cssf

Commission de Surveillance
du Secteur Financier

MMF Reporting
Dashboard

31 December 2022

MMF Reporting Dashboard

CONTENTS

MMF Reporting Dashboard

1. Introduction

- This MMF Reporting Dashboard encompasses a set of indicators based on the data reported under Article 37 of the Regulation (EU) 2017/1131 of the European Parliament and of the Council on money market funds ("MMFR"), complemented with data from the CSSF U.1.1. reporting. Unless specified otherwise, the source of the data used for the graphs is the MMFR Reporting.

- Money market funds (MMFs) need to report on a quarterly basis, with data as from Q1/2020 onwards, under Article 37 MMFR. A derogation is granted to MMFs whose assets under management in total do not exceed EUR 100 M allowing them to report on a yearly basis. In this context, it should be noted that reporting on a quarterly basis by MMFs (some on a voluntary basis) represents ~99.5% of the aggregate total net assets.

- For confidentiality reasons, the category ST PD CNAV MMF in GBP is not shown in some graphs when it is constituted of a single fund.

2. Executive Summary

Key indicators

	ST LVNAV	ST PD CNAV	ST VNAV	STD VNAV	Total
Size					
Number of units (Absolute number of units)	16	11	33	56	116
Total NAV (Bn EUR)	214	62	73	64	413
Total NAV variation YoY	*4%*	*-16%*	*-8%*	*10%*	*-1%*
Of which:					
NAV USD (Bn EUR)	*141*	*61*	*13*	*11*	*226*
NAV EUR (Bn EUR)	*29*		*42*	*48*	*119*
NAV GBP (Bn EUR)	*43*		*16*	*4*	*63*
NAV Other (Bn EUR)	*1*	*1*	*2*	*1*	*5*

	ST LVNAV	ST PD CNAV	ST VNAV	STD VNAV	Total
Specific indicators					
Average NAV (Bn EUR)	13	6	2	1	4
Average WAM (Days)	21	25	30	76	51
Variation since last year (Days)	-16	-13	-14	-22	-16
Average WAL (Days)	43	27	49	112	77
Variation since last year (Days)	-3	-11	-5	-27	-13
Average DLA (% NAV)	36	35	22	14	21
Variation since last year (% NAV)	1	7	0	0	0
Average WLA (% NAV)	54	53	37	27	36
Variation since last year (% NAV)	5	7	-2	-3	-1

- The total NAV of Luxembourg domiciled MMFs reached EUR **413bn** as per 31/12/2022, which constitutes a decrease of EUR 3bn (-1%) over one year. The number of MMFs decreased from 128 active funds last year to **116 active funds** by the end of 2022, with 95 UCITS[1] and 21 AIFs.

- The **breakdown by categories of MMFs** remained **rather stable** compared to a year ago. As per 31/12/22, 52% of MMFs are short term low volatility NAV MMFs ("ST LVNAV" MMFs) in terms of total NAV, 18% are short term variable NAV MMFs ("ST VNAV" MMFs), 16% are standard variable NAV MMFs ("STD VNAV" MMFs) and 15% are short term public debt constant NAV MMFs ("ST PD CNAV" MMFs) (essentially in USD).

- In terms of currencies, **MMFs are mainly invested in USD** (EUR 226bn / 55%), followed by EUR (EUR 119bn / 29%) and GBP (EUR 63bn / 15%). Other currencies represent only 1% of the overall NAV of MMFs.

- The total NAV of **USD MMFs rose** by EUR 8bn (+4%) over the year, driven by ST LVNAV. On the contrary, the total NAV of **GBP MMFs decreased** by EUR 15bn (this decrease of -19% was rather continuous until Q3 2022 and was mostly linked to high deposit rates offered by banks in GBP). The NAV of **EUR MMFs** as per the end of 2022 remained **globally stable** compared to the end of 2021.

- **91% of MMF investors are professional investors** and the 5 largest investors represent on average 31% of the NAV (to be compared to 36% by the end of 2021, mainly due to data quality enhancements). The largest MMF investor groups are other financial institutions (38% of total NAV), followed by non-financial corporations (22% of total NAV) and other UCIs (11%). Households represent 8%.

- **MMFs** in Luxembourg are **highly concentrated** (the 5 largest MMFs account for ~49% of the total NAV).

- As cash management vehicles, MMF investor flows were volatile during the year, with a minimum total NAV of EUR 374bn in May 2022 and a maximum of EUR 413bn in December 2022.

- The first half of 2022 was characterised by outflows, while the second half was characterised by inflows, achieving a global recovery at the end of the year. Increased performances - and also, for EUR, the end of negative rates - generated investor attractivity for most categories of the USD and EUR MMF categories.

- Starting from Q2 2021 and after some uncertainties on its transitory nature, inflationary pressures remained in 2022 resulting in a significant tightening of monetary policies, including several interest rate increases during the year: 7 rate hikes by the Fed (from 0.25% to 4.50%), 8 rate hikes by the Bank of England (from 0.25% to 3.50%) and 4 rate hikes by the ECB starting in July 2022 (from 0.00% to 2.50% for the refinancing rate).

- On the account of these continuous and significant increases in short-term interest rates during the year, the **3M performance** continued to **increase significantly** for all MMF categories. The 3M performance for all the EUR MMF categories turned ultimately positive in Q4 2022.

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1 *The potential discrepancy between the number of MMFs in the MMF Reporting and in the UCITS Risk Reporting Dashboard is explained by the inclusion of dormant funds in the latter.*

- In a context of anticipation of rate increases, MMFs globally **decreased their WAM and their WAL** at low levels in order to capture more quickly investments with higher returns. In the meantime, they tended to **maintain or increase their level of liquidity**. The average levels of **DLA** and **WLA** remained globally well above the regulatory thresholds during the year.

- For 2022, **no ST LVNAV MMF experienced a NAV deviation larger than the 20bps** threshold foreseen under art. 33(2)(b) MMFR. **No vulnerabilities** from stress testing (Art. 28(4)) and **no liquidity measures** for ST PD CNAV and ST LVNAV MMFs (Art. 34) had to be implemented according to the MMFR Reporting.

- As an addition to last year's Dashboard, the results of some key stress tests have been integrated at the end of this report.

3. MMF market overview and general aspects

3.1 Evolution of the total net assets and number of funds

- Bi-yearly evolution of the TNA and number of MMFs since 2012 (data U.1.1, CSSF)
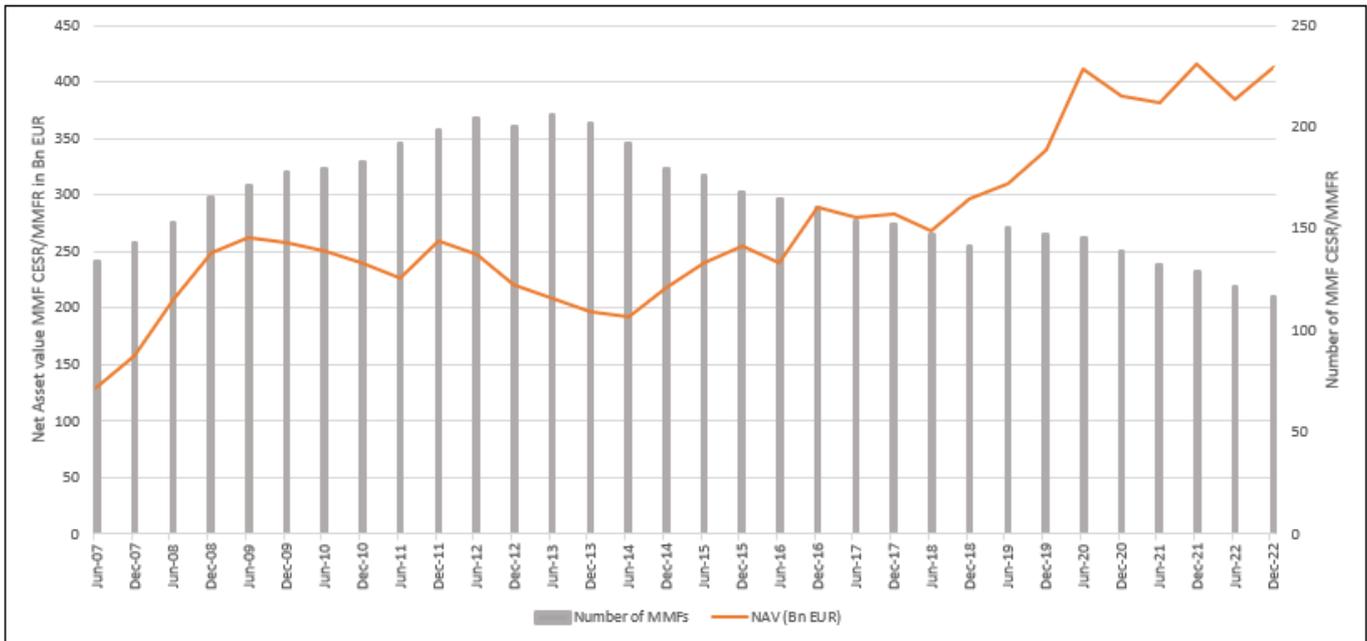
Note: The data from 2012 to 2018 is based on the MMF classification as per CESR's Guidelines on a common definition of European MMFs. From 2019, the data is based on the MMF classification as per the MMFR. The number of funds only represents active funds.

- Monthly evolution of the NAV by MMF type since Q4 2020 (data U.1.1)

Net Asset value in EUR
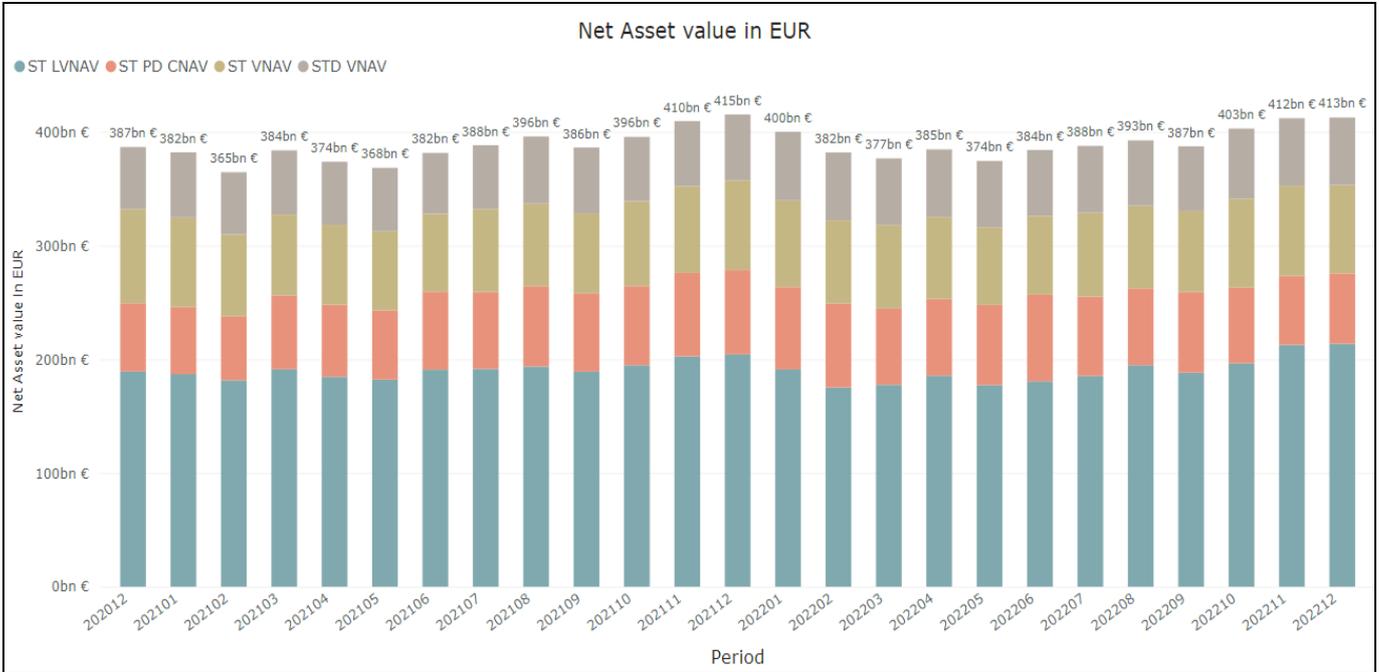
Note: Small discrepancies between the total TNA provided by the MMFR and the U.1.1 are linked to the different underlying assumptions used by these two different data sources.

