



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Consultation Paper 168

Guidance on Money Market
Fund Weekly Liquid Asset levels

June 2026

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Introduction

Background and objectives

On 11 May 2026, the European Commission published a report¹ (the “2026 report”) to the European Parliament and the Council on the adequacy of the Money Market Funds Regulation (MMFR) from a prudential and economic point of view and related frequently asked questions (FAQs) on the interpretation and implementation of certain legal provisions of the MMFR.

In this context, the report identified ‘market resilience levels’ of Weekly Liquid Assets (WLA). From a market wide perspective, the report indicated this WLA would enable EU authorised MMFs to withstand future market stress events based on historical data and to mitigate against the potential transmission of shocks to the rest of the financial system and the real economy.

The Central Bank is proposing to issue guidance setting out its expectations for MMFs to align their liquidity risk frameworks and WLA with the market resilience levels set out in the European Commission’s 2026 report. This would also be supported by increased supervisory scrutiny and engagement where a fund’s WLA falls below the market resilience levels for a prolonged period of time. This guidance will serve to implement elements of the policy proposals and recommendations issued by the Financial Stability Board (FSB), the International Organization of Securities Commissions (IOSCO), the European Systemic Risk Board (ESRB) and the European Securities and Markets Authority (ESMA) to increase the overall level of liquidity maintained by MMFs that is available to be used in times of liquidity stress.

MMFs are open-ended collective investment schemes that play an important role in both the financial and non-financial sectors of the economy acting as a cash management facility for their investors and are an important source of short-term financing for financial institutions, corporations and governments.

¹ COM (2026) 350 final, Report from the Commission to the European Parliament and the Council on the adequacy of Regulation (EU) 2017/1131 of the European Parliament and of the Council on money market funds from a prudential and economic point of view (https://ec.europa.eu/finance/docs/law/260511-money-market-funds-report_en.pdf)

MMFs are active participants in short-term funding markets, investing predominantly in highly rated debt securities such as commercial paper (CP), certificates of deposit (CDs) and reverse repurchase agreements (repos). These securities typically include short-term government bills of advanced economies and short-term debt securities of large financial and Non-Financial Corporations (NFCs).

Typically, MMFs provide daily redemptions, and their portfolios are characterised by short maturities and low credit risk holdings, allowing investors to channel funding into high quality, liquid assets while earning slightly higher returns and maintaining the value of their principal investment.

Investors in MMFs are mostly NFCs that use MMF shares to invest excess cash over short periods. These investors generally require that MMF shares are treated as cash-equivalent assets in an accounting sense. Other investors in MMFs include retail investors, local authorities and other investment funds.

MMFs also play an important role in short-term funding markets by investing in short-term assets with maturities of up to six months.

Most Irish authorised MMFs are UCITS. As of September 2025, Assets Under Management (AuM) reached EUR 913.5 billion.

European framework for MMFs

A dedicated regulatory framework for MMFs, the MMFR², entered into force in 2018 and sets down rules for MMFs established, managed or marketed in the EU covering eligible assets, portfolio composition, valuation rules, credit quality assessments, stress testing and disclosure and reporting obligations.

The MMFR defines distinct MMF categories as short-term or standard MMFs, designed to accommodate different investment objectives and risk tolerances.

Short-term MMFs include Public Debt Constant Net Asset Value (CNAV) MMFs, Low Volatility Net Asset Value (LVNAV) MMFs, and

² Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds

Variable Net Asset Value (VNAV) MMFs while Standard MMFs only include VNAV MMFs.

The portfolio rules established under the MMFR place a particular emphasis on liquidity thresholds as a central mechanism for EU MMFs with specific requirements to hold liquidity buffers designed to enable MMF managers to continue to meet investor withdrawals even at times of liquidity stress and to mitigate against the need for distressed asset sales that could amplify market dysfunction and contagion risks.

The MMFR specifies the following thresholds:

- Public Debt CNAV MMFs and LVNAV MMFs must maintain at least 10% of daily liquid assets (DLA) alongside 30% WLA in their portfolio; and,
- VNAV MMFs must maintain at least 7.5% DLA alongside 15% WLA in their portfolio.

MMFR Recommendations

The onset of the COVID pandemic in early 2020 and the resulting ‘dash for cash’ highlighted certain systemic vulnerabilities among pockets of MMFs amid high levels of market stress, constrained liquidity and increased redemption pressure.

In the aftermath of the COVID stress, the FSB issued policy proposals to enhance MMF resilience that included, among others, enhancing MMF liquidity buffer requirements³.

