**Standard template for the prospectus**

This document constitutes Annex XIV of the AMF instruction - Authorisation processes, preparation of a KIID[[1]](#footnote-2) and a prospectus, and periodic reporting for Retail Investment Funds, Funds of Alternative Funds and Professional Retail Investment Funds – DOC-2011-20.

The term “AIF” is systematically used in the standard template for prospectuses to refer to retail investment funds, funds of alternative funds or professional retail investment funds. Where applicable, this term may be replaced by “retail investment fund”, “fund of alternative funds” or “professional retail investment fund”.

A box stating that the retail investment fund, fund of alternative funds or professional retail investment fund is subject to French law must appear on the cover page.

Insofar as the AIF complies with the investment rules of Directive 2009/65/EC, this may be indicated in the form of a box.

Insofar as the AIF complies with the disclosure rules of Directive 2009/65/EC, including publication of a KIID, this may be indicated in the form of a box.

**I. General characteristics**

This section describes the general characteristics of the AIF

1° Form of the AIF:

a) If it is a professional retail investment fund governed by Articles R. 214-187 to R. 214-193 of the Monetary and Financial Code and pursuant to Article 423-9 of the AMF General Regulation or a fund of alternative funds governed by Articles R. 214-183 to R. 214-186 of the Monetary and Financial Code, the prospectus must begin with the following warning:

|  |
| --- |
| “The AIF X is a [professional retail investment fund/funds of alternative funds]. It is not subject to the same rules as retail investment funds and may therefore be riskier. Only the persons mentioned in the “subscribers concerned” section may purchase [units/shares] of the AIF X.” |

b) Where the AIF is only marketed abroad and the subscription and acquisition of the units or shares of this professional retail investment fund or this fund of alternative funds are reserved for investors who are not residents of France, the following warning replaces the previous warning:

|  |
| --- |
| “The AIF X is a [professional retail investment fund / funds of alternative funds]. It is not subject to the same rules as retail investment fund and may therefore be riskier. This AIF is not marketed in France or to French residents. Only the persons mentioned in the “Subscribers concerned” section may purchase [units/shares] of the AIF X.” |

2. Name:

a) For FCP, the name;

b) For SICAV, the name or business name, registered office and postal address, if different;

4° Date of establishment and expected duration;

5. Summary of investment management proposal:

a) List of compartments and different unit classes;

b) Subscribers concerned;

c) Minimum subscription amount for each compartment/type of unit;

d) ISIN code;

This information must be presented in a table to ensure that the overall investment management proposal is easily understandable.

Example:

Compartment no. 1:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Units | Characteristics | | | |
|  | ISIN code | Allocation of income | Currency | etc. |
| A | FR ........................... | Capital growth | EUR |  |
| B | FR ........................... | Distribution | USD |  |

Compartment no. 2:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Units | Characteristics | | | |
|  | ISIN code | Allocation of income | Currency | etc. |
| A | FR ........................... | Capital growth | EUR |  |
| B | FR ........................... | Distribution | USD |  |

6. Where the rules of the FCP/the articles of incorporation of the SICAV can be obtained, if they are not attached, along with the latest annual report and periodic statement, the latest net asset value and, where applicable, information about its past performance.

The latest annual documents and the breakdown of assets are sent within eight weekdays at the written request of the holder. Requests should be sent to:

Company name

Address

Telephone (optional)

E-mail: demande@société.fr

These documents are also available on the website www.société.fr (where applicable)

Provide the name of a contact (person/department, time, etc.) for obtaining any further explanations necessary.

Mention the procedures and deadlines for communicating the information required under Article 421-34(IV) and (V) of the AMF General Regulation.

If the AIF is a feeder AIF, insert the following text: the information documents relating to the UCITS or the master AIF ..................................…, incorporated under ..................................… law, authorised by ..................................…, are available from:

Company name

Address

Telephone (optional)

E-mail: demande@banqueX.fr

**II - Parties**

This section lists the contact information and obligations of all the parties involved in management, custody, auditing and distribution.

1. Management company.

Name or business name, legal form, registered office and postal address, if different from registered office;

Names and job titles of the members of the board of directors or members of the executive board and supervisory board in the SICAV;

Description of the main activities of these persons outside the company where relevant to the company

Where the AIF is managed by a management company authorised in accordance with Directive 2011/61/EU, describe, in accordance with Article 317-2(IV) of the AMF General Regulation (or its equivalent provision transposing paragraph 7 of Article 9 of Directive 2011/61/EU into the law applicable to the management company), how the management company meets the requirements to cover the potential risks of its professional liability in connection with AIF management.

