



Print from the website of the AMF

07 October 2022

The AMF updates its doctrine to facilitate the adoption of liquidity management tools

Further to the public consultation held in February 2022 on enhanced requirements for liquidity management tools, the AMF has published an update to its policy to clarify its requirements for the operation of these tools in collective investment undertakings (CIUs).

Incentives for introducing a redemption capping mechanism (gates)

At the end of 2021, only 9% of unit classes representing 11% of total French CIU assets had the option of activating gates in their regulatory documentation^[1]. The main obstacle to widespread use of such a tool is the fear that investors will have a negative perception of its implementation. Generally speaking, the introduction of gates in certain CIUs is subject to the provision of individual notification to each investor and the possibility for investors to "exit free of charge". However, it is important to remember that, for most of the CIUs available to the general public, gates only apply in exceptional market circumstances. They are therefore intended to be activated only in rare cases and are temporary by nature. Moreover, this mechanism can only be activated when the interest of the holders or the public so commands.

To facilitate the integration of gates into existing products, the AMF has introduced a transitional period until 31 December 2023. During this period, investors may be informed of the introduction of gates by any means, such as on the asset management company's website, provided certain conditions are met.

Swing pricing and anti-dilution levies

Swing pricing and anti-dilution levy mechanisms are used to offset or reduce the costs of portfolio reorganisation borne by all unitholders during subscriptions and redemptions. At the end of 2021, only 7% of unit classes representing 10% of French CIU assets had these mechanisms in place^[1]. The AMF points out that swing pricing and anti-dilution levies are tools that can be used at any time, and not only in stressed market conditions. While they are intended to be used more widely, the measures to be considered must be adapted in the case of these tools.

Swing pricing can already be introduced by asset management companies, with information provided by any means for certain CIUs, whereas the introduction of anti-dilution levies requires individual notification to be sent to investors and the possibility to exit the fund free of charge. The AMF's policy is thus amended to restore the balance between the two types of liquidity management tools by aligning the procedures for introducing anti-dilution levies with those for swing pricing.

Streamlining of the gates' policy

The guidelines for gates (definition of activation thresholds, etc.) were covered in separate AMF documents for each fund. The AMF has simplified and clarified the doctrine in order to make it more widely available. Instruction DOC-2017-05 now provides a framework for the use of this mechanism for all the funds concerned. It also covers practices specific to professional real estate collective investment undertakings and certain private equity funds open to subscriptions and redemptions at the request of investors (known as "FCPR Evergreen").

Changes in other areas

The AMF has also clarified its policy on dedicated AIFs, which may be dedicated to no more than 20 investors or to a category of investors.

Furthermore, as part of the redeployment of monitoring activities, the AMF is discontinuing some of the reports that AIF management companies send to the AMF each year for statistical purposes using a standardised template posted on its website. The move concerns statistical reports on certain collective investment undertakings open to retail investors (employee saving scheme funds, real estate collective investment undertakings, private equity funds) and professional investors (professional specialised funds, professional private equity investment funds and securitisation vehicles).

Next step

A second update of the AMF's doctrine may soon be published, once the amendments to the AMF General Regulation have been approved. The purpose of this publication will be to set out the other requirements that were the subject of the public consultation, in particular those relating to manager accountability and the rebalancing of information asymmetries for funds that do not plan to introduce gates, swing pricing or anti-dilution levies.

[1]

<https://www.amf-france.org/en/news-publications/publications/reports-research-and-analysis/overview-and-inventory-french-funds-liquidity-management-tools-dynamic-view-2017-and-update-mid-2021>

URL = [https://www.amf-france.org/en/news-publications/publications/reports-research-and-analysis/overview-and-inventory-french-funds-liquidity-management-tools-dynamic-view-2017-and-update-mid-2021]

[2]

<https://www.amf-france.org/en/news-publications/publications/reports-research-and-analysis/overview-and-inventory-french-funds-liquidity-management-tools-dynamic-view-2017-and-update-mid-2021>

URL = [https://www.amf-france.org/en/news-publications/publications/reports-research-and-analysis/overview-and-inventory-french-funds-liquidity-management-tools-dynamic-view-2017-and-update-mid-2021]

Read more

AMF Instruction DOC-2011-19 - Authorisation procedures, preparation of a KIID and a prospectus and periodic reporting for French and foreign UCITS marketed in
👇 France (in french only)

AMF Instruction DOC-2011-20 - Authorisation procedures, preparation of a KIID and a prospectus and periodic reporting for retail investment funds, funds of
👇 alternative funds and professional alternative investment funds (in french only)

AMF Instruction DOC-2011-21 - Authorisation procedures, preparation of a KIID and a prospectus, and reporting for employee investment undertakings (in french
👇 only)

AMF Instruction DOC-2011-22 - Authorisation procedures, preparation of a KIID
👇 and rules, and reporting for private equity funds (in french only)

AMF Instruction DOC-2011-23 - Authorisation and establishment processes for a KIID and a prospectus and periodic information for real estate collective investment undertakings and professional real estate collective investment

✚ undertakings (in french only)

AMF Instruction DOC-2012-06 - Procedures for making disclosures and introducing changes, preparation of a prospectus and reporting for specialised

✚ professional funds and professional private equity funds (in french only)

AMF Position-recommandation DOC-2011-05 - A guide to regulatory documents

✚ governing collective investment undertakings (in french only)

AMF Position-recommandation DOC-2011-25 - A guide to the monitoring of

✚ collective investment undertakings (in french only)

AMF Instruction DOC-2017-05 - Conditions for setting up redemption gate

✚ mechanisms (in french only)

ON THE SAME TOPIC

 [Subscribe to our alerts and RSS feeds](#)



NEWS MIFID

12 August 2022

Sustainability requirements in the distribution of financial instruments: update on upcoming legislation and its implementation dates



NEWS MMF

04 August 2022

The AMF complies with the ESMA guidelines on updating stress test scenarios in accordance with Article 28 of the Money Market Fund Regulation



AMF NEWS RELEASE

ASSET MANAGEMENT

28 July 2022

The AMF is conducting a consultation on the end of life of private equity funds intended for retail investors



Legal information:

Head of publications: The Executive Director of AMF Communication Directorate. Contact: Communication Directorate – Autorité des marchés financiers 17 place de la Bourse – 75082 Paris cedex 02