the investment powers of MMFs.
- 1.11** There were comments on the details of a number of our proposals, such as on fund suspensions, dilution adjustments and the duties of depositaries. Some respondents suggested that our proposals went further than necessary to ensure consistency with the MMF Regulation, and so were unnecessarily restrictive or burdensome. We have considered these comments carefully and have modified our approach on several points.
- 1.12** In other areas, such as the requirement for an MMF to disclose its status as a qualifying money market fund in connection with the protection of clients' assets, we believe that existing provisions are still useful. We have decided not to act on respondents' suggestions that we amend them.
- 1.13** Several respondents suggested that we waive fees, either because of costs already incurred by MMFs in complying with the MMF Regulation, or to promote the UK as a jurisdiction in which to set up MMFs under the new regime. Since we receive no funding from other sources, we have to recover all of our costs through the firms that we regulate. It would not be reasonable to ask other fee payers to subsidise MMFs.

- 1.14** We recognise from several responses that the draft fees schedule that we published in the CP was not clear about the level of charges MMFs would face. So we have provided the figures in a clearer format in the final Handbook instrument attached to this document.
- 1.15** Almost all respondents pointed out a couple of factual errors in the CP, though these do not substantially impact on our proposed rule changes:
- In paragraph 2.7 of the CP, we stated that each MMF could be a short-term or a standard MMF. In fact, as stated in article 25(3) of the MMF Regulation, a standard MMF may not take the form of a constant net asset value (CNAV) or low volatility net asset value (LVNAV) MMF. Both of these must be short-term MMFs, while a variable net asset value (VNAV) MMF can be either a standard MMF or a short-term MMF.
 - In paragraph 4.3 of the CP, we said that MMFs which already exist when the MMF Regulation comes into effect on 21 July 2018 would need to be authorised under it before 21 January 2019. We are happy to clarify that existing funds need only to have submitted an application for authorisation by that date. To further clarify when and how the changes to the Handbook will apply to MMFs that exist prior to the MMF Regulation's effective date, we have added a transitional provision to the Handbook instrument that was in the CP. The intention is to clarify that existing MMFs need only comply with the changes to the Handbook related to the MMF Regulation once the application for authorisation under that Regulation has been determined.

Equality and diversity considerations

- 1.16** We have considered the equality and diversity issues that may arise from the proposals in this PS.
- 1.17** Overall we do not consider that these proposals adversely impact any of the groups with protected characteristics: ie age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment

Next steps

- 1.18** The rules will apply from 21 July 2018 to new MMFs, including funds which are not currently marketed as MMFs but have substantially similar objectives to an MMF, after they have been authorised as an MMF under the MMF Regulation. The rules will apply to funds already operating as either money market funds, or short-term money market funds (as currently defined in the Handbook), only once they have been authorised. Such existing funds will have until 21 January 2019 to apply for authorisation as an MMF under the MMF Regulation. There are transitional provisions that apply in respect of such existing funds.
- 1.19** Application forms for authorisation are available on our website: www.fca.org.uk/firms/authorised-recognised-funds.



2 Handbook changes

- 2.1** We received 5 substantive responses to CP18/4, mainly from industry bodies.
- 2.2** This chapter summarises the feedback and sets out our response, including where we consider that changes to our original proposals are necessary.
- 2.3** The key changes we have made to the draft Handbook instrument respond to suggestions that our original proposals would go beyond what was necessary to ensure consistency between the Handbook and the MMF Regulation, and would create unnecessary burdens or restrictions. Despite these changes we consider that the compatibility statement and cost-benefit analysis set out in CP18/4 remain valid.

Overall approach to amending the Handbook in the light of the MMF Regulation coming into force

- 2.4** We set out in CP18/4 detailed amendments to the COLL section of the Handbook. These were limited to changes that we saw as necessary to align the Handbook with the MMF Regulation and provide legal certainty for MMFs and their customers.
- 2.5** We asked:
- 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?*
- 2.6** Respondents generally agreed with our overall approach and we will be proceeding with the main proposals set out in our CP, including:
- deleting COLL 5.9, which deals with the investment powers of MMFs, now superseded by the requirements of the MMF Regulation
 - disapplying, in respect of MMFs, many of the investment restrictions in COLL 5.2, 5.6 and 8.4
 - amending, in respect of MMFs the provisions in COLL 5, 6 and 8 which cover stock lending, cash borrowing and lending, and valuation and pricing of funds
 - through a new fees schedule, recovering from MMFs the costs of authorising and supervising them in accordance with the requirements of the MMF Regulation
- 2.7** However, respondents had a number of concerns about individual provisions within the draft Handbook instrument. We discuss the most important of these in more detail below.