The ESRB and ESMA also issued policy recommendations to enhance the resilience of MMFs along with other potential reforms to the EU MMFR.

In 2021, the ESRB issued a comprehensive reform recommendation reflecting the FSB’s proposals and targeting remaining sources of systemic risk⁴. The ESRB recommendations included increasing liquidity thresholds in EU MMFs whilst permitting greater flexibility for MMF managers to temporarily reduce liquid asset holdings

³ FSB, Policy Proposals to Enhance Money Market Fund Resilience, Final Report, 2021 (<https://www.fsb.org/>)

⁴ ESRB, Recommendation on Reform of Money Market Funds, 2021 (<https://www.esrb.europa.eu/>)

during market-wide stress, provided they immediately notify their national competent authority.

ESMA published an Opinion in 2022 on proposed reforms to the EU MMFR, with a particular focus on liquidity issues, including proposals to enhance DLA and WLA levels and reinforcing the possibility to use liquidity buffers in times of stress⁵.

European Commission Article 46 Review

Under Article 46 of the MMFR, the European Commission was required to undertake a comprehensive review of the adequacy of the framework from a prudential and economic perspective within approximately five years of the Regulation's entry into force.

The Commission published its review in July 2023 (the “2023 report”) which indicated that EU MMFs generally performed well during market disruptions including the COVID-19 pandemic, periods of interest rate fluctuations and asset revaluations and that the overall safeguards established in the MMFR were effective⁶.

The 2023 report further suggested that regulatory liquidity thresholds functioned adequately and prevented major systemic failures during these market stress events. However, the Commission also identified areas for improvement to enhance the overall resilience of EU MMFs.

The 2026 report sets out the Commission’s further analysis of the MMF sector in Europe building on its 2023 report along with Frequently Asked Questions (FAQs) addressing a number of areas of interpretation related to the MMFR text⁷.

A key finding from the 2026 report is that EU MMFs generally take a cautious approach by maintaining liquidity buffers exceeding the minimum regulatory thresholds set out in the MMFR. Typically 19% DLA and 29% WLA for VNAV MMFs (compared to the minimum 7.5% DLA and 15% WLA) and 36% DLA and 54% WLA for Public

⁵ ESMA Opinion on the review of the Money Market Fund Regulation, Final Report, 2022 (<https://www.esma.europa.eu/>)

⁶ COM(2023) 452 final, Report from the Commission to the European Parliament and the Council on the adequacy of Regulation (EU) 2017/1131 of the European Parliament and of the Council on money market funds from a prudential and economic point of view (<https://finance.ec.europa.eu/>)

⁷ COM(2026) 2510 final (https://ec.europa.eu/finance/docs/law/260511-money-market-funds-faqs_en.pdf)

Debt CNAV MMFs and LVNAV MMFs (compared to the minimum of 10% DLA and 30% WLA). In this context, the FAQs mention that it can be necessary for the portfolio composition of an MMF to go beyond the regulatory percentages having regard notably to the requirements of the “know your customer” under Article 27, and the outcomes of the MMFs stress tests under Article 28 of the MMFR.

Market Resilience Levels

Based on stress testing exercises conducted as part of the 2026 report, the Commission concluded that market resilience WLA levels of 20% for VNAV MMFs and 40% for Public Debt CNAV MMFs and LVNAV MMFs provide greater protection for funds during market stress conditions. These levels are calibrated to enable MMFs to absorb severe redemption shocks without the need to sell assets while maintaining DLA at its current level set out in the MMFR.

The European Commission recommended that MMF managers should use the market resilience levels as a benchmark for liquidity risk management, and that NCAs could use them as early warning indicators for supervisory engagement when MMFs persistently hold WLA below the market resilience levels supporting greater market resilience.

Guidance on MMF WLA levels and increased supervisory scrutiny and engagement

Following the 2026 report and in close coordination with the European Commission, the French AMF, Luxembourg CSSF and the Central Bank, are consulting on national guidance for enhanced MMF liquidity risk management practices based on the Commission-suggested market resilience levels, supported by increased supervisory scrutiny and engagement where MMFs fall below the market resilience levels of liquidity – the ‘Guidance on Money Market Fund Weekly Liquid Asset levels’ (the “Guidance”).

The purpose of this Consultation Paper is to set out details of the proposed Guidance and to seek feedback from stakeholders on the proposals.

