

Money Market Fund Regulation

Section 2 Prospectus - ORION

July 2018

**SECTION 2**

**PROSPECTUS**

Please complete the following by inserting the information requested and ticking the applicant column of boxes (to confirm compliance), unless otherwise indicated

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | |  | Applicant | |  | | **Applicant** | |  | | Applicant | |  |  | | |
|  | |  | Page | |  | | **Paragraph** | |  | |  | |  |  | | |
|  | |  | | |  | |  | |  | |  | |  | | |  |  | |
| 2.1 | | State that the objective of the Money Market Fund is | | |  | |  | |  | |  | |  | | |  |  | |
|  | | to offer returns in line with money market rates and/or preserve the value of the investment | | |  | |  | |  | |  | |  | | |  |  | |
|  | |  | | |  | |  | |  | |  | |  | | |  |  | |
| 2.2 | | Where the Money Market Fund invests 10% or more | | |  | |  | |  | |  | |  | | |  |  | |
|  | | of its assets in units or shares of other Money Market Funds, disclose the maximum level of management fees that may be charged to the Money Market Fund itself and to the other Money Market Funds in which it invests | | |  | |  | |  | |  | |  | | |  |  | |
|  | |  | | |  | |  | |  | |  | |  | | |  |  | |
| 2.3 | | Where the Money Market Fund has received a | | |  | |  | |  | |  | |  | | |  |  | |
|  | | derogation as per Regulation 17(7), include a prominent statement drawing attention to the use of the derogation and indicating all administrations, institutions or organisations that issue or guarantee separately or jointly money market instruments in which it intends to invest more than 5% of its assets. | | |  | |  | |  | |  | |  | | |  |  | |
|  | | The issuers may be drawn from the following list: | | |  | |  | |  | |  | |  | | |  |  | |
|  | | The European Union | | |  | |  | |  | |  | |  | | |  |  | |
|  | | National, regional and local administrations of the Member States or their central banks | | |  | |  | |  | |  | |  | | |  |  | |
|  | | European Central Bank | | |  | |  | |  | |  | |  | | |  |  | |
|  | | European Investment Bank | | |  | |  | |  | |  | |  | | |  |  | |
|  | | European Investment Fund | | |  | |  | |  | |  | |  | | |  |  | |
|  | | European Stability Mechanism | | |  | |  | |  | |  | |  | | |  |  | |
|  | | European Financial Stability Facility | | |  | |  | |  | |  | |  | | |  |  | |
|  | | A central authority or central bank of a third country | | |  | |  | |  | |  | |  | | |  |  | |
|  | | International Monetary Fund | | |  | |  | |  | |  | |  | | |  |  | |
|  | | The International Bank for Reconstruction & Development | | |  | |  | |  | |  | |  | | |  |  | |
|  | | The Council of Europe Development Bank | | |  | |  | |  | |  | |  | | |  |  | |
|  | | The European Bank for Reconstruction & Development | | |  | |  | |  | |  | |  | | |  |  | |
|  | | The Bank for International Settlements | | |  | |  | |  | |  | |  | | |  |  | |
|  | |  | | |  | |  | |  | |  | |  | | |  |  | |
| 2.4 | | Where the Money Market Fund solicits or finances | | |  | |  | |  | |  | |  | | |  |  | |
|  | | an external credit rating, disclose that the rating was solicited or financed by the Money Market Fund or by the manager of the Money Market Fund | | |  | |  | |  | |  | |  | | |  |  | |
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|  | |  | | |  | |  | |  | |  | |  | | |  |  | |
| 2.5 | | Provide a clear description of the valuation method | | |  | |  | |  | |  | |  | | |  |  | |
|  | | or methods used by the Money Market Fund to value the assets of the Money Market Fund and calculate the NAV | | |  | |  | |  | |  | |  | | |  |  | |
|  | |  | | |  | |  | |  | |  | |  | | |  |  | |
| 2.6 | | State that: | | |  | |  | |  | |  | |  | | |  |  | |
|  | | 1. the Money Market Fund is not a guaranteed | | |  | |  | |  | |  | |  | | |  |  | |
|  | | investment; | | |  | |  | |  | |  | |  | | |  |  | |
|  | | 1. an investment in Money Market Funds is | | |  | |  | |  | |  | |  | | |  |  | |
|  | | different from an investment in deposits, with particular reference to the risk that the principal invested in a Money Market Fund is capable of fluctuation; | | |  | |  | |  | |  | |  | | |  |  | |
|  | | 1. the Money Market Fund does not rely on | | |  | |  | |  | |  | |  | | |  |  | |
|  | | external support for guaranteeing the liquidity of the Money Market Fund or stabilising the NAV per unit or share; | | |  | |  | |  | |  | |  | | |  |  | |