Fund suspensions

- 2.8** We proposed to add a sentence to COLL 7.2.1R(1), stating that the suspension of dealing of units in MMFs could be carried out only to the extent permitted under, and in accordance with, the MMF Regulation.
- 2.9** Nearly all respondents pointed out that our proposals would severely limit when managers could suspend dealing in MMFs, removing the discretion to do this where it was in the interest of unitholders. They suggested that the circumstances set out in the MMF Regulation when suspension was an option were not intended to be exhaustive. The UK would, therefore, be going much further than other EU member states in taking such a restrictive view of when suspension could be permitted.

Our response

We are persuaded by respondents on this point. We have amended our additional wording to COLL 7.2.1R(1) to make clear that, **where applicable**, suspensions must be consistent with the MMF Regulation. The new wording will not remove the discretion of the fund manager to apply a suspension as permitted generally by COLL, in circumstances other than those described in article 34 of the MMF Regulation.

Deferred redemptions

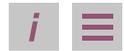
- 2.10** On a related point, one respondent noted that our proposal to disapply COLL 6.2.21R to MMFs meant that fund managers could only defer redemptions in an MMF in the circumstances set out in the MMF Regulation. They pointed out that the circumstances described in article 34 of the MMF Regulation applied only to CNAV and LVNAV funds. Therefore, the MMF Regulation did not exclude the possibility of deferred redemption being applied in other circumstances, particularly by VNAV funds.

Our response

We agree that the MMF Regulation does not remove or restrict the power of managers of MMFs to defer redemptions. Rather, it sets out particular circumstances under which CNAV and LVNAV MMFs should consider imposing a redemption gate that limits the number of shares or units to be redeemed on any one working day. We will not, therefore, proceed with our proposal in COLL 6.2.1R to disapply COLL 6.2.21R to MMFs.

Depositary duties

- 2.11** We proposed to add, in COLL 6.6.4R(1) and COLL 8.5.4R(2), a requirement on depositaries to take reasonable care to ensure that MMFs are managed in accordance with the MMF Regulation. Most respondents pointed out that this could be read as requiring depositaries to oversee a wider range of activities, in respect of managers of MMFs, than is otherwise required under COLL. This would make our rules go further than required to ensure consistency between the Handbook and the MMF Regulation.



Our response

We agree that the original amendment could have been read as expanding the duties of depositaries of MMFs into areas not currently covered by the applicable COLL provisions, which was not our intention. We have, therefore, reworded our amendment to make it clear that depositaries will be required to oversee the same areas of activity in respect of MMF managers as at present.

Dilution adjustments

- 2.12** Paragraph 3.5 of our CP stated that articles 33 and 34 of the MMF Regulation appeared to allow for dilution levies, but not dilution adjustments. We proposed to amend COLL 6.3.8R to reflect this.
- 2.13** One respondent agreed with our analysis, but several questioned it, suggesting that article 29 of the MMF Regulation was flexible enough to permit dilution adjustments. They stressed that fund managers should still to be able to use these tools to ensure the fair treatment of investors when MMFs were experiencing strong in- or outflows.

Our response

We agree that it would be desirable for MMF managers to retain as much flexibility as possible to use anti-dilution tools to protect the interests of investors. We do not believe that article 29 of the MMF Regulation was consciously drafted to permit dilution levies but exclude dilution adjustments, particularly as they have the same purpose and are similar in their impact on investors. We have, therefore, amended our original proposal to state that either a dilution levy or a dilution adjustment may be applied to a MMF "to the extent that it is permitted" under the MMF Regulation.

Respondents' proposals for further Handbook changes

- 2.14** We invited suggestions from respondents to the CP for other amendments to the Handbook, in line with our overall approach to implementing the MMF Regulation. We asked:

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?*

Definition of a 'Qualifying MMF' and disclosure of status

- 2.15** We proposed to retain separate references in the Client Assets sourcebook (CASS) and COLL to a qualifying money market fund. Most respondents disagreed and asked us to remove references to a qualifying MMF and/or bring the definition into line with those in the MMF Regulation. Several suggested in particular deleting the requirement in COLL 4.2.5R(3)(qa) for qualifying money market funds (QMMFs) to identify themselves as such in their prospectuses.