- Monthly evolution of the NAV by MMF currencies since Q4 2020 (data U.1.1)

Net Asset value in EUR
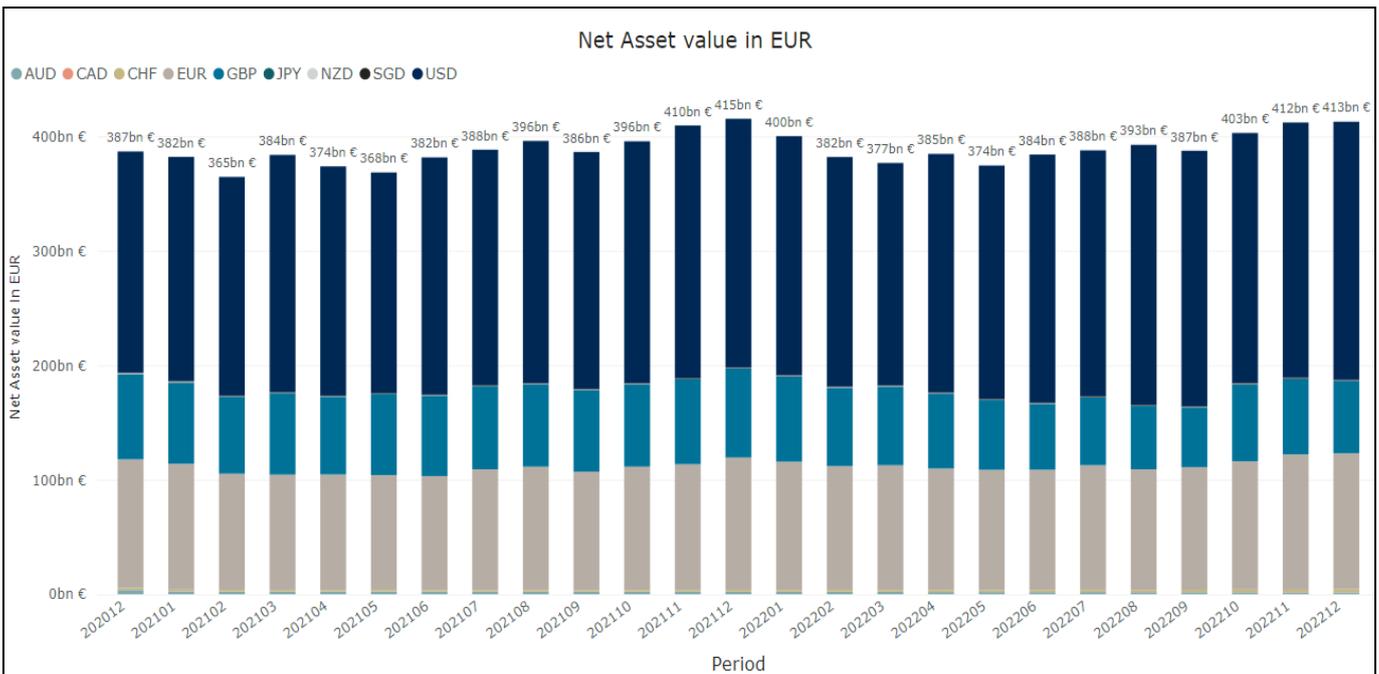
- Monthly evolution of the NAV by MMF legal type since Q4 2020 (data U.1.1)

Net Asset value in EUR
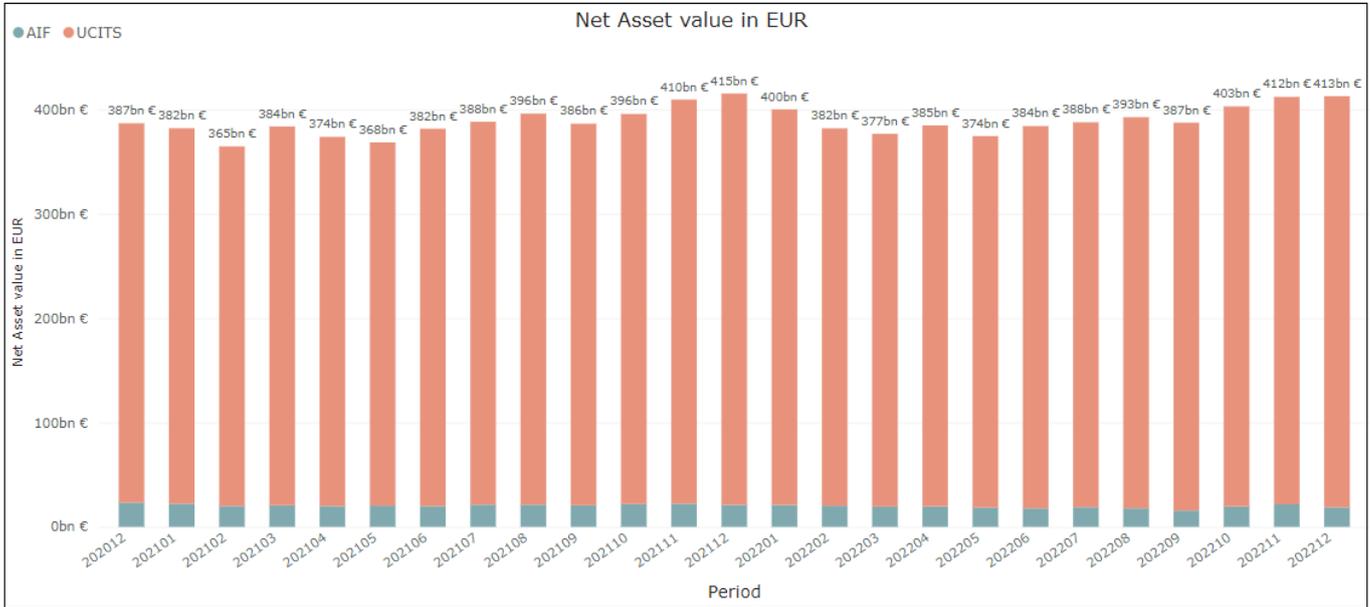
- Monthly evolution of subscriptions/redemptions by MMF type since Q4 2020 (data U.1.1)

Net subscriptions in EUR
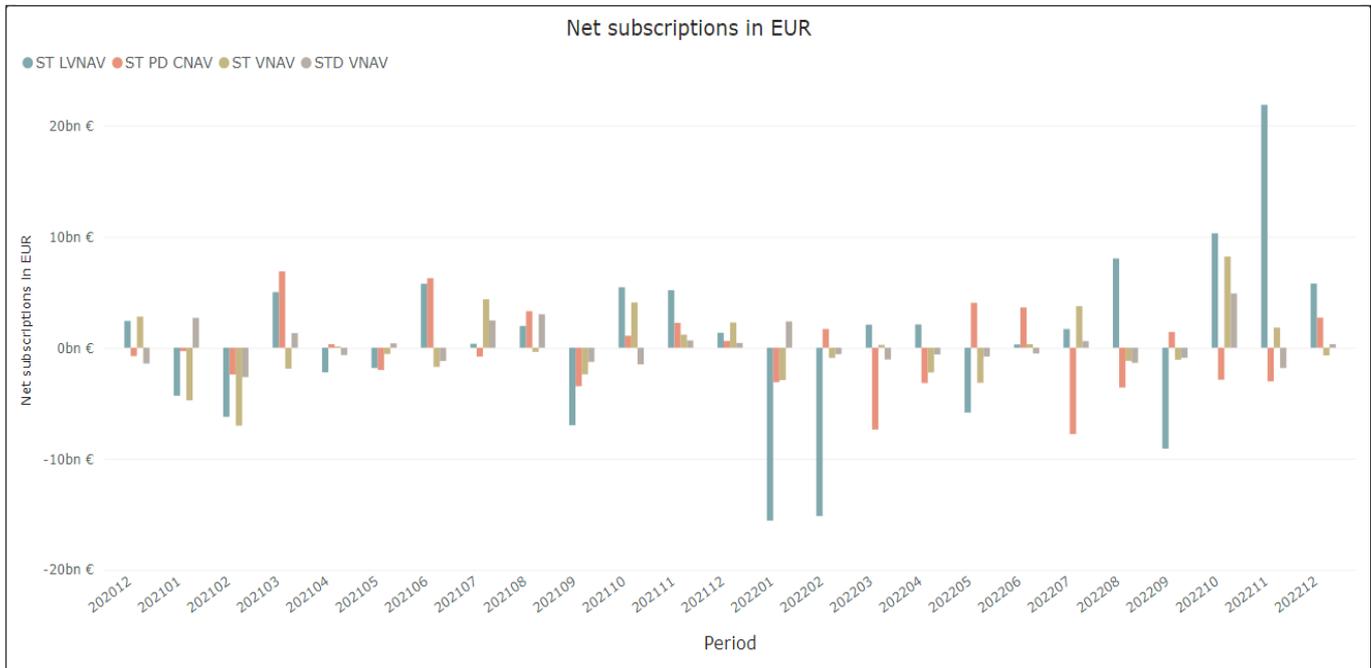
- Quarterly evolution of the TNA per MMF type for the 3 main currencies since Q1 2020

Total NAV in EUR by type of MMF and by reporting period
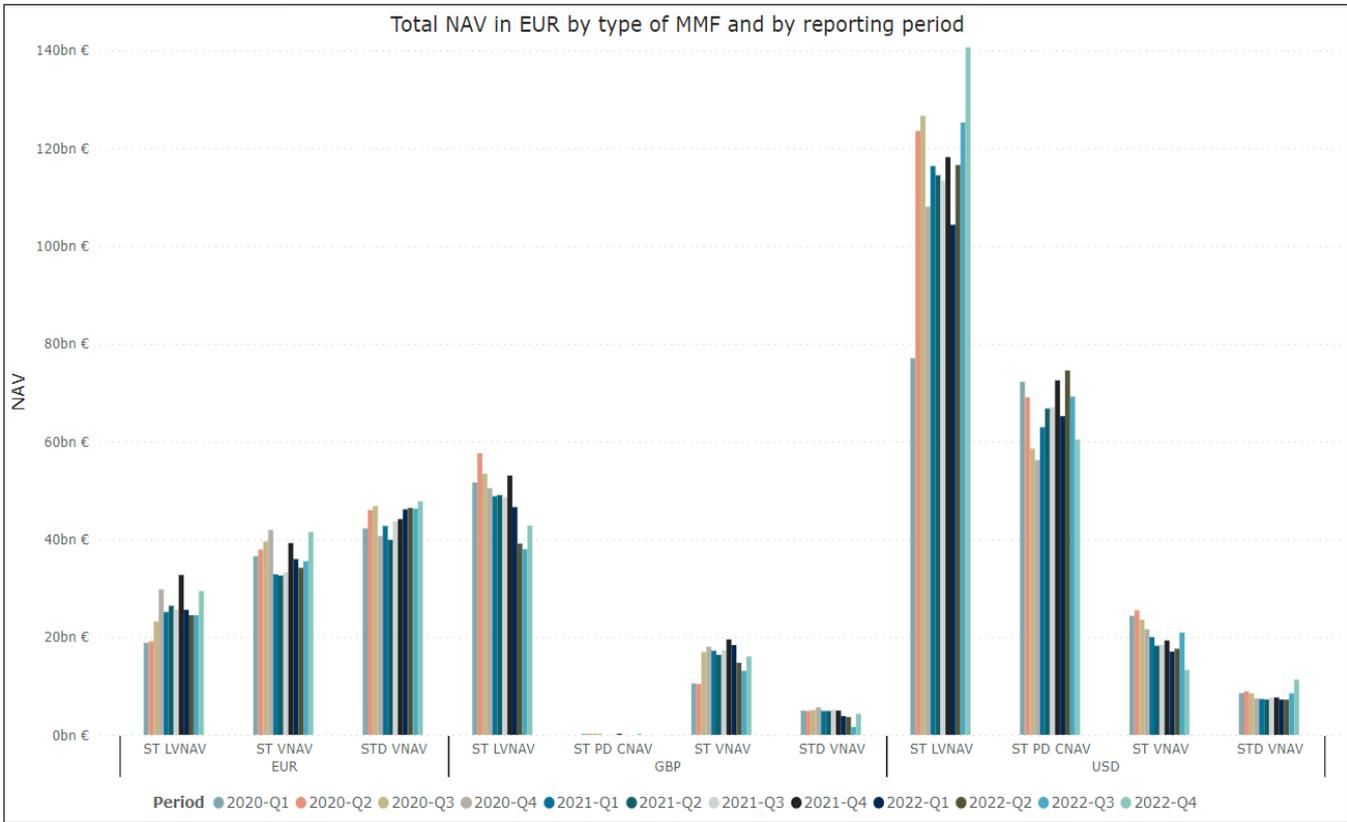
3.2   Allocation of MMF assets as per 31 December 2022

Total NAV in EUR by MMF type

- ST PD CNAV 62bn € (15%)
- STD VNAV 64bn € (16%)
- ST VNAV 73bn € (18%)
- ST LVNAV 214bn € (52%)

Number of MMF by MMF type

- ST PD CNAV 11 (9%)
- ST LVNAV 16 (14%)
- STD VNAV 56 (48%)
- ST VNAV 33 (28%)

Total NAV in EUR by MMF currency

- OTH 6bn € (1%)
- GBP 63bn € (15%)
- EUR 119bn € (29%)
- USD 226bn € (55%)

Number of MMF by MMF currency

- OTH 14 (12%)
- GBP 18 (16%)
- EUR 49 (42%)
- USD 35 (30%)

Total NAV in EUR by "Other" MMF currency

- CHF 3bn € (47,67%)
- AUD 2bn € (28,32%)
- SGD 1bn € (12,05%)
- JPY 0bn € (4,71%)
- NZD 0bn € (3,71%)

Number of MMF by "Other" MMF currency

- CHF 5 (35,71%)
- AUD 4 (28,57%)
- CAD 2 (14,2...)
- JPY 1 (7,14%)
- NZD 1 (7,14%)
- SGD 1 (7,14%)

3.3   Market concentration of MMFs and MMF managers as per 31 December 2022

MMFs arranged per % NAV coverage

■ Individual coverage in % (LHS)　━ Sum of coverage in % (RHS)

