

ESMA writes to European Commission on share cancellation under MMFR

ESMA believes that clarity on this issue to investors and market participants is essential to ensure a proper and consistent interpretation and implementation of the MMFR.

TEXT OF LETTER

Ref: Implementation of the MMF Regulation – your letter dated 19 January 2018

Dear Vice-President Dombrovskis,

I am writing to you regarding your letter dated 19 January 2018 on the implementation of the MMF Regulation.

I would like to thank you for your letter and the publication of the Commission Implementation Regulation 2018/708 of 17 April 2018 laying down implementing technical standards with regard to the template to be used by managers of money market funds when reporting to competent authorities as stipulated by Article 37 of the MMF Regulation (MMFR).

I would also like to thank you for providing us in this letter of 19 January 2018 with the view of the Commission on the compatibility of the reverse distribution mechanism (RDM), often referred to as 'share cancellation', with the MMFR. As you will recall, we considered the assessment of the compatibility of the RDM with the MMFR a Level 1 issue and therefore asked for your view on this matter. Clarity on this issue to investors and market participants is essential to ensure a proper and consistent interpretation and implementation of the MMFR.

I understand that you have provided some market participants with the text of the opinion of the Legal Service of the Commission on the compatibility of the RDM with the MMFR. In order to ensure clarity and transparency vis-à-vis market participants and investors on this issue, I would see merit in the Commission making its interpretation of the relevant provisions in the MMFR clear to the wider public through means of communication deemed most appropriate.

Given the MMFR will apply from 21 July 2018, the date from which all newly authorised MMFs will have to comply with the Regulation, I would see merit in making this interpretation clear to the wider public as soon as possible.