Proposal/ Format of the Consultation Paper

The Consultation Paper is set out as follows:

- Section I: Guidance on liquidity risk management;

- Section II: Guidance on increased supervisory scrutiny and engagement;
- Appendix: Guidance on Money Market Fund Weekly Liquid Asset levels.

Consultation responses

The Central Bank invites all stakeholders to provide responses to the questions on the proposed Guidance within this Consultation Paper. Responses should be submitted no later than 3 August 2026.

Please make your submission electronically by email to **fundspolicy@centralbank.ie**. We will send an email acknowledgement to all responses. If you do not receive an acknowledgement, please contact us on **fundspolicy@centralbank.ie**.

The Consultation will remain open for 8 weeks from 8 June 2026 to 3 August 2026, following which the Central Bank will review all feedback received on this Consultation Paper and prepare an associated Feedback Statement to be published by the Central Bank. It is the policy of the Central Bank to publish all responses to its consultations on its website. Accordingly, commercially confidential information should not be included in consultation responses. Information deemed potentially libellous or defamatory will not be published.

The Central Bank will accept no liability in respect of any information provided, which is subsequently released, or in respect of any consequential damage suffered as a result.

Markets and Funds Policy Division

Central Bank of Ireland

8 June 2026

Part 1: Guidance on liquidity risk management

In line with the relevant regulatory frameworks and the European Commission FAQs and reports on the functioning of the MMF sector, the proposed Part 1 Guidance on liquidity risk management sets out the Central Bank's expectations regarding MMF manager responsibilities in respect of liquidity risk management and market resilience levels of liquidity.

UCITS management companies and AIFMs are required to ensure that the investment strategy, the liquidity profile and the redemption policy are consistent for each UCITS and AIF that they manage and they should ensure that they maintain an appropriate level of liquidity in each fund they manage and closely monitor potential liquidity risks.

MMFs are required to maintain adequate Daily Liquid Asset (DLA) and Weekly Liquid Asset (WLA) levels to meet redemption requests in both normal and stressed market conditions and to ensure that their risk-management systems are calibrated to anticipate and address potential liquidity pressures.

MMF managers are expected to maintain robust liquidity risk management processes and stress testing scenarios to ensure the resilience and preparedness of their managed funds, particularly at times of market stress.

On this basis, the Central Bank expects MMFs to maintain sufficient liquidity in accordance with the market resilience levels of WLA of 20% for VNAV and 40% for Public Debt CNAV and LVNAV MMFs set out in the European Commission's report COM (2026) 350 final on the adequacy of the MMFR from a prudential and economic point of view.

Where WLA levels start to fall close to or below the market resilience levels, the MMF manager should exercise enhanced vigilance regarding the fund's liquidity and where there is a prolonged fall in liquidity below the market resilience levels, the MMF manager should notify the Central Bank in accordance with the proposed Guidance.

Question 1:

Do you agree with the proposed Guidance on liquidity risk management set out in Part 1 of the attached guidance document?

Please explain your response.

Part 2: Guidance on increased supervisory scrutiny and engagement

To support supervisory convergence with respect to the implementation of the Guidance on liquidity risk management and adherence to the market resilience levels, where MMF liquidity levels fall below the market resilience for a prolonged period of time, the proposed Part 2 Guidance on enhanced supervisory engagement sets out a range of potential NCA actions that may be taken during supervisory engagement with MMF managers.

In addition to normal supervisory engagement and monitoring of the MMF sector, enhanced supervisory engagement may also be initiated upon receipt of notification from the MMF manager of a fall in liquidity below the market resilience levels.

The intensity of supervisory engagement will reflect the duration and frequency of deviations below the market resilience levels and information provided by MMF managers.

The Central Bank may as part of its escalation process, request additional information from MMF managers to support remediation efforts aimed at restoring the MMF's WLA above the market resilience levels.

The Central Bank may also choose to engage periodically with MMF managers or where there are early indications of market stress in the cohort in line with its normal supervisory processes.

Question 2:

Do you agree with the proposed Guidance on increased supervisory scrutiny and engagement set out in Part 2 of the attached guidance document?

Please explain your response.

Appendix

Guidance on Money Market Fund Weekly Liquid Asset levels

Background

Regulation (EU) 2017/1131¹ (the MMFR) came into application in 2018 and lays down rules for MMFs established, managed or marketed in the EU, particularly the financial instruments eligible for investment by MMFs, the portfolio and valuation of the assets of MMFs and reporting requirements. A European Commission report on MMFs, published in 2023² (the 2023 MMF Report), shows that the framework has been broadly successful although certain elements needed further assessment. International reviews and inputs from the ECB, ESRB, ESMA and FSB, also identified certain vulnerabilities in this sector.