|  | | 1. the risk of loss of the principal is to be borne | | |  | |  | |  | |  | |  | | |  |  | |
|  | | by the investor | | |  | |  | |  | |  | |  | | |  |  | |
|  | |  | | |  | |  | |  | |  | | Yes/No | | |  |  | |
| 2.7 | | Can the Money Market Fund use Financial | | |  | |  | |  | |  | |  | | |  |  | |
|  | | Derivative Instruments (“FDI”)? | | |  | |  | |  | |  | |  | | |  |  | |
|  | | If yes, disclose that: | | |  | |  | |  | |  | |  | | |  |  | |
|  | | 1. the underlying of the FDI consists of: | | |  | |  | |  | |  | |  | | |  |  | |
|  | | 1. interest rates, | | |  | |  | |  | |  | |  | | |  |  | |
|  | | 1. foreign exchange rates, | | |  | |  | |  | |  | |  | | |  |  | |
|  | | 1. currencies, | | |  | |  | |  | |  | |  | | |  |  | |
|  | | or | | |  | |  | |  | |  | |  | | |  |  | |
|  | | 1. indices representing one of those | | |  | |  | |  | |  | |  | | |  |  | |
|  | | categories;  and | | |  | |  | |  | |  | |  | | |  |  | |
|  | | 1. the FDI serves only the purpose of hedging | | |  | |  | |  | |  | |  | | |  |  | |
|  | | the interest rate or exchange rate risks inherent in other investments of the Money Market Fund | | |  | |  | |  | |  | |  | | |  |  | |
|  | |  | | |  | |  | |  | |  | |  | | |  |  | |
| 2.8 | | *Short-Term Money Market Funds* | | |  | |  | |  | |  | |  | | |  |  | |
| 2.8.1 | | State that the Fund is a short term money market | | |  | |  | |  | |  | |  | | |  |  | |
|  | | fund | | |  | |  | |  | |  | |  | | |  |  | |
|  | |  | | |  | |  | |  | |  | |  | | |  |  | |
| 2.8.2 | | Disclose whether the Money Market Fund is: | | |  | |  | |  | |  | |  | | |  |  | |
|  | | 1. a variable NAV money market fund | | |  | |  | |  | |  | |  | | |  |  | |
|  | | 1. a public debt constant NAV money market | | |  | |  | |  | |  | |  | | |  |  | |
|  | | fund | | |  | |  | |  | |  | |  | | |  |  | |
|  | | or | | |  | |  | |  | |  | |  | | |  |  | |
|  | | 1. a low volatility NAV money market fund | | |  | |  | |  | |  | |  | | |  |  | |
|  | |  | | |  | |  | |  | |  | |  | | |  |  | |
| 2.9 | | Public Debt Constant NAV Money Market Fund and Low Volatility NAV Money Market Fund | | |  | |  | |  | |  | |  | | |  |  | |
| 2.9.1 | | Describe the liquidity management procedures | | |  | |  | |  | |  | |  | | |  |  | |
|  | | for ensuring compliance with the weekly liquidity thresholds applicable to such funds as per Article 34 of the MMFR | | |  | |  | |  | |  | |  | | |  |  | |
|  | |  | | |  | |  | |  | |  | |  | | |  |  | |
| 2.9.2 | | Provide a clear description of any use of the | | |  | |  | |  | |  | |  | | |  |  | |
|  | | amortised cost method or of rounding or both | | |  | |  | |  | |  | |  | | |  |  | |
|  | |  | | |  | |  | |  | |  | |  | | |  |  | |
| 2.10 | | *Standard Money Market Funds* | | |  | |  | |  | |  | |  | | |  |  | |
|  | | State that the Fund is: | | |  | |  | |  | |  | |  | | |  |  | |
|  | | 1. a standard money market fund | | |  | |  | |  | |  | |  | | |  |  | |
|  | | and | | |  | |  | |  | |  | |  | | |  |  | |
|  | | 1. a variable NAV money market fund | | |  | |  | |  | |  | |  | | |  |  | |
|  | |  | | |  | |  | |  | |  | |  | | |  |  | |
|  | |  | | |  | |  | |  | |  | |  | | |  |  | |
| Any personal data provided by you may be processed by the Central Bank in connection with the performance of its statutory functions. If you have any questions in relation to the processing of your personal data by the Central Bank, you may contact our Data Protection Officer at [dataprotection@centralbank.ie](mailto:dataprotection@centralbank.ie). A copy of the Central Bank’s Data Protection Notice is available at [www.centralbank.ie/fns/privacy-statement](http://www.centralbank.ie/fns/privacy-statement). | | | | | | | | | | | | | | | | | | |
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|  | **Appendix 1** |
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|  | **Money Market Fund (“MMF”) Investment Restrictions Template** |
|  |  |
| **1** | **Eligible Assets** |
|  | An MMF shall invest only in one or more of the following categories of financial assets and only under the conditions specified in the Money Market Fund Regulation (“MMFR”): |
| **1.1** | Money market instruments. |
|  |  |
| **1.2** | Eligible securitisations and asset-backed commercial paper (“ABCPs”). |
|  |  |
| **1.3** | Deposits with credit institutions. |
|  |  |
| **1.4** | Financial derivative instruments. |
|  |  |
| **1.5** | Repurchase agreements that fulfil the conditions set out in Article 14. |