Our response

For the reason given in the CP, we do not believe that we can remove separate references to a qualifying MMF from our Handbook. This term comes from the Markets in Financial Instruments Directive (MiFID) which is not affected by the MMF Regulation, and individual member states cannot unilaterally decide to align the MiFID definition with those in the MMF Regulation. We think that the requirement for QMMFs to disclose their status in their prospectus is not a significant burden and it benefits investors who are required to invest only in QMMFs.

However, we agree that it is no longer useful to disclose QMMF status to retail investors in key investment information. Therefore, we propose deleting COLL 4.7.3BR on key investor information and marketing communications in its entirety, as suggested by one respondent.

Definition of 'designated MMF' in BIPRU

- 2.16** One respondent asked us to reconsider our proposal to retain a separate definition of a 'designated MMF' in the Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU). On the other hand, another welcomed the fact that we were not proposing to change this definition.

Our response

As we explained in paragraph 3.6 of CP18/4, the definition of a 'designated MMF' does not match that of the MMF Regulation, and aligning the two would have an impact on the liquidity requirement for firms that we do not think desirable or necessary. In the absence of consensus among respondents, we continue to propose, as before, to retain a separate definition of a 'designated MMF' for BIPRU purposes.

- 2.17** In several places respondents suggested including cross-references in the Handbook to provisions of the Regulation. For example, some respondents wanted us to include the new definitions of MMFs in our Glossary. Some suggested that we should refer to the requirements of the MMF Regulation on prospectus, key information and period disclosures, in the corresponding parts of COLL.

Our response

In the main, we have rejected these suggestions. Those involved in running or overseeing MMFs will have to read our Handbook and the MMF Regulation together to gain a full understanding of their legal framework. Duplicating provisions from the MMF Regulation would extend and complicate our Handbook unnecessarily. We do not believe there are strong reasons in this case to copy out directly applicable EU regulations.



Miscellaneous proposals

2.18 In response to suggestions made by individual respondents, we now propose to:

- disapply COLL 6.3.5R(2) for MMFs. We had already proposed to disapply COLL 6.3.5R(1), which deals with the calculation of the price of a unit in the fund. We believed that, in the absence of this provision, COLL 6.3.5R(2) would become meaningless in respect of MMFs. However, we accept that it would be clearer and simpler to disapply COLL 6.3.5R entirely for MMFs
- include a reference to our new provisions at COLL 5.2.4AG and COLL 5.6.4AG in COLL 6.6.14R(1), on the duty of the authorised fund manager to prevent misuse of scheme property
- disapply the requirement in COLL 6.3.9R to use forward pricing where a CNAV MMF or LVNAV MMF has to convert to a VNAV MMF. In these circumstances, the fund would have to use a price based on the previous day's calculated NAV to calculate the new price. This would constitute historic pricing, which is contrary to COLL 6.3.9R as it stands
- include transitional provisions that make it clear that the current Handbook rules continue to apply to an MMF that already exists before 21 July 2018, until any application it makes for authorisation under the MMF Regulation has been determined.

3 Fees

3.1 In CP18/4 we also consulted on new fees schedules for MMFs, to allow us to recover the cost of authorising and supervising funds under the MMF Regulation. We asked:

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?*

Fee levels

3.2 Most respondents pointed out that, due to the formatting of the fees schedules in Annex C to the draft Handbook instrument, it appeared as if all MMFs, regardless of their legal structure, might have to pay the same application fee as a qualified investor scheme.

Our response

We are happy to clarify that MMFs will pay a different application fee, according to whether they are undertakings for collective investment in transferable securities (UCITS), non-UCITS retail schemes (NURs) or qualified investor schemes (QISs). In each case, the fee will be identical to that for non-MMFs with the same legal structure.

Waiver of fees

3.3 One respondent suggested that we should set a favourable fees schedule for MMFs, to encourage them to establish in the UK, particularly after we have left the EU. Another queried the proposed £300 fee for an existing MMF to be re-authorised under the MMF Regulation, on the basis of the costs that funds would already have incurred in adapting to the new requirements.

Our response

We receive no funding from other sources. So, in order to meet our costs, we need to recover from regulated firms, including funds, the cost of authorising them and overseeing their activities. If we were to waive charges for MMFs, we would be implicitly requiring other regulated firms or individuals to cross-subsidise their supervision costs. It would not be reasonable for us to ask others to subsidise MMFs in this way.