This guidance is intended to complement the European Commission's FAQs, adopted on 11 May 2026 on the interpretation of certain provisions of the MMFR, by describing expectations on MMF managers and further information on increased supervisory scrutiny and engagement. In parallel, the European Commission has also adopted a follow-up MMF report, dated 11 May³ (the 2026 MMF Report), which addresses the areas where further assessment was recommended in the 2023 MMF Report and which provides further detail on prevalent market resilience levels (see below).

In this regard, the 2023 MMF Report evidenced that, as part of MMFs' risk management policy, the market practice is that MMFs typically maintain daily and weekly liquidity buffers well above the regulatory requirements as set out in the MMFR. More recently, the European Commission's 2026 MMF Report confirms this finding with average levels for Variable Net Asset Value (VNAV) MMFs of at least 19% daily liquid assets (DLA) and 29% weekly liquid assets

¹ [Regulation - 2017/1131 - EN - EUR-Lex](#)

² The European Commission's 2023 MMF Report: [Report from the Commission on the adequacy of Regulation \(EU\) 2017/1131 on money market funds from a prudential and economic point of view](#)

³ The European Commission's 2026 MMF Report: Report from the Commission to the European Parliament and the Council on the adequacy of Regulation (EU) 2017/1131 of the European Parliament and of the Council on money market funds from a prudential and economic point of view

(WLA) (compared with the regulatory minimum levels of 7.5% and 15% respectively) and for public debt Constant Net Asset Value (PD CNAV) MMFs and Low Volatility Net Asset Value (LVNAV) MMFs at least 36% DLA and 54% WLA (compared with the regulatory minimum levels of 10% and 30% respectively).⁴

In addition, the European Commission conducted further stress testing exercises at the level of the MMF market and concluded that the WLA for VNAV MMFs of 20% and PD CNAV and LVNAV MMFs of 40% are typically capable of withstanding stressed market conditions (“**market resilience levels**”), with the regulatory level of the DLA unchanged.⁵

This means that, **from a market wide perspective**, applying these levels uniformly will enhance the resilience of European MMF’s to liquidity stress scenarios calibrated for VNAV, PD CNAV, as well as LVNAV MMFs and will allow their usage in times of liquidity stress to ensure that MMFs are capable of withstanding market conditions and to mitigate against the potential transmission of shocks to the rest of the financial system and the real economy.

These market resilience levels are a benchmark to identify situations that warrant further attention/scrutiny by MMF managers, particularly within their risk management teams and the activation of increased supervisory scrutiny and engagement by the relevant competent authorities with MMF managers.

1. **Guidance on liquidity risk management**

The MMFR provides a uniform level of investor protection through its rules on liquidity and liquidity risk management, including liquidity buffers, assets in which MMFs can invest, diversification, valuation and internal credit quality assessments.

The daily and weekly liquidity levels, as set out in the MMFR, are minimum requirements. MMF managers should ensure that they can satisfy large, but plausible, redemption requests.

As set out in the European Commission’s FAQ No. 2, dated 11 May 2026, based on Article 28(4) of the MMFR, “*it can be necessary for the portfolio composition of an MMF to go above the regulatory percentages,*

⁴ See p. 6 of the 2026 MMF Report. Analysis based on ESMA’s Market Report on the EU MMF market of 2023, Crane data, and data from some NCAs

⁵ See p. 11 of the 2026 MMF Report

having regard notably to the requirements of ‘know your customer’, under Article 27, and the outcomes of the MMFs stress tests, under Article 28 of the MMF Regulation.

In this regard, in the 2026 MMF Report, the European Commission identified resilience levels based on weekly liquid assets capable of serving as supervisory and risk management tools to ensure compliance with the MMF Regulation. Below these resilience levels, to ensure market-wide resilience (‘market resilience levels’), the risk management teams of MMFs and their managers should intensify their scrutiny, and national competent authorities should increase their level of supervisory scrutiny and engagement.”

The 2026 MMF Report has found that WLA levels of 20% for VNAV and of 40% for PD CNAV and LVNAV MMFs typically allow MMFs to withstand stressed market conditions, indicating that MMF managers should consider going above the minimum WLA levels of respectively 15% and 30% foreseen by the MMFR. MMF managers should account for these market resilience levels of 20% and 40% in their stress testing processes under Article 28 MMFR when assessing the resilience of MMFs in stressed market conditions.

