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## Keys figures for asset management in 2018 - Overview of investment management companies

**After two years of stagnation, the number of authorised investment management companies in France at the end of 2018 increased slightly to 633.**



### Surge in the number of projects received in 2018, taking effect in H1 2019

After two years of stagnation, due mainly to the high numbers of authorisations withdrawn, the number of authorised investment management companies operating in France at 31 December 2018 increased by three to 633. This slight increase in fact masks a real surge in applications submitted to the AMF for authorisation, notably in the second half of the year. No less than 60 applications for the creation of investment management companies were registered, 41 of which were examined during the year, although for a large proportion of them the scheduled effective date was in 2019<sup>(1)</sup>.

This increase is due both to a vigorous flow of entrepreneurial projects and the international and European politico-economic environment, since the Paris marketplace has attracted a large number of British market participants, mainly in the context of Brexit. Many of the initial applications for authorisation were due to the partial or complete relocation to France of the UK operations of these companies. These applications concerned the whole

management spectrum, from the specialist entrepreneurial company, notably in unlisted or real estate assets, to the large pan-European player deciding to make Paris its European hub.

## New management companies

As mentioned earlier, although there was a clear decline in the number of investment management companies created in 2018 (24 versus 35 in 2017 and 32 in 2016), this does not reflect a weakening momentum of company creations by the French industry, since more than 40 applications were presented to the AMF Board in 2018.

Creations of new management companies were once again driven by private equity and real estate, which represented 63% of launches (15 out of 24); the balance consisted mainly of companies performing traditional management (6), or using sophisticated techniques (3, including 2 employing strategies based on predominantly quantitative processing). Entrepreneurial projects remained in the majority, but are gradually declining. They represented 50% of creations in 2018 (versus 51% in 2017 and 60% in 2016), closely followed by applications made by finance groups (42%).

## Authorisations withdrawn

The trend to sector consolidation seen in 2016 and 2017 persisted, although there were fewer withdrawals of authorisations. Withdrawals following industrial mergers or group reorganisations accounted for about 43% of the total (versus 63% in 2017). For their part, the 11 withdrawals due to a business failure accounted for 52% of the total number of cases of withdrawal. Moreover, the authorisation of the Vendôme Capital Partners investment management company was withdrawn on the initiative of the AMF in 2018.

## Trend in 2019

As mentioned, the massive influx of applications in the second quarter of 2018, combined with a continuing very large number of applications in the first quarter of 2019 (notably from British market participants given the (postponed) prospect of a UK exit from the European Union at the end of March 2019), naturally resulted in a very large number of new investment management companies by mid-year (+33). This suggests that the all-time record of 53 company creations in 2010 will be exceeded.

## Classification of market participants

**A population that is almost exclusively governed by sector-based directives:** The predominant model in France that is based on the linkage of investment management

companies to the sector-specific AIFM and UCITS directives, unlike the Anglo-Saxon model that is more often based on using the status of investment firm, is reinforced year after year. Accordingly, at the end of July 2019, 89% of investment management companies were subject to one of the two sector-based directives, of which 122 solely under the UCITS regime, 304 solely under the AIFM regime and 162 under both regimes.



**Varied activities:** Although all the investment management companies manage at least one collective investment scheme<sup>(2)</sup>, more than half (363) are authorised to perform individual discretionary management, 10% are authorised for order receipt and transmission, and nearly all (over 95%) for investment advisory services (principally in conjunction with the marketing of the funds managed). Discretionary management within the framework of unit-linked life insurance contracts, for its part, concerns more than one-quarter of investment management companies (percentage stable compared with the previous year).

**Very distinctive market participants in terms of instruments used:** The wide range of financial instruments used by portfolio asset management companies in their programmes of activity provides a relatively precise view of asset management trends in France. While the majority of companies are authorised to use so-called “traditional” financial instruments (listed shares, listed bonds, mutual funds, simple financial contracts), the proportion of investment management companies that are authorised to place trades on so-called “real” assets (real estate, private equity, unlisted debt, etc.) has been growing steadily for several years, illustrating the predominance of private equity management companies among the total population of investment management companies and the upward trend in the creation of companies trading in real estate. Among the most significant changes since 2010, also note the activity in selection of debts, to which the direct granting of loans should be connected. At mid-2019, this concerned 24 investment management companies (20 in 2018).

In terms of the legal forms used by the companies, almost half of them adopt the simplified joint-stock company ("SAS") format, while less than one-third opt for a Société Anonyme (public limited company), a corporate form that has been declining constantly for some years now.

82% of the investment management companies are domiciled in Paris (88% when the municipalities bordering Paris are included).

## Keywords

COLLECTIVE INVESTMENTS

[1] This is because, even if a project has received the approval of the AMF Board, to obtain final authorisation there are generally conditions precedent relating to certain formalities to be accomplished or finalised (Articles of Association, company registration certificate, capital increase, recruitments, signature of support function contracts, etc.).

[2] Or intend to manage them within 12 months following their authorisation.

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