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The AMF updates its policy on the use of the term "cautious" in collective investment schemes and discretionary management

The AMF has updated its policy on the use of the term “cautious” for collective investment schemes and discretionary management, in order to distinguish it from the term “cautious retirement horizon” used in relation to new Personal Retirement Savings Plans (PERI).

Three investment profiles for the Personal Retirement Savings Plan (PERI)

As part of the retirement savings reform brought about by the PACTE Law, the PERI, a retirement savings product that allows holders to invest capital during their working life and receive a lump sum or annuity at retirement age, was created by the Order of 24 July 2019.

The Ministerial Order of 7 August 2019, issued pursuant to the aforementioned Order, defines, as part of a manager-guided PERI, three investment profiles suitable for a long-term investment horizon with a gradual reduction in financial risks, taking into account the level of exposure to these risks and the expected return for the investor. One of these profiles, the “cautious retirement horizon” profile, allows PERI holders to invest up to 70% of net assets in risky assets ten years before their planned retirement date.

Clarification of the term “cautious retirement horizon”

The term "cautious retirement horizon", which can be used in relation to PERIs with strict conditions for withdrawals before the planned retirement age, must not be confused with the term "cautious" used by asset managers in relation to collective investment or discretionary management. The use of the term "cautious" is reserved for portfolios whose exposure to risky assets does not exceed 30% of net assets, in accordance with AMF policy.

Changes to AMF policy

Consequently, the AMF is amending its policy to incorporate the following clarifications:

- The recommendation to discretionary managers not to use the term "cautious profile" for portfolios with more than 30% of their net assets exposed to risky assets does not apply to mandates with a long-term objective and a specified investment horizon when providing portfolio management services to third parties in connection with retirement savings plans that use the term "cautious retirement horizon profile".
- The policy on the use of the term "cautious" in the name of collective investments does not apply to collective investments that can only be subscribed to under retirement savings plans and that use the term "cautious retirement horizon". The term "cautious retirement horizon" is reserved exclusively for collective investments subscribed to under retirement savings plans. It must be used in full, and the term "cautious" cannot be used on its own.

The policy documents affected are the following:

- AMF Instruction-Position-Recommendation DOC-2019-12 – Professional Obligations of Investment Services Providers to Retail Clients with regard to Third-Party Portfolio Management
- AMF Position-Recommendation DOC-2011-05 – A Guide to Regulatory Documents Governing Collective Investment Undertakings
- AMF Position-Recommendation DOC-2011-24 – A Guide to Drafting Collective Investment Marketing Materials and Distributing Collective Investments

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