If the stress tests reveal a vulnerability, the MMF or MMF manager shall immediately inform the competent authority of the MMF of any measures taken in accordance with Article 28(4) of the MMFR and submit an extensive report and related action plan to the NCA for review pursuant to Article 28(5) of the MMFR.

Under both the UCITS and AIFMD frameworks⁶, UCITS management companies and AIFMs are required to ensure that the investment strategy, the liquidity profile and the redemption policy are consistent for each UCITS and AIF they manage and the UCITS management company and the AIFM should maintain an appropriate level of liquidity and closely monitor liquidity risks across their managed funds.

MMFs are expected to maintain adequate DLA and WLA levels and to ensure that their risk-management systems are calibrated to anticipate and address potential liquidity pressures.

⁶ For instance, Article 51 of the UCITS Directive, Article 40 of Directive 2010/43/EU, Article 16 of AIFMD, and Article 47 of AIFMR

MMF managers should maintain robust liquidity risk-management processes, including incorporating the results of their stress-testing exercises, to ensure the continuous resilience of their MMFs. These processes should include mechanisms that alert MMF managers to MMFs that operate below the internal minimum levels defined in their liquidity risk-monitoring systems and MMF managers should also integrate the findings set out in the 2023 and 2026 MMF Reports into their internal liquidity risk-management systems, in particular, within their stress testing program under Article 28 and regarding the specified “market resilience levels” of 20% WLA for VNAV MMFs and 40% WLA for PD CNAV and LVNAV MMFs.

If WLA levels approach or fall below the identified market resilience levels (20% for VNAV MMFs and 40% for PD CNAV/LVNAV MMFs) the Central Bank of Ireland expects MMF managers to exercise enhanced vigilance in accordance with their liquidity risk-management systems, including timely escalation and reinforced internal decision-making processes.

Where a MMF falls below the market resilience levels for a period exceeding 10 business days or where the MMF manager expects a prolonged and/or substantial deviation, the MMF manager shall notify the Central Bank of Ireland in accordance with section 2 below, together with relevant explanations and justifications, including, where relevant, the measures taken under Article 28(4) and (5) of the MMFR if the stress tests reveal a vulnerability.

2. Guidance on increased supervisory scrutiny and engagement

Under both the UCITS and AIFMD frameworks, management companies and AIFMs should ensure that they implement an appropriate liquidity management system, taking account of the investment strategy, the liquidity profile, and the redemption policy for each UCITS and AIF they manage. They should also be able to demonstrate to their competent authorities that such systems are in place and operating effectively.

Where an MMF manager notifies the Central Bank of Ireland of an MMF falling below the market resilience level or where the Central Bank of Ireland identifies based on the MMF reporting and related supervisory work MMFs with liquidity levels below the market resilience levels for prolonged periods of time, the Central Bank of

Ireland will initiate increased supervisory scrutiny and engagement with the relevant MMF managers.

The intensity of the supervisory engagement will depend on the duration and frequency of deviations below the market resilience level in the WLA and also on the explanations and justifications provided by the MMF manager. Where frequent, prolonged and/or substantial deviations are observed, the Central Bank of Ireland may initiate a dialogue with the MMF manager to determine the underlying causes and potential implications for the liquidity of the MMF.

In the event that an MMF's **WLA level falls below the market resilience level for 10 business days and this level is not justified by the MMF manager's liquidity risk management processes and systems**, the Central Bank of Ireland shall review the information at its disposal.

Following its supervisory engagement, the Central Bank of Ireland may request additional information from the MMF manager in the context of restoring the MMF's WLA above the market resilience level.

At the onset of **stressed market conditions affecting MMFs**, the Central Bank of Ireland shall undertake enhanced supervisory engagement with MMF managers, and in particular, also MMF managers where their managed MMFs fall below the market resilience level. In such conditions, the Central Bank of Ireland may also request more frequent data that could include key risk indicators, daily reporting and key data points such as:

- NAV
- Net subscriptions
- WAM
- WAL
- Daily liquidity buffer
- Weekly liquidity buffer
- Difference in bps between constant NAV and shadow NAV (when applicable)

Periodic engagement with MMF managers may also be undertaken, to gather more qualitative information as needed. For example, the impact of any central bank decisions on MMF ranges, trading volumes observed and main active counterparties, measures taken/planned on liquidity, observed and potential quarter-end effects, and, when deemed necessary, request that MMF managers provide further ad-hoc data (for instance on current portfolio holdings and cash/deposits/repos).

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