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30 July 2026

Mary-Elizabeth McMunn
Deputy Governor, Financial Regulation
Central Bank of Ireland

Re: Consultation Paper 168 – Guidance on Money Market Fund Weekly Liquid Asset Levels

Dear Deputy Governor McMunn,

Federated Hermes[1] appreciates the opportunity to comment on Consultation Paper 168 regarding the Central Bank of Ireland's proposed *Guidance on Money Market Fund Weekly Liquid Asset levels*. As a leading global manager of liquidity strategies and money market funds (MMFs), Federated Hermes supports the Central Bank's objective of enhancing MMF resilience while preserving the important role that MMFs play in supporting shareholders (investors), issuers, and European short-term funding markets.

Federated Hermes has managed MMFs for over 50 years and is a leader in the management and distribution of MMFs worldwide. We manage low-volatility net asset value (LVNAV) MMFs and public debt constant ("CNAV") MMFs domiciled in Ireland,[2] LVNAV and variable NAV ("VNAV") MMFs domiciled in the UK, and government MMFs, municipal MMFs, and prime MMFs domiciled in the United States.[3] This broad experience across multiple jurisdictions and regulatory frameworks provides us with a unique perspective on liquidity risk management, fund resilience and the practical implications of MMF regulation.

Drawing on that experience, we believe our insights can contribute meaningfully to further enhancing the safety and stability of MMFs in Europe. We welcome the coordinated

[1] Federated Hermes, Inc. (NYSE: FHI) is a global leader in active investment management, with $907.1 billion in assets under management as of March 31, 2026. We deliver investment solutions that help investors target a broad range of outcomes and provide equity, fixed-income, alternative/private markets, multi-asset and liquidity management strategies to more than 11,000 institutions and intermediaries worldwide. Our clients include corporations, government entities, insurance companies, foundations and endowments, banks and broker-dealers.

[2] Federated Hermes has maintained a longstanding commitment to the Irish fund industry for over 30 years, beginning with the establishment of Federated International Management Limited in 1990, followed by Hermes Fund Managers Ireland Limited in 2018—both wholly owned subsidiaries.

[3] In addition to MMFs, Federated Hermes manages accounts for institutional customers that invest in money market instruments and US local government investment pools that invest in money market instruments. In all, Federated Hermes manages more than $727 billion in money market assets.

approach among the Central Bank, CSSF, and AMF and support continued convergence across major European MMF domiciles and the United Kingdom.[4]

1. Preserve the Usability of Liquidity Buffers

Federated Hermes believes that money market fund resilience depends equally on maintaining robust liquidity buffers and ensuring those buffers can be utilized when market conditions warrant. Indeed, the purpose of liquidity requirements in money market fund regulations is to ensure MMFs have a minimum percentage of their assets in highly liquid securities that can be readily converted to cash to pay redeeming investors. A liquidity buffer that cannot be used does not provide meaningful resilience.

The success of the proposed framework will, therefore, depend on whether market participants view the resilience levels as usable buffers or as supervisory floors that managers should avoid breaching. The final guidance should explicitly acknowledge that temporary dips below the resilience levels may be entirely consistent with prudent liquidity management during periods of elevated redemptions or market stress.

Importantly, managers should not be discouraged from using weekly liquid assets. If managers believe that supervisory consequences may follow a temporary decline below the resilience levels, they may seek to preserve liquidity ratios through sales of longer-dated assets rather than using available liquidity. This behaviour could reduce rather than enhance resilience.

2. Avoid Creating De Facto Minimum Requirements

Federated Hermes does not object to the use of 40 percent and 20 percent weekly liquid asset levels as supervisory reference points. However, the final guidance should make clear that these levels do not constitute regulatory minimum requirements and should not create a presumption of supervisory concern when temporarily breached. Clarifying that the resilience levels are intended as supervisory indicators, rather than operating thresholds, would help avoid unintended threshold effects and preserve the usability of liquidity buffers in practice.

[4] We also welcome the European Commission's clarification that MMF liquidity levels should not automatically trigger liquidity management tools. This is an important step in ensuring that liquidity thresholds do not create unintended market consequences. *See* European Commission, *Report from the Commission to the European Parliament and the Council on the adequacy of Regulation (EU) 2017/1131 on money market funds from a prudential and economic point of view* (11 May 2026), and accompanying Frequently Asked Questions on the MMFR, which clarify that there should not be an automatic link between MMF liquidity levels and the activation of liquidity management tools.

3. Maintain a Fund-Specific and Risk-Based Framework

Liquidity risk management is inherently fund specific. Appropriate liquidity levels vary based on, among other things, investor concentration, redemption behaviour, portfolio composition and currency exposures.

Accordingly, supervisory assessments should remain principles- and risk-based. The resilience levels should inform supervisory monitoring, but should not substitute for a broader review of stress-testing results, investor characteristics, portfolio liquidity and overall risk-management practices.

4. Consider the Broader Role of MMFs in European Capital Markets

Money market funds perform an important economic function within European capital markets. They provide investors with diversified cash-management vehicles and supply an important source of short-term funding for sovereigns, financial institutions and corporates.

Supervisory approaches should therefore seek to strengthen resilience while preserving MMFs' capacity to support efficient funding markets and capital formation. Measures that effectively require materially higher precautionary liquidity levels across the industry could affect portfolio efficiency, reduce funding capacity, and diminish investor returns by limiting a fund's ability to invest in a broader range of eligible short-term instruments. These tradeoffs should be carefully considered when assessing whether additional liquidity levels provide commensurate resilience benefits.

5. Support Jurisdictional Convergence

Federated Hermes strongly supports the coordinated approach among the Central Bank, the CSSF, and the AMF. Consistent implementation will be critical to avoid fragmentation of the European MMF market and ensure comparable supervisory outcomes across major fund domiciles.

Coordination with the United Kingdom is also important given the interconnected nature of European and UK money market fund markets, particularly in sterling-denominated products, where a substantial portion of assets (over 90 percent) are domiciled within the European Union but distributed across multiple jurisdictions. And although the UK and EU are pursuing different approaches to MMF reform,[5] both jurisdictions share the objective of strengthening MMF resilience while preserving the benefits MMFs provide to investors and short-term funding markets.

[5] Three days after the European Commission's MMF report, HM Treasury and the FCA announced reforms to the UK's Money Market Fund regime. The reforms will replace the current UK MMFR framework with a new regime under which most detailed requirements will be established through FCA rules and guidance. Similar to the Commission's resilience levels, he FCA has indicated that UK MMFs will be expected to maintain liquidity buffers, including 40 percent weekly liquid assets for Stable NAV MMFs and 20 percent weekly liquid assets for VNAV MMFs

Federated Hermes encourages continued dialogue among European and UK authorities to promote a common understanding of liquidity risk management, liquidity buffer usability and broader resilience objectives. Such coordination can help minimize unnecessary market fragmentation or regulatory arbitrage, reduce operational complexity for global managers and support efficient outcomes for investors and issuers.

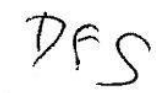
Conclusion

Federated Hermes supports the Central Bank's objective of strengthening MMF resilience. We encourage the Central Bank to ensure that the final guidance preserves the usability of liquidity buffers, avoids creating de facto minimum requirements, maintains a risk-based and fund-specific supervisory framework and continues to promote supervisory convergence across jurisdictions.

We also welcome efforts to maintain alignment with developments in the United Kingdom given the interconnected nature of European and sterling-denominated MMF markets. Continued convergence wherever possible will support investors, managers, and issuers.

We appreciate the opportunity to comment and would welcome further engagement as the guidance is finalised.

Yours sincerely,



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