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## **Management companies: the AMF offers advice for how best to implement and use stress tests**

**The Autorité des Marchés Financiers (AMF) is publishing a guide containing an overview of French management companies' current practices in the area of stress testing. The guide also provides examples of market-event and liquidity stress tests. The AMF held a public consultation in 2016 to help it prepare the guide.**

The AMF guide to implementing and using stress tests contains best practices, notably on executing:

- liquidity stress tests on each fund, simulating simultaneous problems on both the assets and liabilities side;
- liquidity stress tests across all funds managed by an asset management company, notably on markets of limited size;
- a stress test policy that sets alert thresholds and procedures for when an alert is triggered, as well as how to disseminate the stress test results within the asset management company;
- buyback scenarios that exploit all available information regarding liabilities and, ideally, a model of investor behaviour; and

- stress tests that correspond to the different stages in a fund's life, from creation to liquidation, including ongoing risk management.

Above all, the scenarios must be adapted to the specific attributes of each fund and portfolio, and they must be updated regularly.

## En savoir plus

- Guide to the use of stress tests as part of risk management within asset management companies
- AMF public consultation on the guide to the use of stress tests in risk management by asset management companies

## Keywords

STRESS-TESTING

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