|  |  |
| **1.6** | Reverse repurchase agreements that fulfil the conditions set out in Article 15. |
|  |  |
| **1.7** | Units or shares of other MMFs. |
|  |  |
| **2** | **Investment Restrictions** |
| **2.1** | An MMF shall invest no more than:   1. 5% of its assets in money market instruments, securitisations and ABCPs issued by the same body; 2. 10% of its assets in deposits made with the same credit institution, unless the structure of the banking sector in the Member State in which the MMF is domiciled is such that there are insufficient viable credit institutions to meet that diversification requirement and it is not economically feasible for the MMF to make deposits in another Member State, in which case up to 15% of its assets may be deposited with the same credit institution. |
|  |  |
| **2.2** | By way of derogation from point (a) of paragraph 2.1, a VNAV MMF may invest up to 10% of its assets in money market instruments, securitisations and ABCPs issued by the same body provided that the total value of such money market instruments, securitisations and ABCPs held by the VNAV MMF in each issuing body in which it invests more than 5% of its assets does not exceed 40 % of the value of its assets. |
|  |  |
| **2.3** | *The aggregate of all of an MMF’s exposures to securitisations and ABCPs shall not exceed [15%] of the assets of the MMF.* |
|  | *[As from the date of application of the delegated act referred to in Article 11(4), the aggregate of all of an MMF's exposures to securitisations and ABCPs shall not exceed 20% of the assets of the MMF, whereby up to 15 % of the assets of the MMF may be invested in securitisations and ABCPs that do not comply with the criteria for the identification of STS securitisations and ABCPs.]* |
|  |  |
| **2.4** | The aggregate risk exposure of an MMF to the same counterparty to OTC derivative transactions which fulfil the conditions set out in Article 13 of the MMFR shall not exceed 5% of the assets of the MMF. |
|  |  |
| **2.5** | The cash received by the MMF as part of the repurchase agreement does not exceed 10% of its assets. |
| **2.6** | The aggregate amount of cash provided to the same counterparty of an MMF in reverse repurchase agreements shall not exceed 15% of the assets of the MMF. |
|  |  |
| **2.7** | Notwithstanding paragraphs 2.1 and 2.4 above, an MMF shall not combine, where to do so would result in an investment of more than 15% of its assets in a single body, any of the following:   1. investments in money market instruments, securitisations and ABCPs issued by that body; 2. deposits made with that body; 3. OTC financial derivative instruments giving counterparty risk exposure to that body. |
|  |  |
| **2.8** | By way of derogation from the diversification requirement provided for in paragraph 2.7, where the structure of the financial market in the Member State in which the MMF is domiciled is such that there are insufficient viable financial institutions to meet that diversification requirement and it is not economically feasible for the MMF to use financial institutions in another Member State, the MMF may combine the types of investments referred to in points (a) to (c) up to a maximum investment of 20% of its assets in a single body. |
|  |  |
| **2.9** | An MMF may invest up to 100% of its assets in different money market instruments issued or guaranteed separately or jointly by the Union, the national, regional and local administrations of the Member States or their central banks, the European Central Bank, the European Investment Bank, the European Investment Fund, the European Stability Mechanism, the European Financial Stability Facility, a central authority or central bank of a third country, the International Monetary Fund, the International Bank for Reconstruction and Development, the Council of Europe Development Bank, the European Bank for Reconstruction and Development, the Bank for International Settlements, or any other relevant international financial institution or organisation to which one or more Member States belong. **This may only be included where the MMF has sought and received this derogation from the Central Bank.** |
|  |  |