2. Depositary and custodians.

Name or business name, legal form, registered office and postal address, if different from registered office;   
Main activity of:

a) the depositary;

b) the custodian (assets of the AIF); if applicable, for professional retail investment funds and funds of alternative funds, add the following words: “An agreement made pursuant to Article L. 214-24-10 of the Monetary and Financial Code has been established for this AIF/AIF compartment”. Description, where applicable by compartment, of the legal conditions and the extent of the assets concerned by this agreement;

c) the institution in charge of keeping the Issuance account;

d) where applicable, the institution in charge of maintaining the unitholder and shareholder records (AIF liabilities);

Where applicable, in accordance with Article 421-34 of the AMF General Regulation and only for AIF not open to retail investors, the AIF or its asset management company, management company or manager must inform investors, before they can invest in the AIF, of any arrangements made by the depositary to contractually discharge its liability in accordance with Article L. 214-24-10(III) and (IV) of the Monetary and Financial Code. The AIF or its asset management company, management company or manager must also immediately notify the unitholders or shareholders of any change regarding the depositary’s liability.

3. Prime broker

Name or business name, legal form, registered office and postal address, if different from registered office.

State whether the prime broker is also the delegated custodian for the depositary, where applicable.

Describe the main activity.

Description of all the important measures that the AIF has taken with its prime brokers and how conflicts of interest relating thereto are managed and the provision of the contract with the depositary stipulating the possibility of a transfer or reuse of assets of the AIF and the information relating to any transfer of responsibility to the prime broker that could exist.

4. Statutory auditor

Name or business name, registered office, signatory.

5. Marketing agents.

Name or business name, legal form, registered office and postal address, if different from registered office.

6. Entity ensuring that the subscriber or purchaser capability criteria have been met and that the subscribers or purchasers have received the required information. This section is to be filled in only for professional retail investment funds.

7. Delegated functions.

This section lists the following information for all the delegated functions, particularly investment, administrative and accounting functions, within the meaning of articles 313-77[[2]](#footnote-3) or 318-58[[3]](#footnote-4) of the AMF General Regulation:

a) Name or business name of the company;

b) Provisions of the contract with the management company or the investment company that are relevant to investors, except for those relating to compensation;

c) A summary of the other activities of the company to which a function has been delegated;

d) Any conflict of interest that may arise from these delegations.

8. Advisors.

Information about the investment advice firms or outside investment advisors, as long as the use of their services is provided for by contract directly or on behalf of the AIF. This does not concern services provided to the management company for its overall activities that are not directly related to an AIF or a range of AIF.

a) Name or business name of the company or advisor;

b) Provisions of the contracts with the management company or the investment company that are relevant to investors, except for those relating to compensation;

c) A summary of the activities of the company or the advisor.

The advisor does not make decisions on behalf of the AIF; such decisions are the business and responsibility of the SICAV or the management company of the FCP.

9. Transfer agent:

a) name of the transfer agent

b) name(s) of the institution(s) responsible for receiving subscription and redemption orders;

10. For SICAV:

a) Names and job titles of the members of the board of directors or members of the executive board and supervisory board in the SICAV;

b) Description of the main activities of these persons outside the company where relevant to the AIF.

*c) Capital*

**III - Operating and management procedures**

This section contains all the operating and management procedures of the AIF.

To provide a clearer picture of umbrella AIF, the prospectus deals with the operating procedures in two separate sections: one section in I describes the arrangements that are common to all compartments and a specific section in II deals with the specific features of the compartment.

***General characteristics***

This section contains the following information:

1. Characteristics of the units or shares:

a) ISIN code;

If there are several unit classes or compartments, the ISIN should be indicated in II only;

b) Nature of the right attached to the class of units or shares;

c) Recording in a unitholder or shareholder register or specification of the fund administration procedures;

d) Voting rights:

- For SICAV, describe the voting rights attached to the shares;

- For FCP, statement that units do not provide voting rights, since the management company makes the decisions;

e) Nature of units or shares: Registered/bearer;

f) Any decimalisation (splits).