MMF managers arranged per % NAV coverage

■ Individual coverage in % (LHS)　━ Sum of coverage in % (RHS)
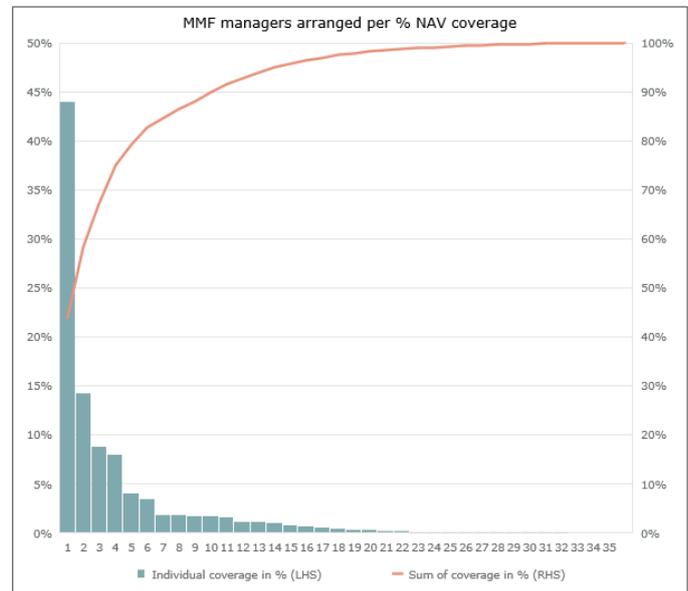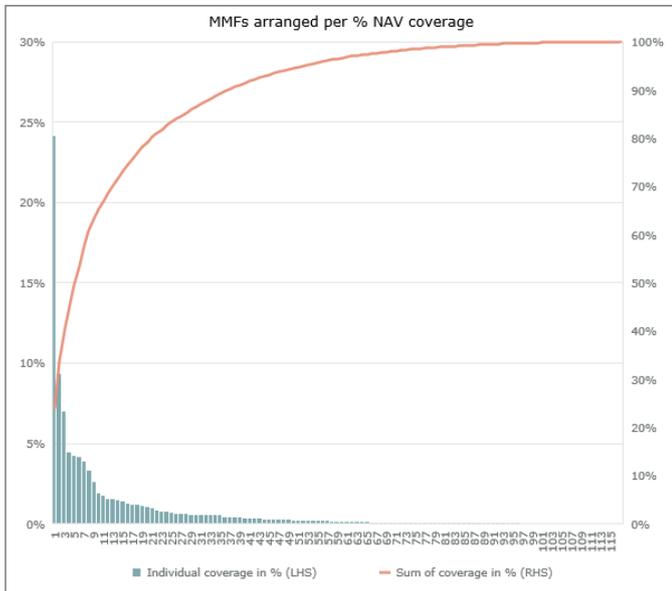
3.4 Investor profiles of MMFs

MMFs investor profile

- 39 bn €; 9%
- 374 bn €; 91%

■ Retail investors   ■ Professional investors

MMFs investor group type

- Insurance corporation; 30 bn €; 7%
- Household; 33 bn €; 8%
- General government; 6 bn €; 1%
- Bank; 34 bn €; 8%
- Unknown; 1 bn €; 0%
- Pension plan or fund; 19 bn €; 5%
- Non financial corporation; 91 bn €; 22%
- Other UCIs; 47 bn €; 11%
- Other financial institution: 155 bn €; 38%
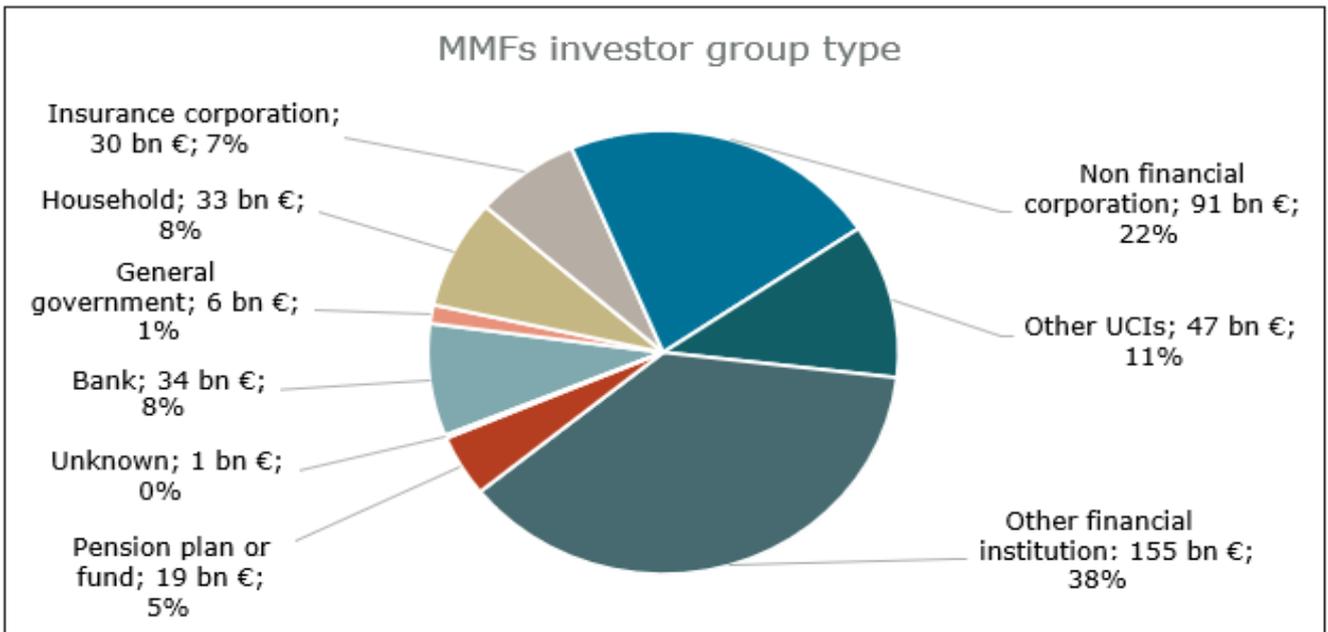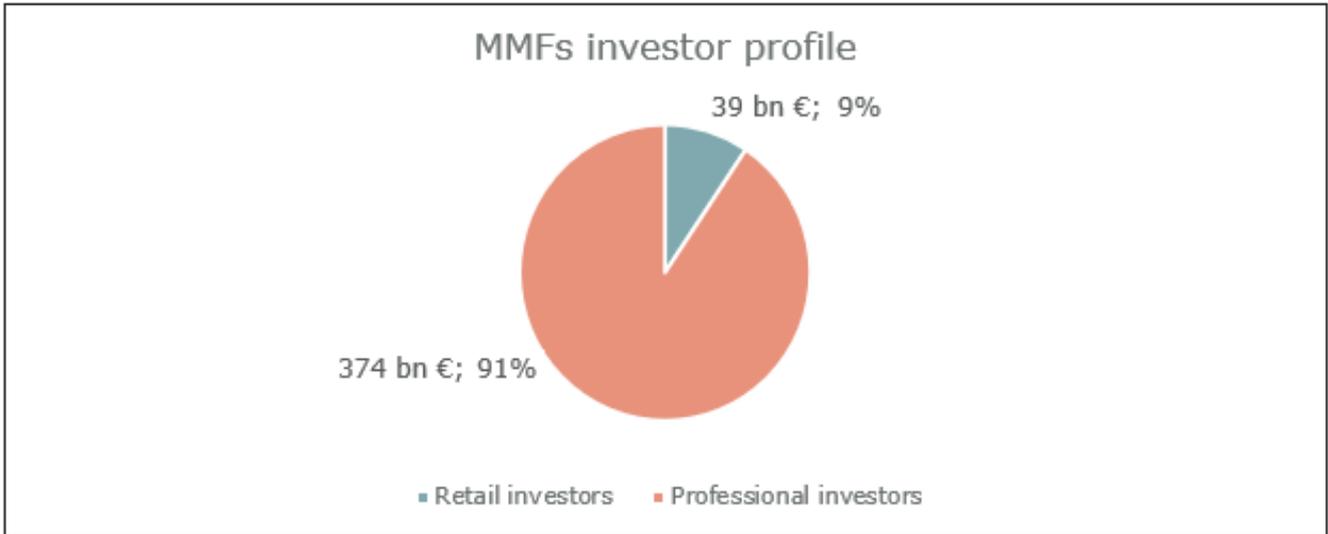
4. Detailed analysis per main MMF currencies (NAV-weighted)

