



**EUROPEAN COMMISSION**

Directorate-General for Financial Stability, Financial Services and Capital Markets Union

Director General

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Mr Steven Maijoor  
Chairman  
European Securities and Markets  
Authority (ESMA)  
103 Rue de Grenelle  
F-75007 Paris

**Subject: Implementation of the Money Market Fund Regulation**

Dear Mr Maijoor,

I would like to thank you for the draft implementing technical standards for the Money Market Fund (MMF) Regulation that we received 13 November last year.

To ensure proper implementation of the MMF Regulation, it will be important to achieve supervisory convergence between the different approaches currently taken in Member States. The MMF Regulation has been introduced in order to preserve the integrity and stability of the internal market. The Regulation is intended to make MMFs more resilient and limit contagion channels. Uniform rules and supervisory practice across the Union are necessary to ensure that MMFs are able to honour redemption requests from investors and to enhance financial stability.

This is why the MMF Regulation fully harmonises the activities and models of MMFs and limits them to only three types of MMFs with specific safeguards. In consequence, based on your mandate to ensure supervisory convergence, it is important that those safeguards should not be rendered inapplicable by the continued use of practises that are not in line with the Regulation.

Regarding the question that you raised in your cover letter on the use of the reverse distribution mechanism (RDM, often referred to as 'share cancellation' or 'share destruction') under the MMF Regulation and the need to have legal clarity, our analysis confirms the view expressed by ESMA in their public consultation that this mechanism is not compatible with the MMF Regulation.

In consequence, in the light of the current divergent practices in Member States before the application date of the MMF Regulation, we share the view expressed in your letter that

ESMA should take action to ensure the consistent, efficient and effective application of the MMF regulation. To that end, ESMA could provide guidance to market participants to secure converging supervisory approaches.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Olivier Guersent', written in a cursive style.

Olivier Guersent

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