2. Admission to trading on a regulated marketof units or shares of an AIF whose management objective is based on an index:

When, pursuant to Article D. 214-32-31(II) of the Monetary and Financial Code whereby the shares or units of retail investment funds may be admitted to trading on a regulated market provided that these schemes have put in place a mechanism to ensure that the price of these units or shares does not vary significantly from their net asset value, the following operating rules, established by [Euronext Paris SA], shall apply to the trading of the Fund’s units: reservation thresholds are set by applying a variation percentage of [X%] on both sides of the Net Asset Value or “NAV” (see “Net Asset Value” section) of the Fund, published by [Euronext Paris SA] and converted to current values as a fixing estimate during the session, according to the variation of the [X] index;

“Market makers” ensure that the market price of the Fund’s units do not deviate by more than [X%] on either side of the indicative net asset value of the AIF in order to comply with the reservation thresholds set by [Euronext Paris SA] (see “Indicative net asset value” section).

3. Closing date:

Specify the date on which the accounting period ends.

4. Information about tax rules (where relevant).

Details of deductions at source (where applicable).

***Special provisions***

The special provisions describe the specific features of the investment management proposed by the AIF or for each compartment of the AIF:

1. ISIN code.

2. Classification (where applicable).

3. Delegation of investment management.

Provide the name of delegated manager for any compartments, where applicable.

4. Presentation of the sections.

The techniques and instruments used must be consistent with the proposed management style, the resources of the management company and its programme of activity approved by the AMF.

The generic terms used in the key investor information document (KIID), such as “swaps” or “credit derivatives”, must be completed with the type of contract in question, such as interest rate swap, currency swap, credit default swap or total return swap. The use of financial contracts must be described in economic terms, with details of each management technique used.

Example: exposure to index X between 100% and 130% of assets, representing leverage of 1.3.

The specific instruments used, if they require special monitoring or involve specific risks or characteristics (liquidity, valuation, legal form, etc.), must be mentioned in the prospectus. For example, the following instruments are not deemed to be specific instruments:

* Conventional securities;
* Futures and options traded on a regulated market;
* Forward foreign exchange transactions;
* Simple interest rate swaps (fixed rate/floating rate – floating rate/fixed rate – floating rate/floating rate).

The following instruments are deemed to be specific instruments:

* OTC options;
* Credit derivatives;
* Swaps other than those mentioned above, equity swaps, swaps with embedded options, etc.;
* Instruments with embedded derivatives (warrants, EMTN, etc.);
* Securitisation vehicles (FCT, FCC, ABS, MBS, CDO, OT, etc.);
* FCPR;
* FCPI;
* FCIMT;
* Temporary purchases and sales of securities with special features, particularly with regard to compensation;
* Instruments with uncertain liquidity or valuation (unlisted securities, controlled loans, contingent convertible bonds (“CoCos”)[[4]](#footnote-5), etc.);
* And any other instruments that depend on a ratio of other securities.

5. Investment objective. This section explains the AIF’s investment objectives. The information in the key investor information document (KIID) may be supplemented with more technical discussions in the prospectus.

6. Benchmark. The purpose of this section is to provide a yardstick that investors can use to compare the performance and risks incurred by the AIF. Depending on the AIF’s investment objective, the information disclosed to investors and the nature of the risks incurred, this benchmark may be a narrowly focused indicator or else a broad market index, an index recognised by the AMF, or an interest rate or any other relevant indicator. This section must include the name of the benchmark used and a description. The features that identify the indicator must be mentioned, along with its characteristics. To clarify whether dividends are counted in the benchmark, this section must state that “the performance of the benchmark X [includes/does not include] dividends paid by the [shares/UCITS/AIF] that make up the benchmark”.

The prospectus supplements the summary information provided in the key investor information documents (KIID) and mentioned above with information about the target correlation, where applicable, or any other relevant information that can be used to assess the performance of the AIF against the chosen benchmark.

|  |
| --- |
| If this benchmark is used by the AIF under the terms of Regulation (EU) 2016/1011 of the European Parliament and of the Council, the prospectus must also indicate:  a) the identity of its administrator[[5]](#footnote-6);  b) whether this administrator is entered in the register of administrators and benchmark indices kept by ESMA;  c) whether additional information about the benchmark index is available on the administrator’s website (specify the hyperlink). If the AIF prospectus is subsequently updated, the management company must ensure that the hyperlink is still valid.  For AIFs approved after 1 January 2018, if the benchmark index administrator used is not yet entered on the ESMA register when the AIF is approved, the indication provided for in point b) may be inserted in the prospectus of the said AIF only after the administrator has been entered on the register.  Prospectuses for AIFs existing before 1 January 2018 must be updated with points a), b) and c) as soon as possible, and at the latest by 1 January 2021. |

7. Investment strategy. The purpose of this section is to explain how the management company will work to achieve the investment objective. Generally speaking, this section must include:

a) A description of the strategies used.