4.1 NAV (base currency)
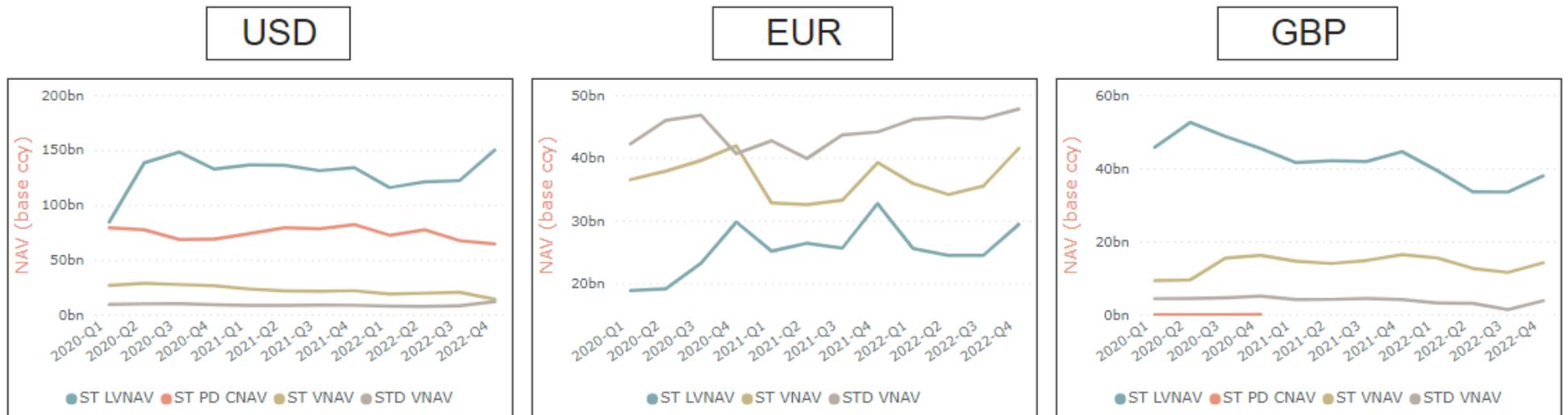
4.2 Cumulated returns last 3 months

USD   EUR   GBP

Legend: ● ST LVNAV ● ST PD CNAV ● ST VNAV ● STD VNAV
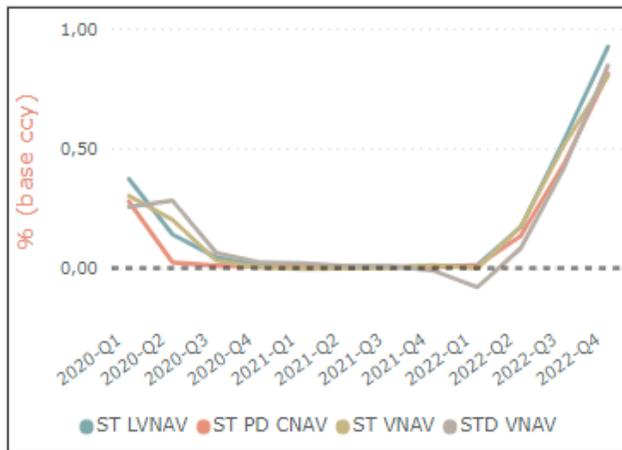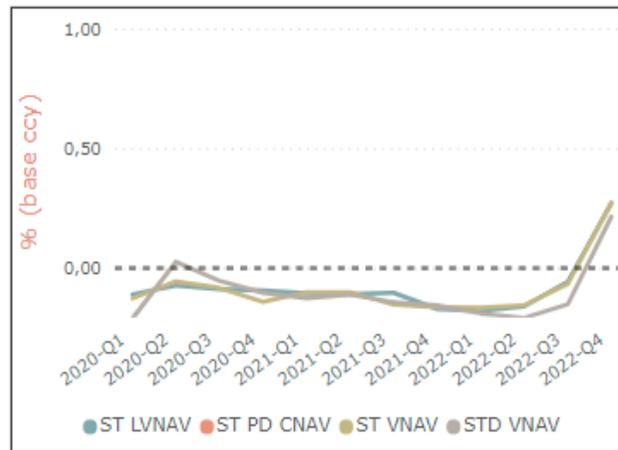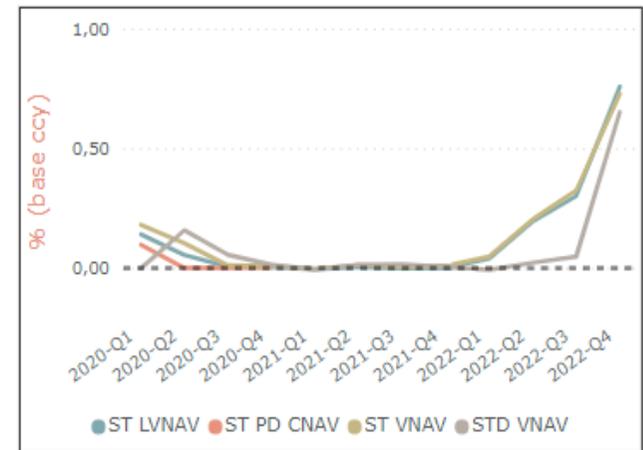
4.3 Weighted Average Maturity (WAM)
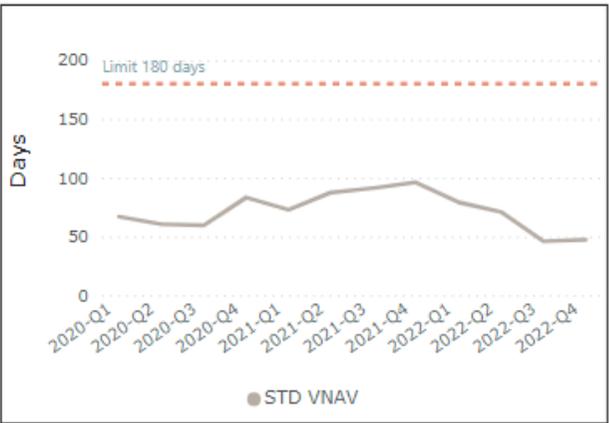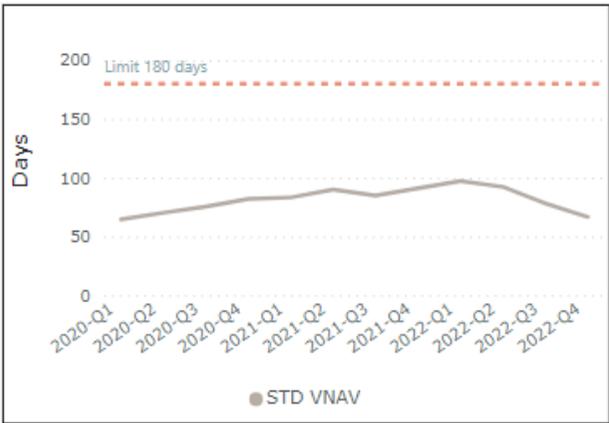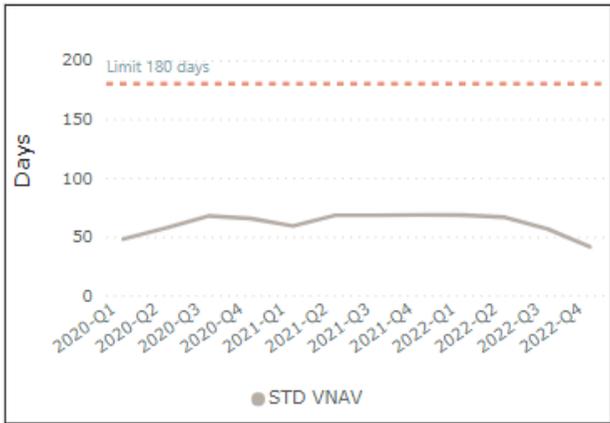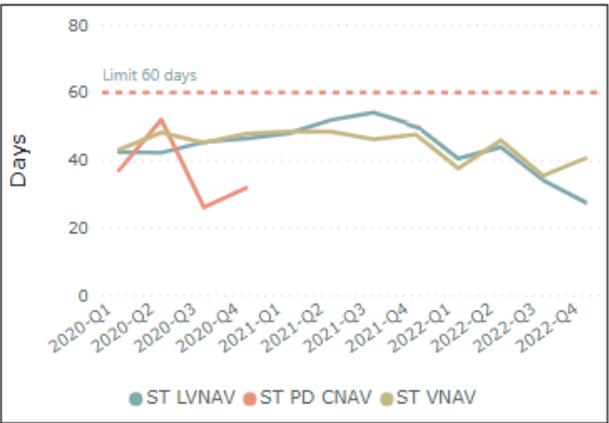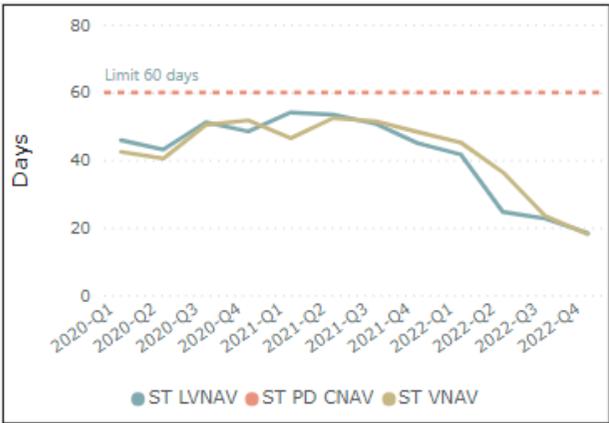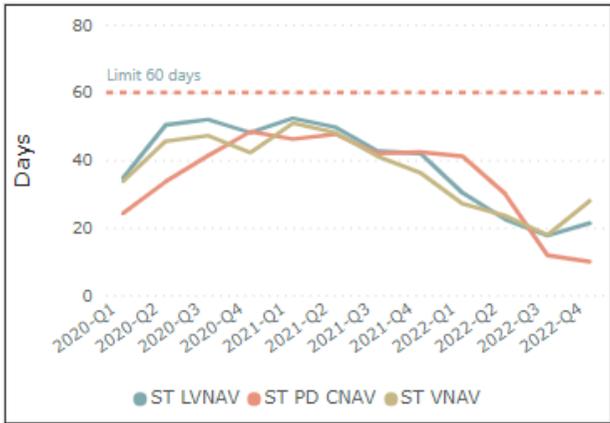
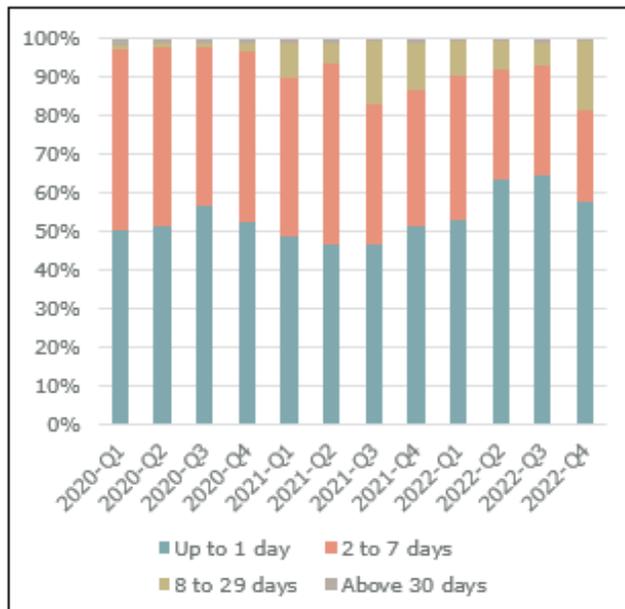## 4.4 Weighted Average Life (WAL)
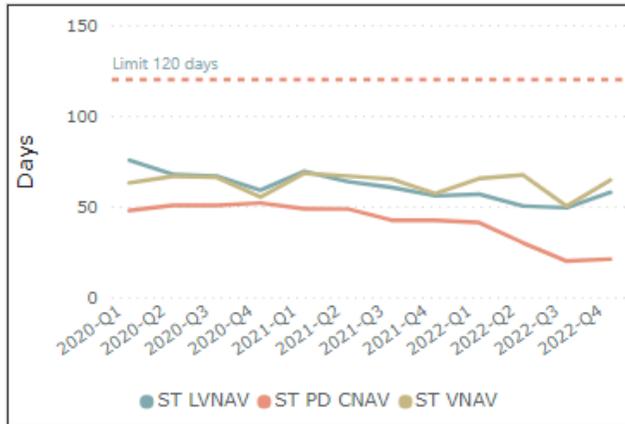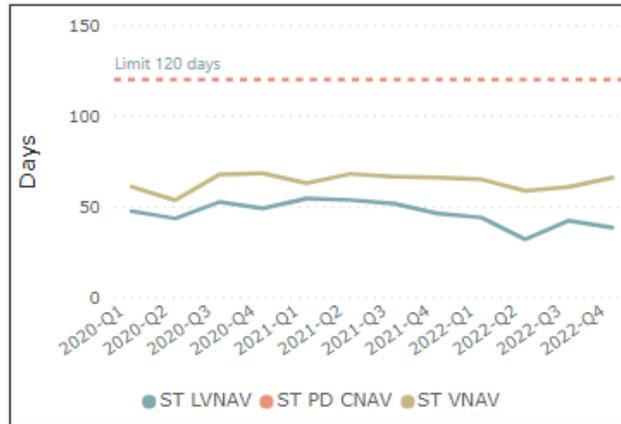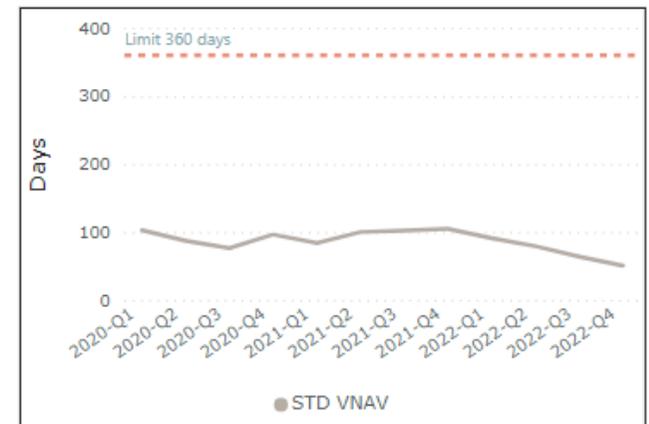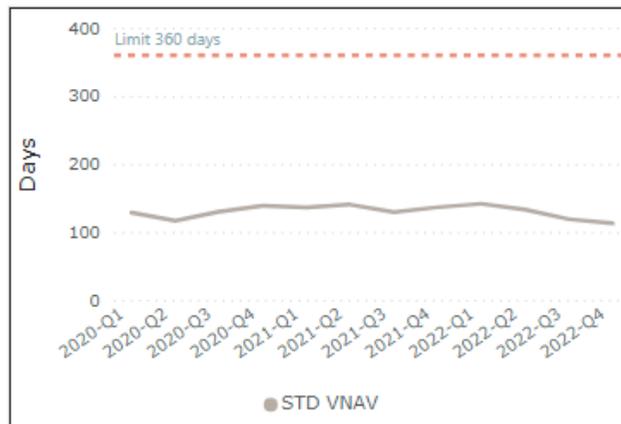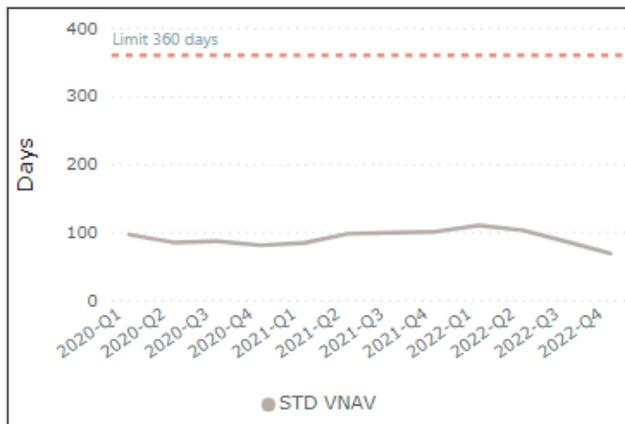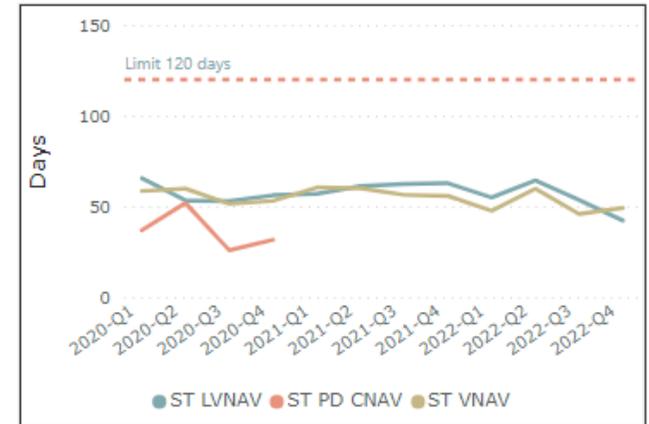
4.5 Liquidity – Daily Liquid Assets (DLA)

