

Reforms to Money Market Fund Regulations

The Government and FCA announce plans to reform UK Money Market Fund Regulations.

Money market funds (MMFs) play an important role in the financial system. MMFs are widely used for cash management and provide an alternative or complement to bank deposits for a broad range of investors, including asset managers, insurers, pension funds, large corporates and local authorities. However, recent periods of market stress have highlighted the need to strengthen the resilience of these funds.

The Government, together with the Financial Conduct Authority (FCA) and the Bank of England, have worked actively with international partners, including with the European Commission and at the Financial Stability Board, to enhance MMF resilience so these funds are better able to withstand market disruption. As part of this, the Government and FCA committed to reforming the UK Money Market Fund Regulation (MMFR) regime, to ensure the UK's regulatory framework appropriately supports the resilience of these markets while maintaining our international competitiveness. These reforms mark an important step forward in enhancing the resilience of the wider non-bank financial sector.

In 2023, HM Treasury and FCA consulted on replacing and reforming MMFR. The Government will now lay legislation as soon as parliamentary time allows to establish the new regulatory framework, under which most requirements for UK MMFs will be set out in FCA rules and guidance. This will include guidance setting out expectations that UK MMFs hold higher levels of liquidity. This approach reflects internationally developed proposals that the UK helped to shape alongside other jurisdictions. The Government and the FCA also welcomed feedback from across the sector to help develop a proportionate set of proposals that will enhance the resilience of Money Market Funds. The UK's new regime is expected to be in place by Q4 2026, subject to Parliamentary approval, and the FCA will issue a statement shortly with further details on its plans.

The Government recognises the cross-border nature of this sector, and the important role that EU domiciled MMFs play in the UK market. In March, at the Joint EU-UK Financial Regulatory Forum, the UK and EU recognised the value of constructive engagement on the practices that will enhance the resilience of our respective MMF sectors. The Government therefore welcomes the report published by European Commission on 11 May that sets out their expectations for these funds.

The Government can confirm its intention to extend the Temporary Marketing Permissions Regime, with a view to establishing a longer-term solution on market access, in line with the UK's framework and process for recognition of overseas firms and funds.