Annex 1

List of non-confidential respondents

DST Financial Services Europe Limited

The Bank of New York Mellon Corporation (BNY Mellon)

The Depositary and Trustee Association (DATA)

The Institutional Money Market Funds Association Ltd (IMMFA)

The Investment Association (IA)

Annex 2

Abbreviations used in this paper

BIPRU	Prudential sourcebook for Banks, Building Societies and Investment Firms
CNAV	Constant net asset value
COLL	Collective Investment Schemes sourcebook of the FCA Handbook
CP	Consultation Paper
EEA	European Economic Area
ESMA	European Securities and Markets Authority
EU	European Union
FCA	Financial Conduct Authority
FSMA	Financial Services and Markets Act 2012
LVNAV	Low volatility net asset value
MiFID	Markets in Financial Instruments Directive
MMF	Money market fund
MMF Regulation	The European Money Market Funds (MMF) Regulation (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32017R1131)
NAV	Net asset value
NCA	National competent authority
NURS	Non-UCITS retail scheme
PS	Policy Statement
QIS	Qualified investor scheme
QMMF	Qualifying money market fund
UCITS	Undertakings for collective investment in transferable securities
UK	United Kingdom
VNAV	Variable net asset value



We have developed the policy in this Policy Statement 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.

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, 12 Endeavour Square London E20 1JN



Appendix 1

Made rules (legal instrument)

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 20 July 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
Fees manual (FEES)	Annex B
Collective Investment Schemes sourcebook (COLL)	Annex C

Citation

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

By order of the Board
28 June 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 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 (note 1)
...				
Part 2 Application fees payable for firms to be subject to <i>COLL</i>				
Regulation 12 of the <i>OEIC Regulations</i> <u>This section applies to funds where an application is also made to be authorised under the <i>Money Market Funds Regulation</i>.</u>	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	
Section 242 of the <i>Act</i> <u>This section also applies to funds where an application is also made to be authorised under the <i>Money Market Funds Regulation</i></u>	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
	<i>UCITS scheme</i>		1,200	
	<i>Non-UCITS retail scheme</i>		1,500	
	<i>Qualified investor scheme</i>		2,400	

Section 261C of the <i>Act</i> <u>This section also applies to funds where an application is also made to be authorised under the <i>Money Market Funds Regulation</i></u>	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:	An applicant		2
	<i>UCITS scheme</i>		£1,200	
	<i>non-UCITS retail scheme</i>		£1,500	
	<i>qualified investor scheme</i>		£2.400	
Section 272 of the <i>Act</i>
	<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 Regulation</i></u>		<u>300</u>	
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 <i>Money Market Funds Regulation</i></u>				
<u>Article 5 of the <i>Money Market</i></u>	<u>UK AIF (apart from those authorised as a</u>		<u>500</u>	

<u>Funds Regulation</u>	<u>non-UCITS retail scheme or a qualified investor scheme)</u>			
	<u>Non-EEA AIF which is marketed in the UK/EEA without a passport</u>		<u>750</u>	
	<u>Non-EEA AIF which is marketed in the UK/EEA with a passport or is not marketed in the UK/EEA</u>		<u>500</u>	
	<u>Non-EEA AIF which is not managed by an EU AIFM but is marketed in the UK/EEA with a passport</u>		<u>750</u>	
...				
Part 4 (Alternative Investment Funds: fees payable for making a notification to the FCA to market an AIF)				
Regulation 57 of the <i>AIFMD UK regulation</i>	On giving notice under regulation 57 of the AIFMD UK regulation	the <i>AIFM</i>	250 per <i>AIF</i>	N/A
Regulation 58 of the <i>AIFMD UK regulation</i>	On giving notice under regulation 58 of the AIFMD UK regulation	the <i>AIFM</i>	125 per <i>AIF</i>	N/A
Regulation 59 of the <i>AIFMD UK regulation</i>	On giving notice under regulation 59 of the AIFMD UK regulation	the <i>AIFM</i>	250 per <i>AIF</i>	N/A
	<u>The fees in this Part are payable in addition to any other authorisation</u>			

	<u>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 Regulation</u>	<u>On application by an existing money market fund which from 21 July 2018 seeks to be authorised under the Money Market Funds Regulation</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 with effect from 21 July 2018</u>		>50	22	9,020
Section 264 of the Act, schemes other than <i>non-EEA AIFs</i> recognised				

under section 272 of the <i>Act</i>				
...

Annex C

Amendments to the Collective Investment Schemes sourcebook (COLL)

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

1 Introduction

1.1 Applications and purpose

Application

1.1.1 G ...

(5) COLL TP 1.1(48) contains transitional provisions that apply in relation to any *scheme* that will need to become a *regulated money market fund* in accordance with the *Money Market Funds Regulation*, and which operates as a *scheme* prior to 21 July 2018.

...