| USD | EUR | GBP |
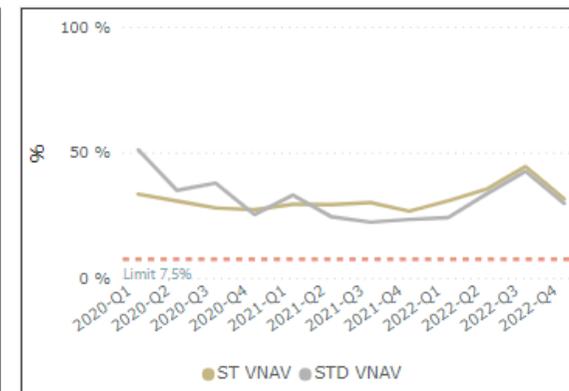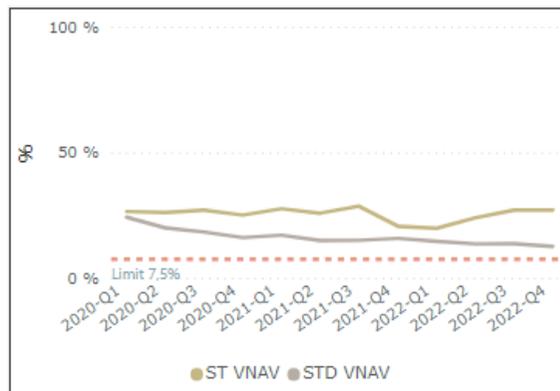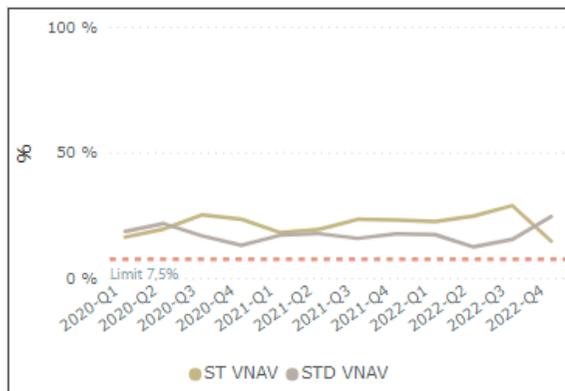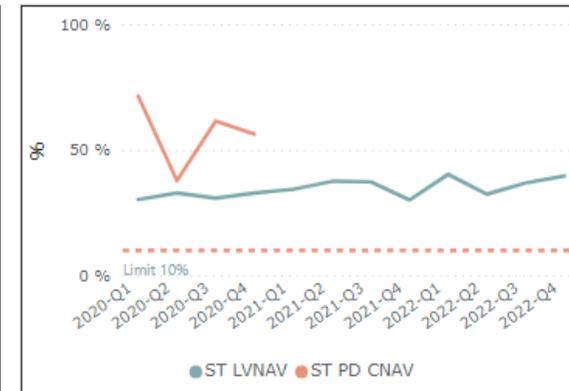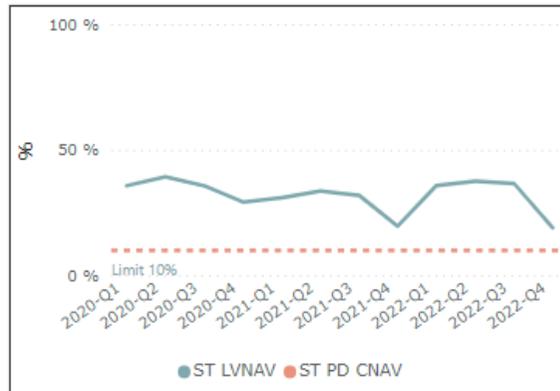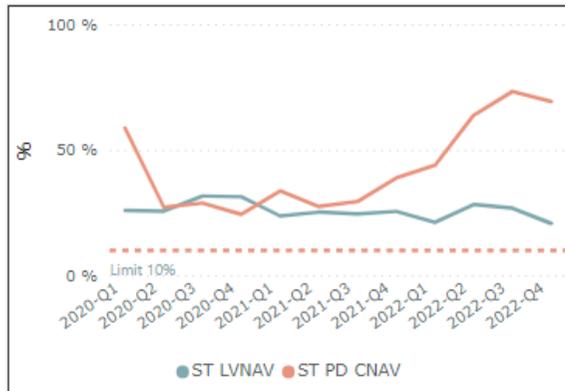
Note: The increase of the DLA for the category STD VNAV in USD between Q3 and Q4 2022 is mirroring the decrease of the category ST VNAV.
It is linked to the conversion of a large ST VNAV MMF into a STD VNAV MMF.

4.6   Liquidity – Weekly Liquid Assets (WLA)
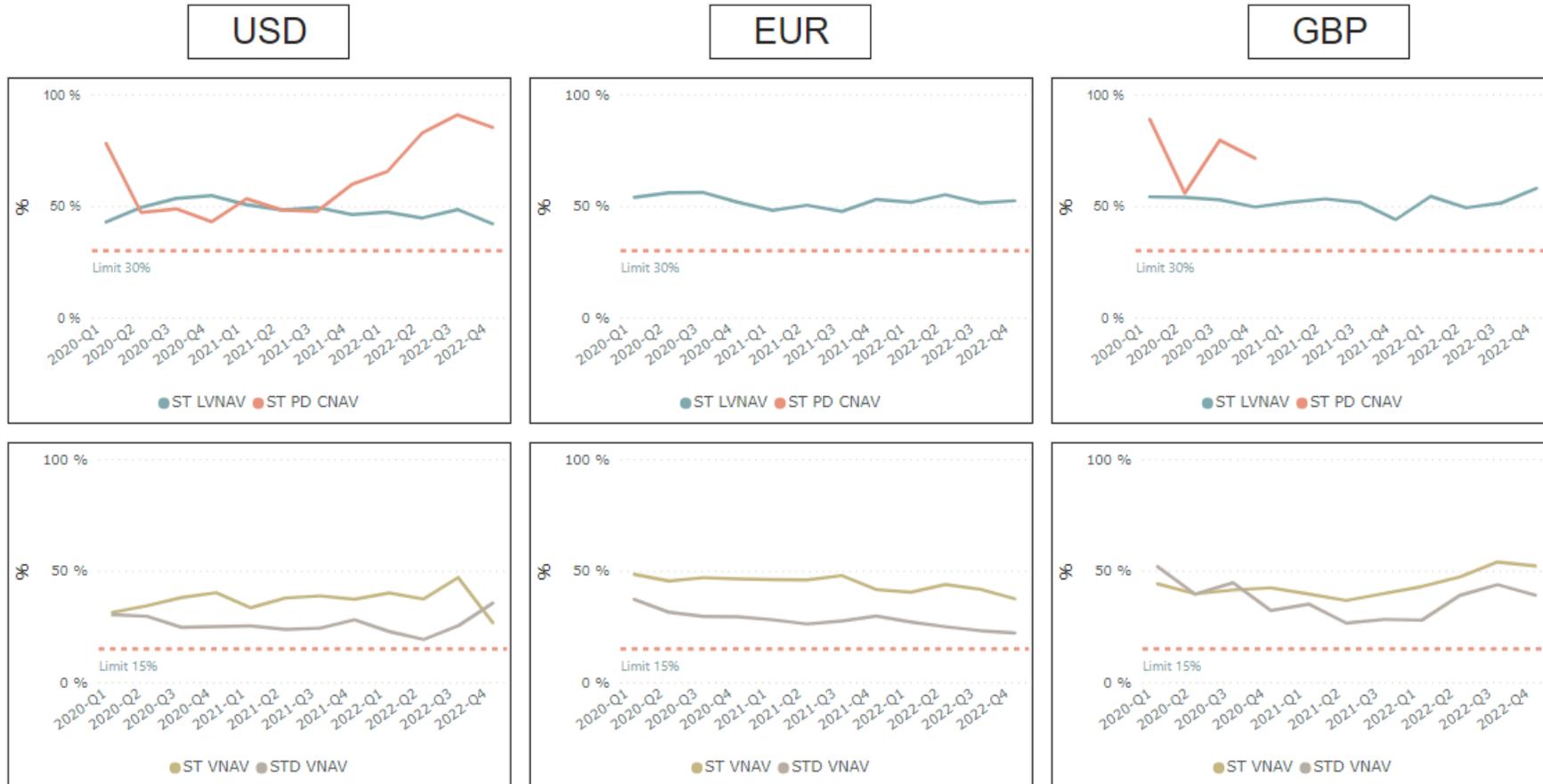
Note: The increase of the DLA for the category STD VNAV in USD between Q3 and Q4 2022 is mirroring the decrease of the category ST VNAV. It is linked to the conversion of a large ST VNAV MMF into a STD VNAV MMF.

