

Press release

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## **MONEY MARKET FUNDS PLAY A CRITICAL ROLE IN THE SHORT TERM FINANCING MARKETS AND REGULATION SHOULD NOT PUT THEM AT RISK**

**The Association of the Luxembourg Fund Industry expresses its concern over the proposed  
European Framework for Money Market Funds (MMFs)**

The Association of the Luxembourg Fund Industry (ALFI) today expresses its concern over the *“Proposal for a Regulation of the European Parliament and of the Council on Money Market Funds”* unveiled by the European Commission in Brussels on 4 September 2013.

“We are concerned about the impact of this regulation,” says Marc Saluzzi, Chairman of ALFI. “Money Market Funds represent 15% of the European investment fund industry. They are important source of short-term financing for the economy. The rules proposed by the Commission, especially those on eligible assets and diversification, are too stringent and even exceed the rules governing UCITS, which is unjustified.

The proposal furthermore requires Constant Net Asset Value (CNAV) funds to hold a 3% cash buffer, which would impact this category of money market funds even harder. CNAV funds represent 50% of European money market funds.

ALFI believes that it is dangerous to extend “buffer” rules, which were initially designed for the banking sector, to investment funds which are already highly regulated. Mr Saluzzi explains: “The cost of capital buffers are simply too high for CNAV money market funds, particularly in the current low-interest environment.” The capital buffer will, in addition, create problems for fund managers which offer this product globally, especially if the US SEC doesn’t apply the same regulation.

According to ALFI, European clients find the accessibility, diversification, liquidity and yield offered by money market funds a compelling alternative to bank deposit or securities. CNAV funds appeal to a large number of investors as they offer operational efficiency, simplicity of tax treatment and accounting ease.

Mr Saluzzi concludes: “Money market funds play a critical role in the short term financing markets. Regulation should not put them at risk.”

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**Notes to editors:**

**The Association of the Luxembourg Fund Industry (ALFI)** is the representative body of the Luxembourg investment fund community. Created in 1988, the Association today represents over one thousand Luxembourg domiciled investment funds, asset management companies and a wide range of service providers such as depositary banks, fund administrators, transfer agents, distributors, legal firms, consultants, tax experts, auditors and accountants, specialist IT providers and communication companies. The Luxembourg Fund industry is the largest fund domicile in Europe and a worldwide leader in cross-border distribution of funds. Luxembourg-domiciled investment structures are distributed on a global basis in more than 70 countries with a particular focus on Europe, Asia, Latin America and the Middle East. For further information, do not hesitate to consult our website at [www.alfi.lu](http://www.alfi.lu).

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