The prospectus provides a full description of the different strategies used to achieve the investment objective. Where applicable, it must specify:

* Any special strategies involving business or geographical sectors or other types of sectors;
* Whether the AIF has a strategy to build up a diversified portfolio of assets;
* Whether it has dealings in specific categories of assets;
* The management style used (e.g., relationship between the benchmark and the performance objective of the fund, or seeking absolute return);
* The circumstances in which the AIF may use leverage, the types of leverage and the sources of leverage authorised.

In the case of index-tracking funds, this section describes the investment procedures that the management company uses to replicate the index (physical replication, description of derivatives used).

In this section, the AIF states whether it uses the ratios set out in Article R. 214-32-30 of the Monetary and Financial Code.

b) Description of the categories of assets and financial contracts that the AIF intends to invest in and how they contribute to achieving the investment objective.

- For assets other than embedded derivatives, the prospectus must mention all the asset classes that will make up the assets of the AIF. Where applicable, it must also include the following:

* The statement that the fund will invest primarily in assets other than equities, debt securities and money market instruments;
* Equities: the main characteristics of the planned investments (if not redundant with regard to the information described above), and in particular:
* Breakdown of issuers by geographical area and/or business sector;
* Large/medium/small capitalisations;
* Other selection criteria (specify);
* Debt securities and money market instruments: the main characteristics of the planned investments (if not redundant with regard to the information described above), and in particular:
* Breakdown between corporate and government debt;
* Planned level of credit risk;
* ;
* Legal nature of the instruments used;
* Duration;
* Other characteristics (specify);
* The holding of shares or units of other French collective investments or other foreign UCITS, AIF or investment funds, specifying:
* French or foreign UCITS;
* French AIF, specifying the types of funds concerned;
* alternative management AIF, specifying whether they are listed or not;
* other investment funds (specify).

If the AIF is a fund of funds (more than 10% investment in undertakings for collective investment), indicate the place of establishment of the underlying funds.

If the AIF buys units or shares of French collective investments or other foreign UCITS, AIF or foreign investment funds managed by the service provider or an affiliated company, this must be stated in the AIF prospectus, in accordance with Article 313-24[[6]](#footnote-7) or 318-14[[7]](#footnote-8) of the AMF General Regulation.

* For each of the above categories:
* The holding periods that will be applied;
* Whether there are investments in financial instruments from emerging countries (outside the OECD);
* Whether the management company applies any investment restrictions, particularly those provided for in Article 31-3 of this instruction;
* Whether there are any other criteria (specify).
* Receivables

- For derivatives, the prospectus must state:

* The nature of the markets that the AIF deals in:
* Regulated;
* Organised;
* OTC.
* The risks the manager intends to deal in:
* Equities;
* Interest rates;
* Foreign exchange;
* Credit.
* The nature of the dealing, since all transactions must be restricted to achieving the investment objective:
* Hedging;
* Exposure;
* Arbitraging;
* Other (specify).
* Nature of the instruments used:
* Futures;
* Options;
* Swaps;
* Currency futures;
* Credit derivatives;
* Other (specify).
* The derivatives trading strategy used to achieve the investment objective:
* General portfolio hedging, hedging specific risks, securities, etc.;
* Reconstitution of a synthetic exposure to assets or risks;
* Increasing market exposure and refining the maximum authorised leverage sought;
* Other (specify).

For total return swaps, the prospectus must include a general description of the swap agreements used by the AIF, the justification for their use, and the asset types that may be used in such agreements.

The criteria for choosing counterparties (including legal form, country of origin and minimum credit rating) must also be described.

AIF must reject any vague language, such as “using futures subject to regulatory limits”, which makes it impossible to make a proper assessment of the instruments and strategies used.

- For securities with embedded derivatives (warrants, credit linked notes, EMTN, etc.), the prospectus must state:

* The risks the manager intends to deal in:
* Equities;
* Interest rates;
* Foreign exchange;
* Credit;
* Other (specify).
* The nature of the dealing, since all transactions must be restricted to achieving the investment objective:
* Hedging;
* Exposure;
* Arbitraging;
* Other (specify).
* Nature of the instruments used.
* The embedded derivatives strategy used to achieve the investment objective.