**4.7   Evolution of liquidity (time to liquidate) (normal market conditions)**
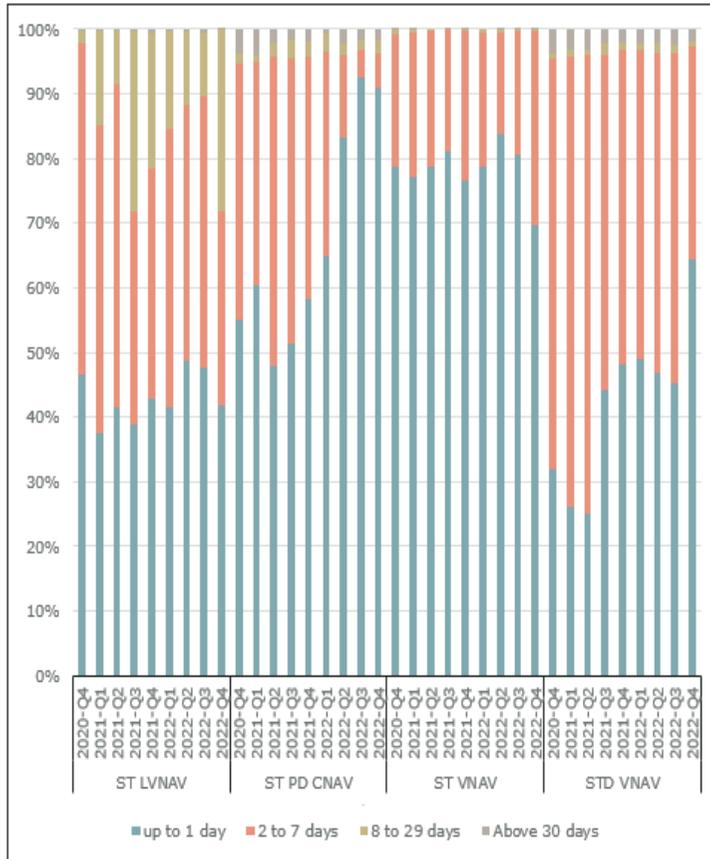
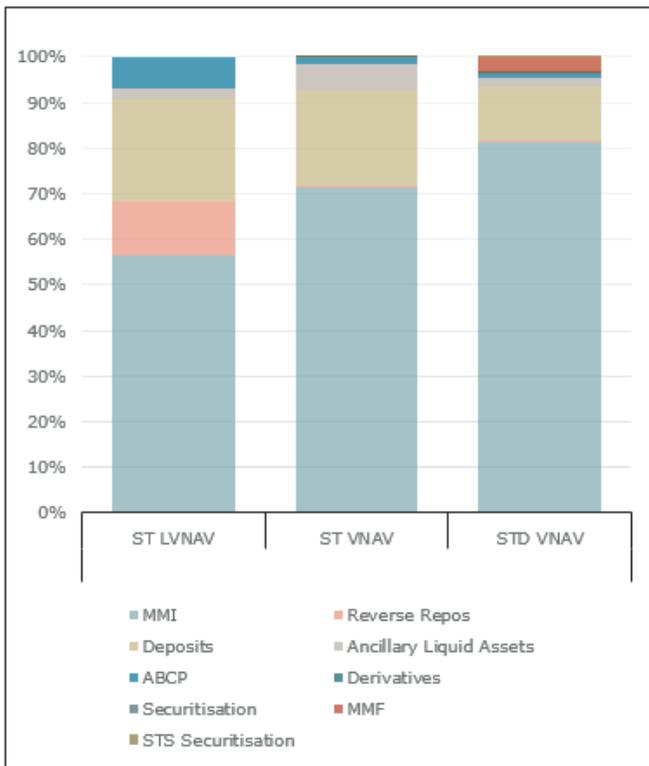**4.9   Evolution of 7-days liquidity (time to liquidate) (normal market conditions)**
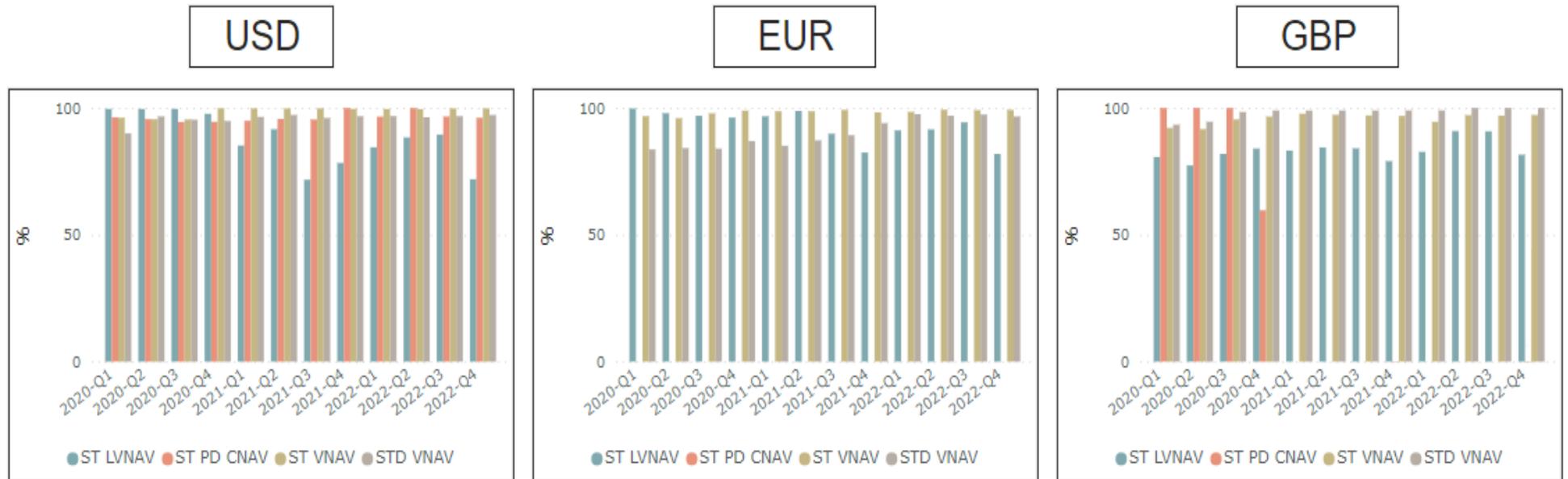
Note: The decreases of the 7-days liquidity between Q2 and Q3 2021 for the ST LVNAV categories in USD and EUR are mostly due to a change of methodology from large funds.
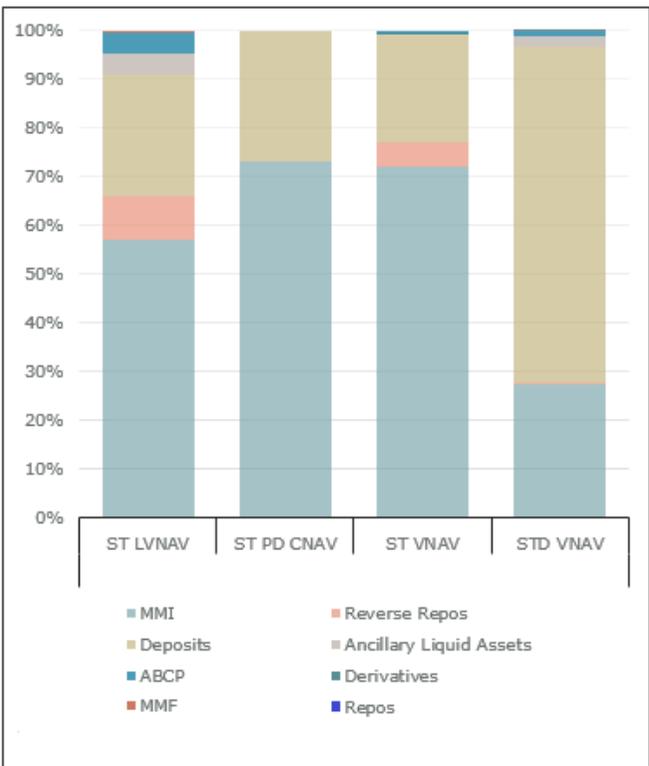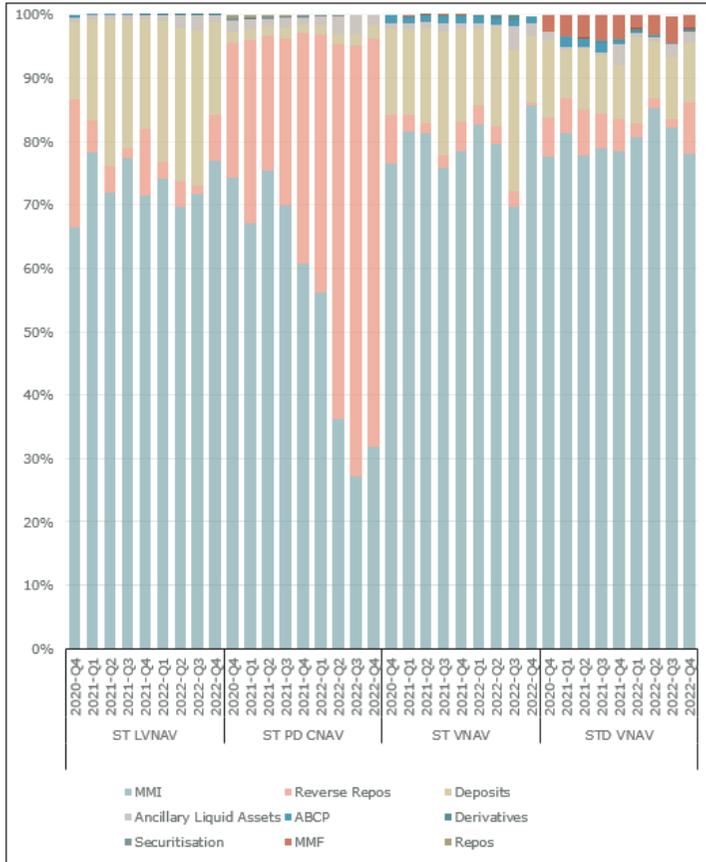
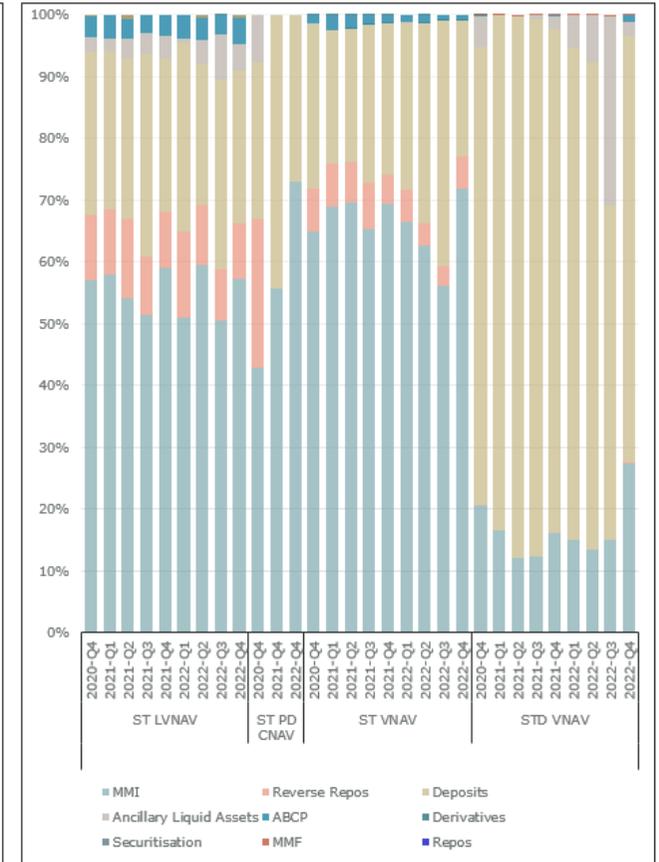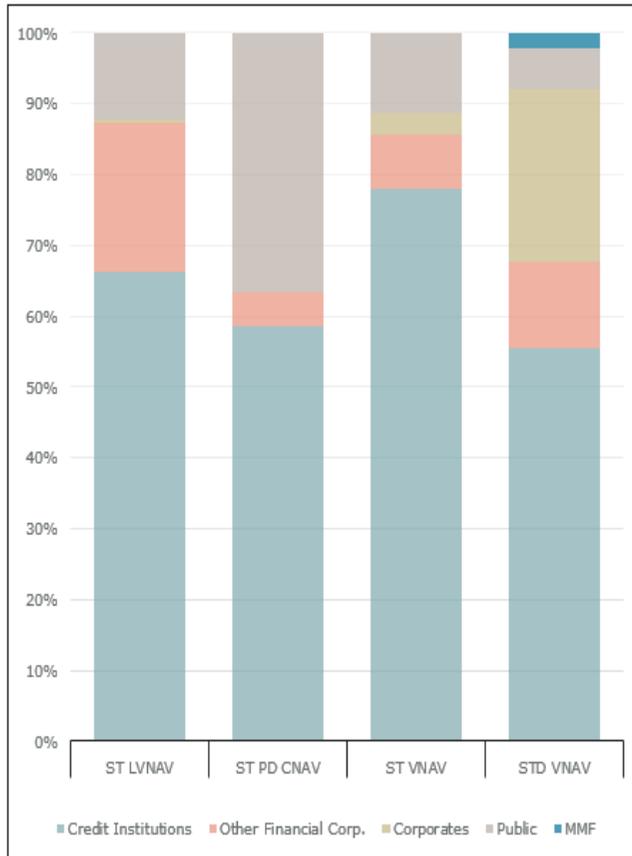**4.10 Breakdown of portfolio by asset type**
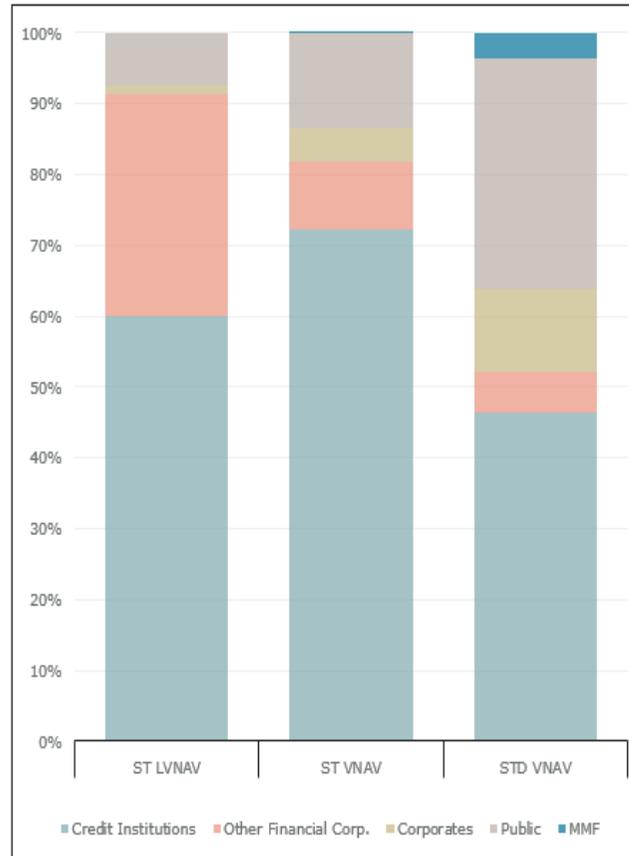
USD | EUR | GBP

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23/34
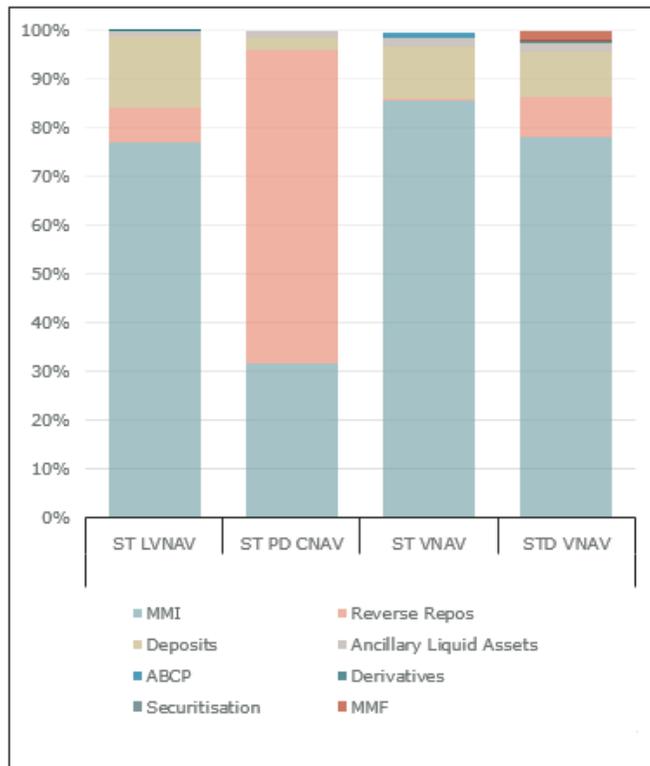
4.11 Breakdown of portfolio by issuer/counterparty type