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: [deleted]~~

- (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 the following guidelines, which refer to matters that should be included in relation to several other matters concerning the key investor information for certain types of UCITS (ESMA 2012/832). 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 for competent authorities and UCITS management companies: 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>		<u>x</u>	<u>x</u>		
<u>5.2.4AG</u>					<u>x</u>
<u>5.2.5R to 5.2.9R</u>		<u>x</u>	<u>x</u>		
...					
5.2.11R to 5.2.21R <u>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 to 5.2.33R</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, executed 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 *depository* 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* and *COLL 5.5.9R*, this section does not apply to an *ICVC*, an *ACD*, an *authorised fund manager* of an *AUT* or *ACS*, or a *depository* 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 *depository* 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*, *5.6.22R(2)*, *5.6.22R(3)*, *5.6.22R(9)* and *5.6.24R*, this section does not apply where the *non-UCITS retail scheme* in question is 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

...

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

- 6.2.21 R (1) Subject to (1A), ~~and (3), and (4),~~ the *instrument constituting the fund* and the *prospectus* of an *authorised fund* which has at least one *valuation point* on each *business day*, may permit deferral of *redemptions* at a *valuation point* to the next *valuation point* where the requested *redemptions* exceed 10%, or some other reasonable proportion disclosed in the *prospectus*, of the *authorised fund's* value.

...

- (4) Any deferral under (1) in relation to an *authorised fund* that is a *regulated money market fund* must be consistent with the *Money Market Funds Regulation*, where relevant.

...

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 certain kinds of *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; 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 depositary 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 only require payment of a *dilution levy* or make a *dilution adjustment* to the extent it is permissible under the *Money Market Funds Regulation*.

...

Forward pricing

- 6.3.9 R (1) ~~For~~ Subject to (7), for the *sale* and *redemption* of *units*, all *deals* must be at a *forward price*.
- ...
- (7) *Deals* for the *sale* and *redemption* of *units* in a *regulated money market fund* need not be at a *forward price* where the circumstances in article 34(2) of the *Money Market Funds Regulation* apply.

...

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 provisions of the *Money Market Funds Regulation* relating to investment and borrowing powers, dealing, valuation and pricing, and income.
- (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 *depositary* 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*.

...

Duties of the depositary and the authorised fund manager: investment and borrowing powers

- 6.6.14 R (1) The *authorised fund manager* must avoid the *scheme property* being used or invested contrary to *COLL 5*, or any provision in the *instrument constituting the fund* or the *prospectus* as referred to in *COLL 5.2.4R* (Investment powers: general), ~~and~~ *COLL 5.6.4R* (Investment powers: general) and, where the scheme is a *regulated money market fund*, the *Money Market Funds Regulation*, except to the extent permitted by (3)(b).

...

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*, the *authorised fund manager* must ensure that any such suspensions are consistent 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*.

...

Permitted stock lending

...

8.4.9A **G** The *Money Market Funds Regulation* sets out restrictions in relation to *stock lending* and *repo* contracts that apply in respect of *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~~ 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 depositary

- 8.5.4 R (1) The *depositary* is responsible for the safekeeping of all the *scheme property*.
- (2) The *depositary* 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 provisions of the *Money Market Funds Regulation* relating to investment and borrowing powers, valuation, pricing, and dealing, and income.
- ...
- ...

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: [deleted]~~

- (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.~~

~~[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 *depository* 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 *depository* 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 *depository* for the account of the *scheme* as required by the *prospectus*, and, where applicable, in accordance with the *Money Market Funds Regulation*.

...

...

TP 1 Transitional Provisions

TP 1.1

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provision: coming into force
...					
<u>Amendments to COLL made by the Money Market Funds Regulation Instrument 2018</u>					
48	<u>Each and every rule in <i>COLL</i></u>	<u>R</u>	<u>A <i>scheme</i> which satisfies the</u>	<u>From 21 July 2018 to 21</u>	<u>21 July 2018</u>

	<p><u>amended or deleted by the Money Market Funds Regulation Instrument 2018</u></p>	<p><u>conditions in either <i>COLL</i> 5.9.3R or <i>COLL</i> 5.9.5R immediately before 21 July 2018, and in respect of which an application for authorisation as a <i>regulated money market fund</i> needs to be submitted by 21 January 2019 in accordance with article 44 of the <i>Money Market Funds Regulation</i>, shall continue to comply with the provisions of the <i>COLL</i> sourcebook that apply to it, or in relation to it, as at 20 July 2018 until such time as it is a <i>regulated money market fund</i>.</u></p>	<p><u>March 2019</u></p>	
--	---	--	--------------------------	--

