

Risk parameters in ESMA's guidelines on stress test scenarios under the Money Markets Fund Regulation to be updated

ESMA has assessed whether the scenarios envisaged in the 2019 Guidelines are still appropriate and finds that applying the 2019 scenarios in the current market environment generally leads to absolute levels of stress similar to the levels observed in March 2020.

However, for some parameters, the 2019 scenarios have been exceeded by the extreme market movements observed during the COVID-19 crisis and the relevant factors will be updated accordingly.

The guidelines, under the MMFR, are updated at least every year taking into account the latest market developments.

Next steps

Pending the application date for the 2020 update, all the sections of the 2019 Guidelines continue to apply, including the existing calibrated scenarios and the internal stress test exercise to be carried out by managers of MMFs.

ESMA will calibrate the risk parameters in collaboration with the European Systemic Risk Board (ESRB) and the European Central Bank (ECB), and expects to publish the 2020 update of the guidelines in Q4 2020. The updated guidelines will then be translated, and the changes will apply from two months after the publication of the translations