AUTORITÉ
DES MARCHÉS FINANCIERS

Book IV - Collective investment products

Title II - AIFS

Chapter II - Funds open to retail investors

Section 1 - Retail investment funds

Sub-section 5 - Investor information

Paragraph 3 - Prospectus

General regulation of the AMF

Article 422-75 into force from 17 April 2016 to 21 February 2019

Article 422-75

I. - If the retail investment fund invests principally in one of the asset classes defined in Article L. 214-24-55 of the Monetary and Financial Code other than eligible financial securities or money market instruments or if the fund tracks a stock index or debt security index pursuant to Article R. 214-32-25 of the Monetary and Financial Code, its prospectus shall feature a clearly visible statement drawing attention to its investment policy.

II. - If the retail investment fund invests a significant part of its assets in collective investments, its prospectus shall specify the maximum level of management fee that may be invoiced, both to the retail investment fund itself and to the collective investments in which it intends to invest.

III. - The retail investment fund specified in Article R. 214-32-32 of the Monetary and Financial Code shall specify in its prospectus, in a clearly visible fashion, a declaration drawing readers' attention to the authorisation from which it benefits and specifying any Member States of the European Union, local government bodies or international public organisations in whose assets it intends to invest or has invested over 35 per cent of its assets.

IV. - When the retail investment fund indicates in its prospectus that it is a “short-term money market” fund or a “money market” fund, it shall provide appropriate information about its risk/reward profile so that investors can identify specific risks stemming from its investment strategy.

1 • A “short-term money market” retail investment fund :

- **a** • Must have the primary investment objective of maintaining the principal of the fund and aim to provide a return in line with money market rates;

- **b** • Must invest in money market instruments that comply with the criteria in Directive 2009/65/EC of 13 July 2009, in term deposits with credit institutions;

- **c** • Must ensure the money market instruments in which it invests are of a high quality, as determined according to an internal assessment process whereby the retail investment fund or the management company must take into account a combination of factors which include, but are not limited to the following:

  - **a** • i) The creditworthiness of the instrument;

  - **b** • ii) The nature of the asset class represented by the instrument;

  - **c** • iii) The operational and counterparty risks inherent to the structure of the investment for structured financial instruments;

  - **d** • iv) The liquidity profile;

- **d** • May, for the purposes of point c.i), also refer to, as appropriate and in a non-exclusive manner, the short-term ratings of the rating agencies registered with the European Securities and Markets Authority which have rated the instrument and which the “short-term monetary fund or its management company may deem relevant whilst at the same time avoiding any mechanical dependence in relation to these notations.

- **e** • Must limit its investment to financial instruments with a residual maturity until the legal redemption date- corresponding to the contractual maturity date defined in the issuance documents of the financial instruments of no more than 397 days. The residual maturity means the period remaining before the legal redemption date;

- **f** • Must have a net asset value based on a daily valuation and provide daily subscription and redemption;

- **g** • Must ensure that its portfolio has a weighted average maturity until the portfolio's maturity date calculated according to the procedures defined in Committee of European Securities Regulators'Guidelines of 19 May 2010 under the heading “definitions” of no more than 60 days;

- **h** • Must ensure that its portfolio has a weighted average life until the extinction date of the financial instruments of its portfolio calculated as an average of the financial instruments' final maturities according to the procedures defined in Committee of European Securities Regulators'Guidelines of 19 May 2010 under the heading “definitions” of no more than 120 days;

- **i** • When calculating the weighted average life for financial instruments, including structured financial instruments, base the maturity calculation on the residual maturity until the legal redemption date of the instruments.

  However, when a financial instrument embeds a put option before the legal date, the exercise date of the put option may be used instead of the legal residual maturity only if the following conditions are fulfilled at all times:

- a • i) The option can be freely exercised by the retail investment fund at its exercise date;
- b • ii) The exercise price of the put option is close to the anticipated valuation of the financial instrument at the nearest exercise date;
- c • iii) The investment strategy means that there is a strong probability that the option will be exercised at the nearest exercise date.

- j • Take into account, for both the weighted average life and weighted average maturity calculations, the impact of financial derivatives, term deposits and the techniques and instruments used for efficient investment management, in accordance with the criteria defined in Article R. 214-32-27, II of the Monetary and Financial Code;
- k • Not incur direct or indirect exposure to equity or commodities markets, including via derivatives; and use derivatives only in line with its money market investment strategy. Derivatives that give exposure to the foreign exchange market may be used only for hedging purposes. Investments in financial instruments denominated in a currency other than the currency of the unit or share of the retail investment fund are authorised provided that the exchange rate exposure is fully hedged. ;
- l • Must limit its investment in other UCITS and AIFs to those that comply with the definition of a “short-term money market fund”;
- m • Must have a constant or a variable net asset value.

2 • A “money market” retail investment fund:

- a • Must fulfil the conditions in points a, b, c, d, f, i, j and k of point 1;

  Furthermore, a “money market” retail investment fund:

- b • Must have a variable net asset value;
- c • Must limit its investments to financial instruments with a residual maturity of no more than 2 years, provided that the time remaining until the next interest rate reset date is no more than 397 days. Floating rate securities should reset to a money market rate or index;
- d • Must ensure that its portfolio has a weighted average maturity of no more than 6 months calculated according to the procedures defined in Committee of European Securities Regulators'Guidelines of 19 May 2010 in the “Definitions” section;
- e • Must ensure that its portfolio has a weighted average life calculated as the average of the final maturities of financial instruments according to the procedures defined in Committee of European Securities Regulators' Guidelines of 19 May 2010 in the “Definitions” section of no more than 12 months.
- f • Must limit its investment in other UCITS and AIFs to those that comply with the definition of “money market” “short-term money market” funds.

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