USD | EUR | GBP

MMF REPORTING DASHBOARD

25/34
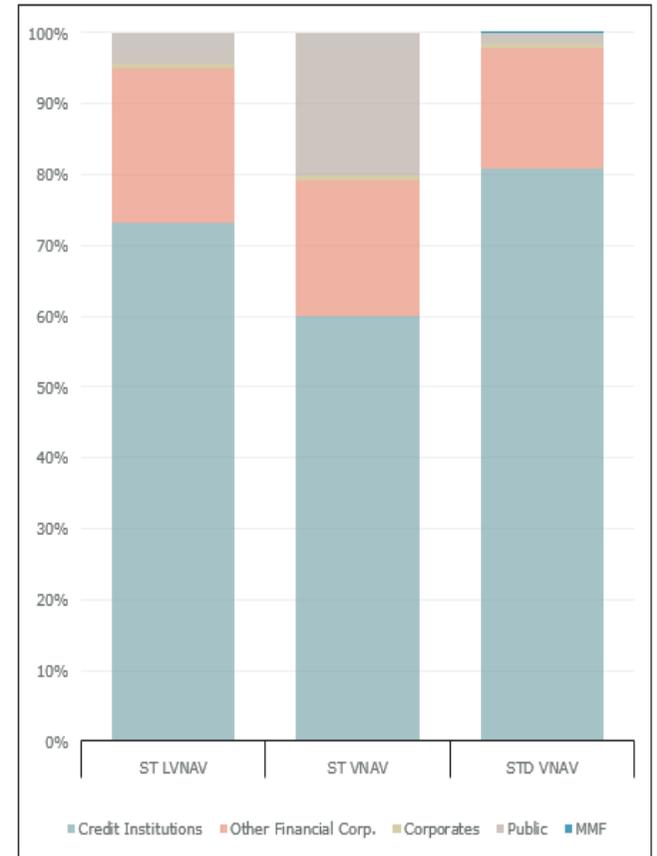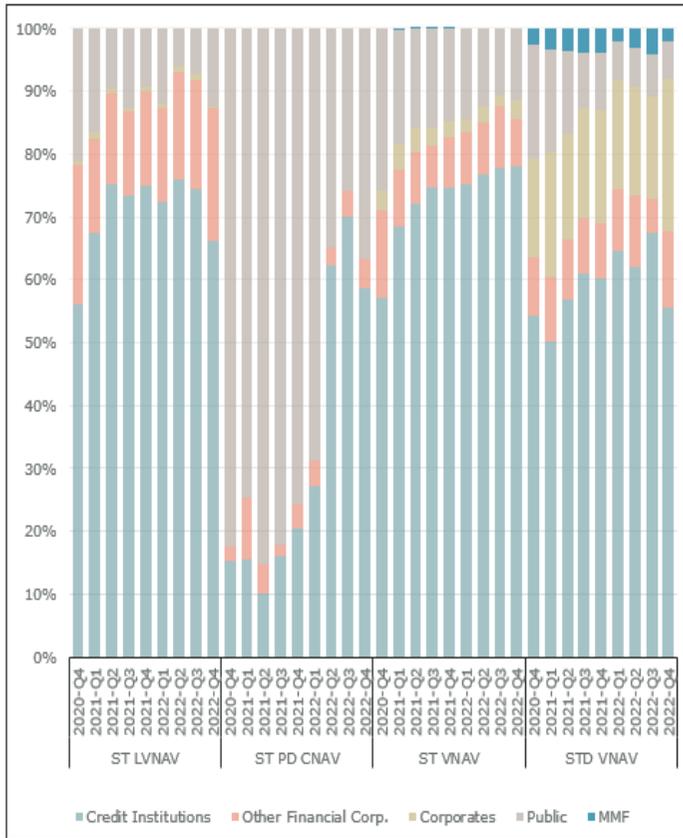
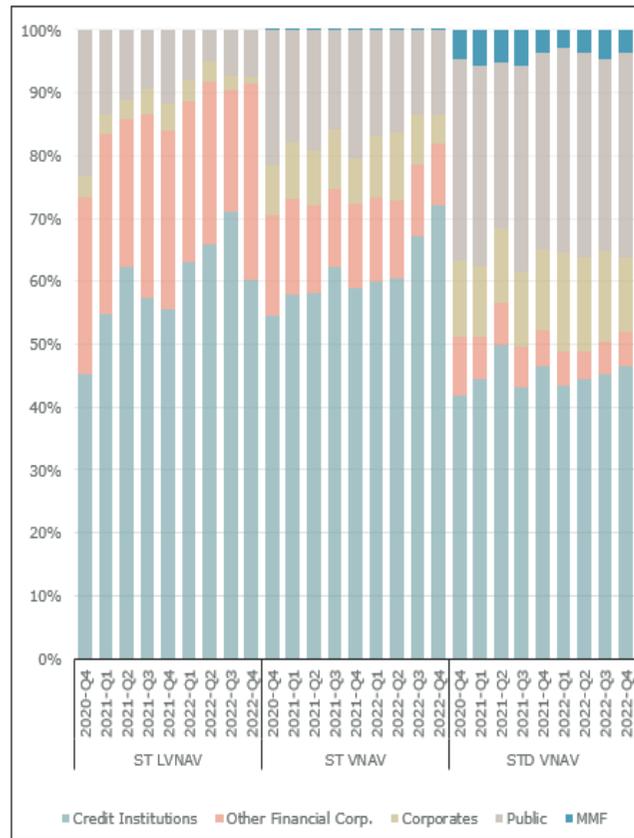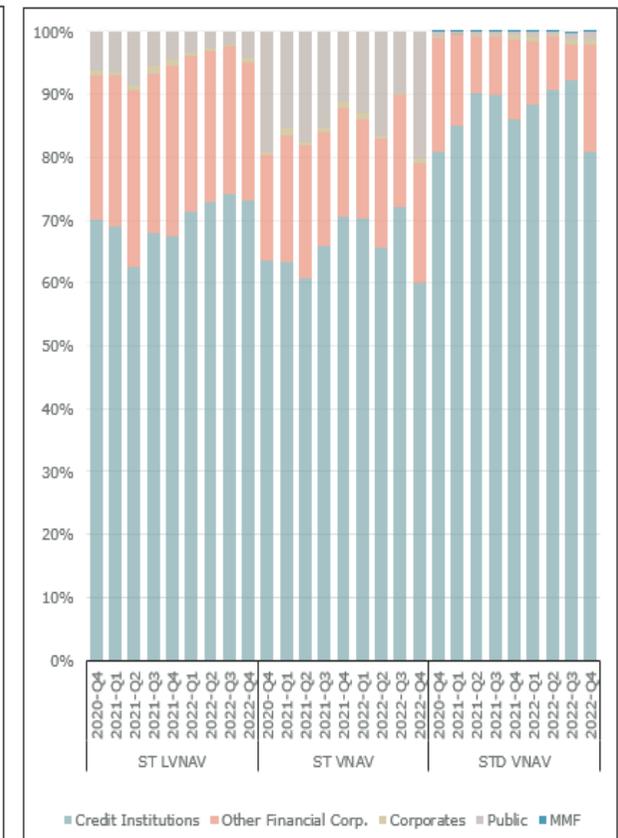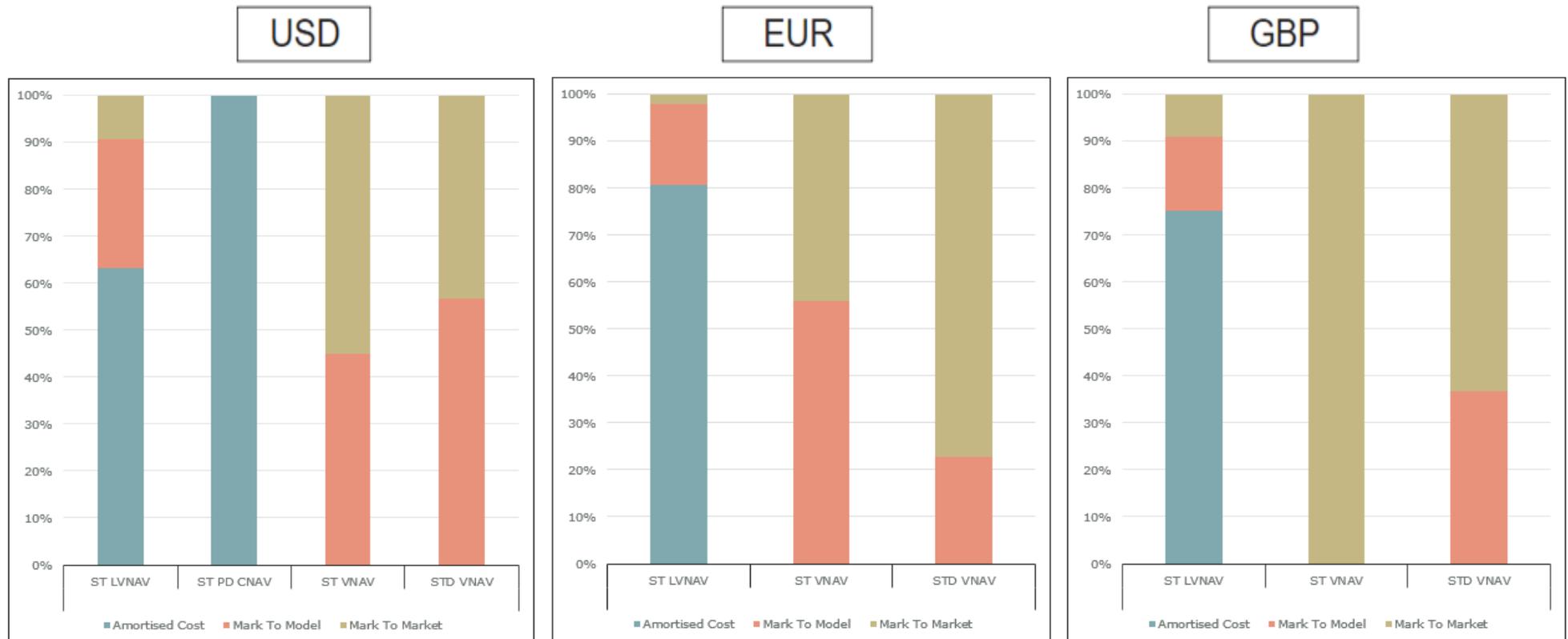## 4.12 Breakdown of portfolio by valuation method

Note: In the MMFR Reporting, a valuation method is indicated for MMI, ABCP, securitisations and STS securitisations. The size of these assets represents overall 69% of the total MMFs assets.
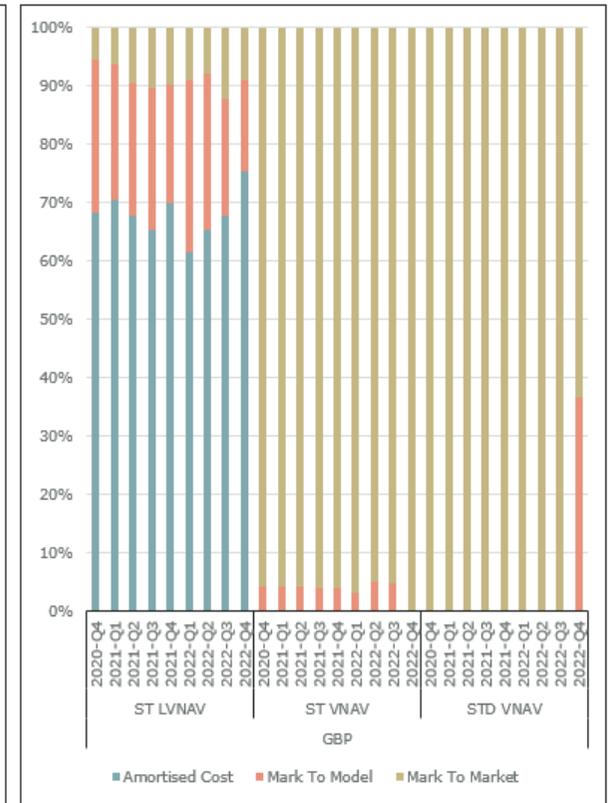
USD | EUR | GBP

Note: The increase of the mark to model portion for the category STD VNAV in USD between Q3 and Q4 2022 is mirroring the decrease of the category ST VNAV. It is due to the conversion of a large ST VNAV MMF into a Standard VNAV MMF. The same explanation applies to the GBP STD VNAV category with the conversion of a large ST VNAV MMF into a Standard VNAV MMF.

4.13 Results of stress tests (Art. 28 MMFR)

The results of the stress tests are based on the "2021 Guidelines" dated 4 May 2022 (ESMA34-49-446)[1] with updated stress test parameters, taking into account notably the post COVID-19 crisis period. The new calibration reflects important systemic risks, including widespread defaults in the private sector due to any deep global recession, any re-emergence of sovereign financing risk and debt sustainability concerns, and instability and pockets of illiquidity in financial markets. This version of the guidelines was introduced in Luxembourg with Circular CSSF 22/818[2] which provides the key changes that have been operated. This version applied as from the reporting date 30 September 2022 onwards.

The results of some key stress tests are summarised by a set of boxplots, where the box lower value stands for the first quartile and box upper value for the third quartile and where the box is split by a horizontal line at the median value and marked by an X at the mean value. The length of the whiskers is equal to maximum 1.5 times the size of the boxplot (minimum/maximum values beyond 1.5 times the size of the boxplot, if any, are not displayed).

