Response of The Netherlands (Ministry of Finance, De Nederlandsche Bank, Authority for the Financial Markets) to the targeted consultation assessing the adequacy of macroprudential policies for NBFI

This document introduces the joint consultation response submitted by the Dutch Ministry of Finance, De Nederlandsche Bank, and the Authority for the Financial Markets. Overall, we support the further development of market-based financing, providing benefits to the real economy and more diverse funding sources for EU business. These and other benefits are well captured by the CMU project. At the same time, recent experience has shown that the current regulatory framework has proved ineffective in some areas to prevent certain types of non-bank activities and intermediaries, particularly money market funds (MMFs), specific open-ended funds, as well as funds using (excessive) leverage, to react to shocks in a procyclical manner. Thus, they could amplify and propagate these shocks through the financial system. Therefore, the development of efficient financial markets needs to go hand in hand with a solid micro- and macroprudential regulatory framework to prevent the build-up of systemic risk ex ante and to limit the potential for contagion and propagation ex post. We therefore welcome initiatives by the Commission in this regard. Complementary to our response to the individual questions, we would like to emphasize the following aspects:

- **[Internationally agreed reforms]** We believe the initial focus should be on implementing recently agreed reforms and recommendations (FSB, ESRB, IOSCO) to the global NBFI regulatory framework within the EU, to the extent not done yet. Key priorities here include proposals to boost MMF resilience, enhancing OEF resilience – also as part of the AIFMD/UCITS revisions and the resulting work by ESMA on technical standards and guidelines – and work on improving margin preparedness and leverage.
- **[MMF reforms]** In this light, we see an immediate need for legislative changes to bolster the resilience and safeguard the liquidity function of EU (private debt) MMFs. The emphasis should be on raising liquidity requirements, decoupling them from the use of certain liquidity management tools (LMTs), and increasing buffer usability during market stress. Therefore, we encourage the Commission to finalize the review of the MMFR, thereby also aiming to close the regulatory gap with the US and UK. A review should take account of international work by the FSB and IOSCO, and the ESRB recommendations and ESMA letter on the MMFR.
- **[Data]** We would also like to stress the importance of the availability and quality of data. While we acknowledge that important steps are being made as part of the AIFMD/UCITS review, data gaps and data quality issues remain

present. We would therefore like to stress the importance of (ongoing) initiatives to close data gaps, improve data quality, enhance data sharing agreements between authorities and work towards centralized data sharing/warehousing, and streamline reporting requirements where possible to avoid an unnecessarily high administrative burden.

- **[Centralisation]** In light of Capital Markets Union initiatives and the cross-border nature of the NBFI sector, we support progressively centralizing supervision where deemed appropriate, including for critical wholesale cross-border financial market infrastructures like CCPs, (large or significant) trading venues, and large asset managers, and strengthening reciprocity arrangements for macroprudential measures.