

## Enhancing the resilience of money market funds

### Virtual Stakeholder Workshop

Monday 12 July 2021 (13:00–15:00 CEST)

#### Agenda

The March 2020 market turmoil highlighted some structural vulnerabilities in money market funds (MMFs) stemming from liquidity mismatches, the use of these funds as cash management instruments, as well as from certain fund structures and regulations.<sup>1</sup> Against this backdrop, the Financial Stability Board (FSB) will publish on 30 June a consultation report that sets out policy proposals to enhance MMF resilience, including with respect to the appropriate structure of the sector and of underlying short-term funding markets. The proposals aim to inform jurisdiction-specific reforms and any necessary adjustments to the policy recommendations for MMFs issued by the International Organization of Securities Commissions (IOSCO). The deadline for providing feedback on the consultation report is 16 August.

The objective of the workshop is for officials from FSB member authorities involved in the preparation of the report to exchange views with industry representatives, academics and other stakeholders on the analysis and policy proposals in the consultation report. The workshop, together with written consultation responses, will inform the final report, which will be published ahead of the G20 Summit in October 2021.

The meeting is organised in two main sessions: the first session will focus on the assessment of the proposals to enhance MMF resilience, while the second session will explore considerations that jurisdictions may take into account in selecting policy reforms. Each session will start with short presentations by a few discussants to motivate the ensuing discussion. Workshop participants are then encouraged to ask questions and contribute actively.

The workshop will take place on Webex Events. Participants will be able to submit questions and will also be able to 'raise their hand' virtually to indicate a desire to comment.

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<sup>1</sup> See the FSB *Holistic Review of the March market turmoil* (November 2020) and IOSCO's Thematic Note on Money Market Funds during the March-April Episode (November 2020).

## 1. Introduction (13:00-13:15)

**Hyun Song Shin** (Bank for International Settlements) and **Sarah ten Siethoff** (US Securities and Exchange Commission (SEC)), co-Chairs of the FSB Technical Expert Group on money market funds (TEG), will welcome participants and provide an overview of the consultation report.

## 2. Proposals to enhance MMF resilience (13:15-14:05)

**Moderators:** Antoine Bouveret (European Securities and Markets Authority) and Patrick McCabe (Federal Reserve Board)

**Objective:** to discuss the assessment of policy options to enhance MMF resilience (chapter 4 of the consultation report).

### Issues for discussion:

- Does the report appropriately describe the most important MMF vulnerabilities, notably those that crystallised during the March 2020 market turmoil and in the 2008 crisis? How do these vulnerabilities differ across jurisdictions and MMF types based on funds' use by investors and borrowers, regulatory framework and market structure?
- What policy options would be most effective in enhancing the resilience of MMFs and in minimising the need for extraordinary official sector interventions in the future?
- Does the report appropriately categorise the main mechanisms to enhance MMF resilience? Are there other possible mechanisms to consider? Should these mechanisms apply to all types of MMFs?
- Are the representative policy options appropriate, and would they be sufficient to address MMF vulnerabilities? Which of these options (if any) have broad applicability across jurisdictions? Which of these options are most appropriate for public debt and non-public debt MMFs? Are there other policy options that should be included as representative options (in addition to or instead of the current ones)?
- Does the assessment of each policy option adequately highlight the main resilience benefits, impact on MMFs, the underlying markets and the overall financial system, and operational considerations? Are there any other (e.g. jurisdiction-specific) factors that could determine the effectiveness of these options?

## 3. Considerations in selecting policies (14:05-14:55)

**Moderators:** Hyun Song Shin (BIS) and Sarah ten Siethoff (SEC)

**Objective:** to discuss the considerations that jurisdictions may take into account in selecting policies to enhance MMF resilience and other (complementary) measures (chapter 5 and 6 of the consultation report).

### Issues for discussion:

- What are the key considerations in the selection of policies to enhance MMF resilience?
- Which policy options complement each other well and could potentially be combined? What are the most appropriate combinations to address MMF vulnerabilities? Which combinations are most effective for different MMF types and their functions?
- To what extent should authorities seek to align MMF reforms across jurisdictions? Is there a minimum set of policies or level of MMF resilience that should be considered at the international level to avoid fragmentation and regulatory arbitrage?
- Are measures to enhance risk identification and monitoring by authorities and market participants appropriate complements to MMF policies? Which of these measures are likely to be most effective and why? Are there other measures to consider?
- What other measures should be considered to enhance the overall resilience of short-term funding markets? How would those measures interact with MMF policy reforms and how effective are they likely to be in preserving market functioning in stress times?

### 4. Wrap-up and takeaways (14:55-15:00)

The FSB TEG Co-Chairs will summarise the takeaways from the discussions and next steps.