

Press release

Press enquiries:
+41 61 280 8477
press@fsb.org

Ref: 16/2021
30 June 2021

FSB seeks feedback on its policy proposals to enhance money market fund resilience

The Financial Stability Board (FSB) today published a [consultation report with policy proposals to enhance money market fund \(MMF\) resilience](#). The proposals form part of the FSB's work programme on non-bank financial intermediation (NBFi).

The FSB's [holistic review of the March 2020 market turmoil](#) highlighted structural vulnerabilities in MMFs and related stress in short-term funding markets. MMFs are susceptible to sudden and disruptive redemptions, and they may face challenges in selling assets, particularly under stressed conditions. These features can make individual MMFs, or even the entire MMF sector, susceptible to runs, and may also give rise to system-wide vulnerabilities.

The policy options in the report aim to address these vulnerabilities and are intended to inform jurisdiction-specific reforms and any necessary adjustments to the policy recommendations for MMFs issued by the International Organization of Securities Commissions (IOSCO). Enhancing MMF resilience will help address systemic risks and minimise the need for future extraordinary central bank interventions to support the sector.

The policy options are grouped according to the main mechanism through which they aim to enhance MMF resilience – namely, to: impose on redeeming investors the cost of their redemptions; absorb losses; reduce threshold effects; and reduce liquidity transformation. The report assesses the likely effects of each option on the behaviour of MMF investors, fund managers and sponsors, as well as their implications for the underlying markets,

The consultation report also sets out considerations on how different policy options could be selected and combined to address all the vulnerabilities arising from different types of MMFs. The optimal combination should take account of jurisdiction-specific circumstances and policy priorities, as well as cross-border considerations including to prevent regulatory arbitrage that could arise from adopting divergent approaches across jurisdictions.

Policies aimed at enhancing the resilience of MMFs could be accompanied by additional reforms in two areas: (i) policies to support robust risk management by fund managers and risk monitoring by authorities; and (ii) measures to improve the functioning of the underlying short-term funding markets.

Responses to the public consultation should be sent to fsb@fsb.org by 16 August with "MMF policy proposals" in the subject line. All responses will be published on the FSB website unless respondents request otherwise. The final report will be published in October 2021.

Notes to editors

The FSB published a holistic Review of the March 2020 Market Turmoil which lays out a comprehensive and ambitious work programme for strengthening the resilience of the NBFIs sector while preserving its benefits. The policy proposals to enhance the resilience of MMFs are a key deliverable of the work programme for 2021.

The proposals were developed by the FSB Technical Expert Group (TEG) on MMFs, which comprises experts from FSB and IOSCO member institutions. The TEG is co-chaired by representatives of the Bank for International Settlements and the US Securities and Exchange Commission, supported by a joint FSB and IOSCO Secretariat. In preparing these proposals, the TEG analysed information from various sources and engaged with stakeholders.

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes the implementation of effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Randal K. Quarles, Vice Chairman, US Federal Reserve; its Vice Chair is Klaas Knot, President of De Nederlandsche Bank. The FSB Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.