| **2.10** | Paragraph 2.9 shall only apply where all of the following requirements are met:   1. the MMF holds money market instruments from at least six different issues by the issuer; 2. the MMF limits the investment in money market instruments from the same issue to a maximum of 30% of its assets; 3. the MMF makes express reference, in its fund rules or instruments of incorporation, to all administrations, institutions or organisations referred to in the first subparagraph that issue or guarantee separately or jointly money market instruments in which it intends to invest more than 5% of its assets; 4. the MMF includes a prominent statement in its prospectus and marketing communications drawing attention to the use of the derogation and indicating all administrations, institutions or organisations referred to in the first subparagraph that issue or guarantee separately or jointly money market instruments in which it intends to invest more than 5% of its assets. |
| **2.11** | Notwithstanding the individual limits laid down in paragraph 2.1, an MMF may invest no more than 10% of its assets in bonds issued by a single credit institution that has its registered office in a Member State and is subject by law to special public supervision designed to protect bond-holders. In particular, sums deriving from the issue of those bonds shall be invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest. |
|  |  |
| **2.12** | Where an MMF invests more than 5% of its assets in the bonds referred to in paragraph 2.11 issued by a single issuer, the total value of those investments shall not exceed 40% of the value of the assets of the MMF. |
|  |  |
| **2.13** | Notwithstanding the individual limits laid down in paragraph 2.1, an MMF may invest no more than 20% of its assets in bonds issued by a single credit institution where the requirements set out in point (f) of Article 10(1) or point (c) of Article 11(1) of Delegated Regulation (EU) 2015/61 are met, including any possible investment in assets referred to in paragraph 2.11. |
|  |  |
| **2.14** | Where an MMF invests more than 5% of its assets in the bonds referred to in paragraph 2.13 issued by a single issuer, the total value of those investments shall not exceed 60% of the value of the assets of the MMF, including any possible investment in assets referred to in paragraph 2.11, respecting the limits set out therein. |
|  |  |
| **2.15** | Companies which are included in the same group for the purposes of consolidated accounts under Directive 2013/34/EU of the European Parliament and of the Council or in accordance with recognised international accounting rules, shall be regarded as a single body for the purpose of calculating the limits referred to in paragraphs 2.1 to 2.8. |
| **3** | **Eligible units or shares of MMFs** |
| **3.1** | An MMF may acquire the units or shares of any other MMF (‘targeted MMF’) provided that all of the following conditions are fulfilled: |
|  | 1. no more than 10% of the assets of the targeted MMF are able, according to its fund rules or instruments of incorporation, to be invested in aggregate in units or shares of other MMFs; 2. the targeted MMF does not hold units or shares in the acquiring MMF. |
|  |  |
| **3.2** | An MMF whose units or shares have been acquired shall not invest in the acquiring MMF during the period in which the acquiring MMF holds units or shares in it. |
|  |  |
| **3.3** | An MMF may acquire the units or shares of other MMFs, provided that no more than 5% of its assets are invested in units or shares of a single MMF. |
|  |  |
| **3.4** | An MMF may, in aggregate, invest no more than 17.5% of its assets in units or shares of other MMFs. |
|  |  |
| **3.5** | Units or shares of other MMFs shall be eligible for investment by an MMF provided that all of the following conditions are fulfilled: |
|  | 1. the targeted MMF is authorised under the MMFR; |
|  | 1. where the targeted MMF is managed, whether directly or under a delegation, by the same manager as that of the acquiring MMF or by any other company to which the manager of the acquiring MMF is linked by common management or control, or by a substantial direct or indirect holding, the manager of the targeted MMF, or that other company, is prohibited from charging subscription or redemption fees on account of the investment by the acquiring MMF in the units or shares of the targeted MMF; |
|  |  |
| **3.6** | Short-term MMFs may only invest in units or shares of other short-term MMFs. |
|  |  |
| **3.7** | Standard MMFs may invest in units or shares of short-term MMFs and standard MMFs. |
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