- **Liquidity**

Scenario: Discount factors are applied to the price of assets held in the portfolios of MMFs to reflect an increase in liquidity premia due to deterioration of market liquidity conditions. Measured as percentage of the Reporting NAV.
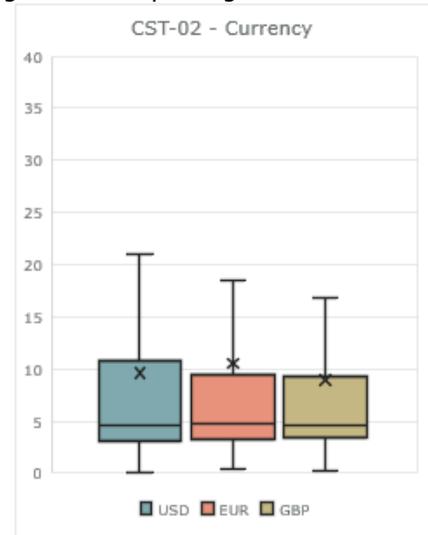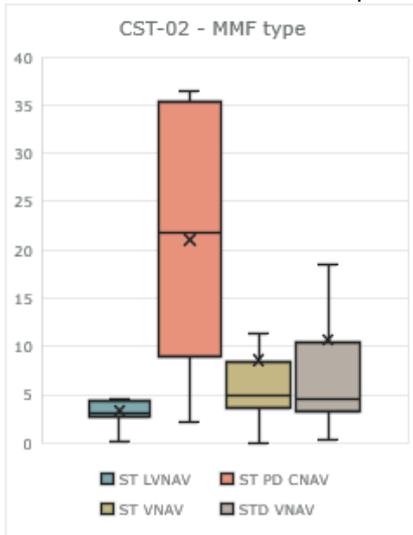

LST-01 - MMF type

LST-01 - Currency
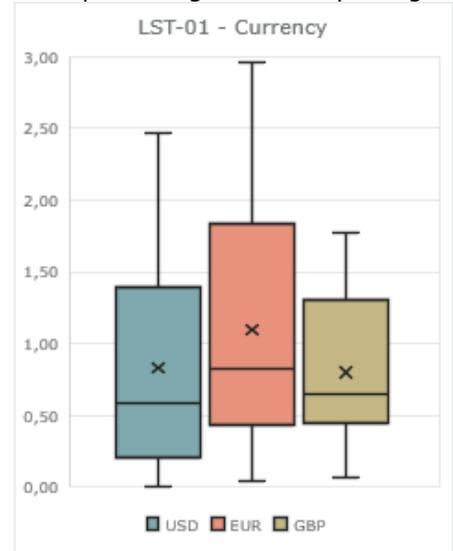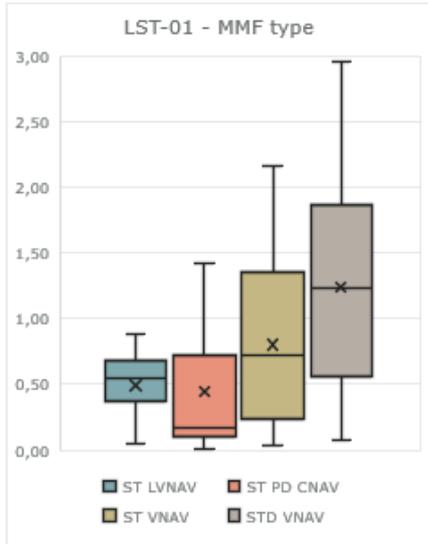
- **Credit / Credit spreads**

Scenario of an increase in credit spreads. Measured as percentage of the Reporting NAV.
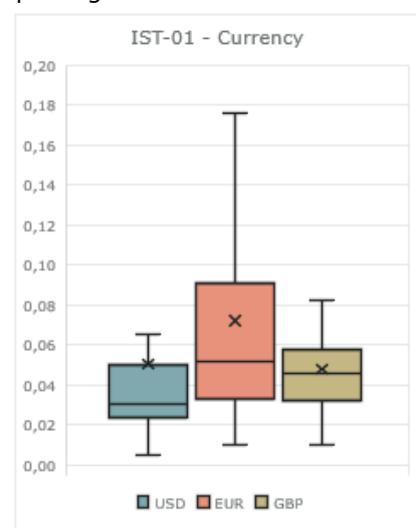

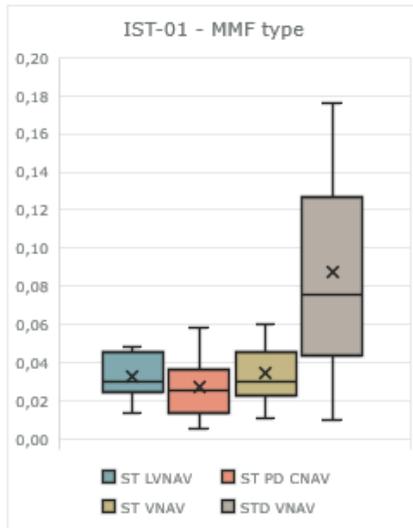CST-01 - MMF type

CST-01 - Currency
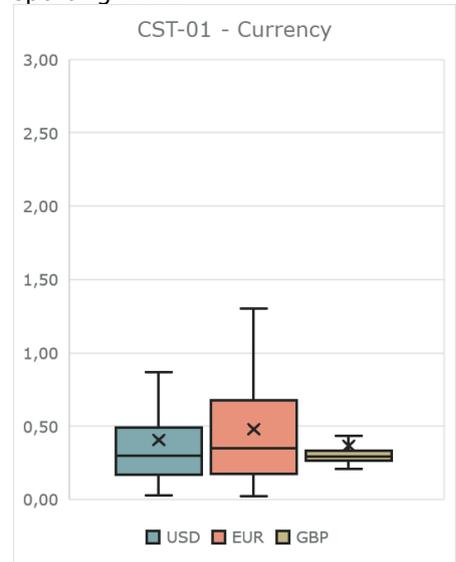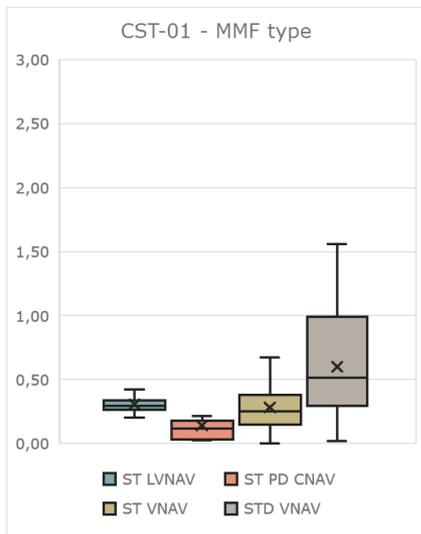
- **Credit / Concentration**

Scenario of the default of the two main exposures. Measured as percentage of the Reporting NAV.

- **Interest rates**

Scenario of an increase in interest rates. Measured as percentage of the Reporting NAV.

- **Levels of redemption / Weekly Liquidity stress test – Bucket 1**

Scenario: capacity to meet weekly outflows under a stressed redemption scenario with available weekly liquid assets based on the formula $Result\ (\%) = \frac{Weekly\ Liquid\ Assets\ (Bucket\ 1)}{Weekly\ outflows}$. Weekly liquid assets are classified in two buckets (buckets 1 and 2) according to their category and credit quality by reference to "Credit Quality Steps", within the meaning of the Commission Implementing Regulation (EU) 2016/1799 (but only bucket 1 is considered). Weekly outflows are calculated assuming that the MMF faces net weekly redemption requests of 40% from the professional investors and 30% from the retail investors.
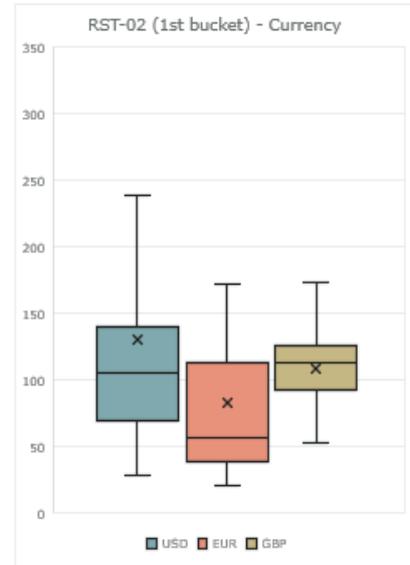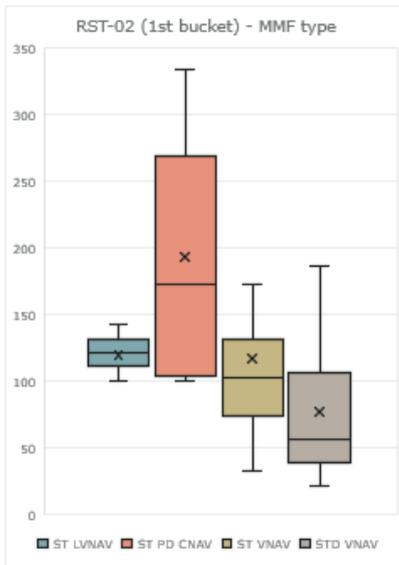
- **Levels of redemption / Weekly Liquidity stress test – Buckets 1 and 2**

Scenario: same as before, except that both buckets 1 and 2 are considered to calculate weekly liquid assets following the formula $Result\ (\%) = \frac{Weekly\ Liquid\ Assets\ (Buckets\ 1\ and\ 2)}{Weekly\ outflows}$.
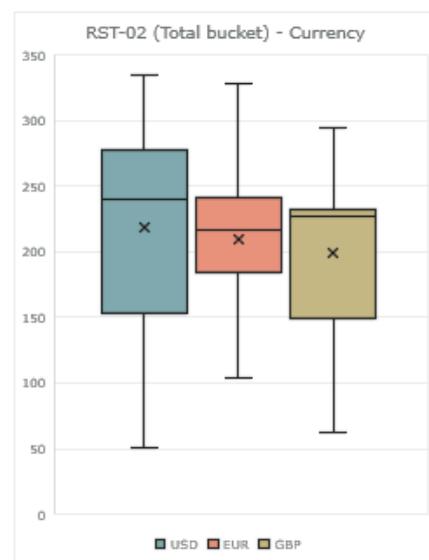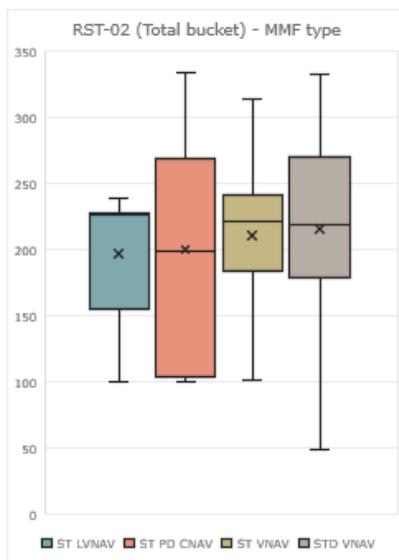
- **Levels of redemption / Concentration stress test – Bucket 1**

Scenario: capacity to meet redemption requests from the two main investors with available weekly liquid assets based on the formula $Result\ (\%) = \dfrac{\text{Weekly Liquid Assets (Bucket 1)}}{\text{Invested amount of the two main investors}}$.
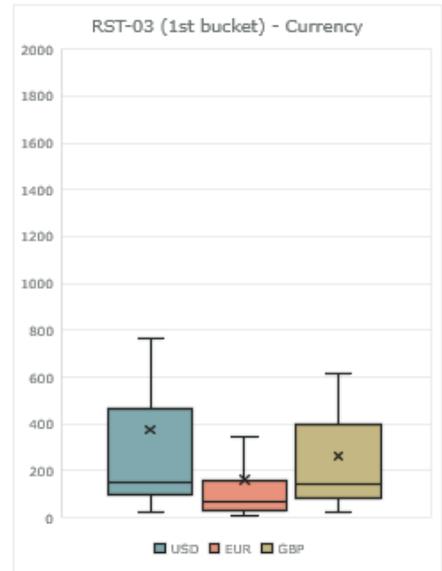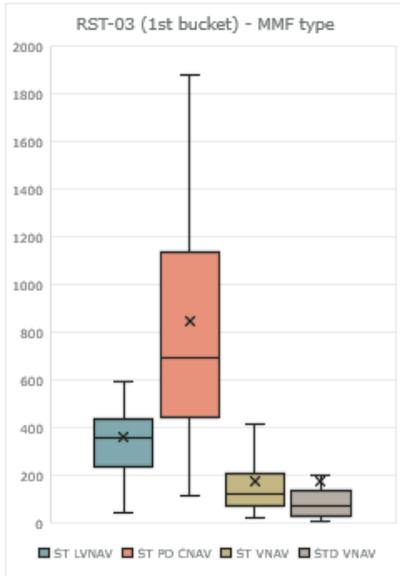
- **Levels of redemption / Concentration stress test – Buckets 1 and 2**

Scenario: capacity to meet redemption requests from the two main investors with available weekly liquid assets based on the formula $Result\ (\%) = \dfrac{\text{Weekly Liquid Assets (Buckets 1 and 2)}}{\text{Invested amount of the two main investors}}$.
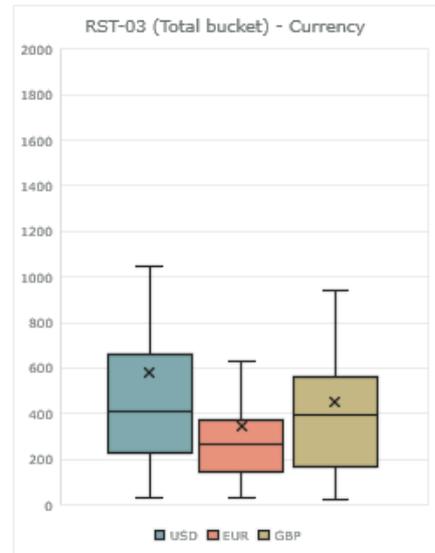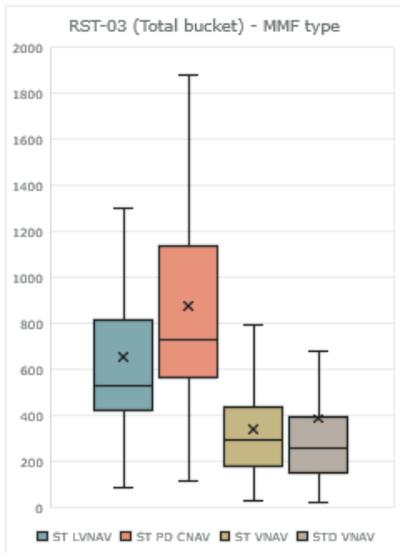
5. List of abbreviations

ABCP	Asset-backed commercial paper
CESR	Committee of European Securities Regulators
DLA	Daily liquid assets
NAV	Net asset value
ST PD CNAV	Short term public debt constant net asset value
ST LVNAV	Short term low volatility net asset value
ST VNAV	Short term variable net asset value
STD VNAV	Standard variable net asset value
STS securitisation	Simple, transparent and standardised securitisation
WAL	Weighted average life
WAM	Weighted average maturity
WLA	Weekly liquid assets