- For deposits, the prospectus must state the characteristics and level of use of such deposits and describe how they contribute to achieving the investment objective.

- For cash borrowing, the prospectus must contain information about the techniques and instruments or the borrowing authorisations that are likely to be used in running the AIF.

- For temporary purchases and sales of securities, the prospectus must include a general description of the securities financing transactions used by the AIF and the justification for their use. The use of such transactions must be described precisely:

* Nature of the transactions used:
* Repurchase and reverse repurchase agreements by reference to the Monetary and Financial Code;
* Securities lending and borrowing by reference to the Monetary and Financial Code;
* Other (specify).
* The nature of the dealing, since all transactions must be restricted to achieving the investment objective:
* Cash management;
* Optimising the AIF’s income;
* Possible contribution to the AIF’s leverage;
* Other (specify).
* The asset types that can be used in such transactions;
* The planned and authorised level of use: the maximum proportion of assets under management that can be used for such transactions, and the expected proportion of assets under management to be used in such transactions must be specified;
* Potential leverage;
* Compensation: statement that further information can be found in the section on charges and fees;
* The criteria for determining the choice of counterparty (including legal form, country of origin and minimum credit rating).

c) The maximum level of use of various instruments[[8]](#footnote-9);

d) The generally desired level of use of the various instruments, corresponding to the routine use planned by the manager6.

e) Where applicable, any restrictions on using leverage as well as any arrangement for reuse of collateral or assets.

The maximum level of leverage that the manager is authorised to employ on behalf of the AIF[[9]](#footnote-10).

The information provided in the “Investment strategy” section of the prospectus meets the disclosure requirement stemming from Article 318-47 of the AMF General Regulation.

This disclosure does not have any effect on the other risk management methods and measures that the management company must establish (in accordance with Articles 313-53-4[[10]](#footnote-11) to 313-53-7 and 318-38[[11]](#footnote-12) of the AMF General Regulation).

Providing an updated version of the prospectus through the GECO database meets the annual requirement for filing this information with the AMF set out in Article 313-61[[12]](#footnote-13) and 318-47[[13]](#footnote-14) of the AMF General Regulation.

8. Contracts constituting financial guarantees.

Explicit mention must be made of the fact that the AIF is entitled to provide guarantees to third parties. This section provides details about:

a) The nature of the guarantees given by the AIF;

b) The nature of the commitments of the AIF that may require such guarantees;

c) The creditworthiness of the parties benefiting from the guarantees.

The prospectus must describe the acceptable guarantees with respect to asset types, issuer, maturity, liquidity and diversification of guarantees, and policies with respect to correlation.

The prospectus must describe the custody arrangements for the assets used in securities financing transactions and total return swaps, and for guarantees received (for example by a fund depositary), as well as any restrictions (regulatory or voluntary) on the reuse of guarantees.

9. Special case of feeder funds.

For feeder funds that do not deal on forward markets, the “Investment strategy” section must specify that:

*a)* It is a feeder fund of a given UCITS or master AIF and, as such, invests its full assets in units or shares of a single UCITS or master AIF at all times and incidentally in deposits held within the strict limit of the requirements for managing the AIF’s flows. Where applicable, the prospectus must also specify that the feeder AIF may enter into the financial contracts referred to in Article L. 214-24-55 of the Monetary and Financial Code;

*b)* The objective and investment policy, along with the risk profile, of the feeder AIF and the information about whether the performances of the feeder AIF are identical to those of the UCITS or master AIF or how and why they are different. The prospectus must also contain a description of the assets other than the units or shares of the UCITS or master AIF, in which the feeder AIF may invest its assets;

*c)* A brief description of the UCITS or master AIF, its organisation and its investment objective and policy, along with its risk profile and information about how to obtain the prospectus of the UCITS or master AIF;

*d)* A summary of the agreement between the feeder AIF and the UCITS or master AIF or the internal rules of conduct drafted in accordance with Article L. 214-24-58 of the Monetary and Financial Code;

*e)* How unitholders or shareholders can obtain further information about the UCITS or master AIF and about the above-mentioned agreement between the feeder AIF and the UCITS or master AIF;

*f)* A description of the compensation and reimbursement of costs owed by the feeder AIF for its investment in the UCITS or master AIF units or shares, along with a description of the total fees of the feeder AIF and the UCITS or master AIF;

*g)* A description of the tax consequences for the feeder AIF of its investment in the units or shares of the UCITS or master AIF.

10. For feeder funds dealing on forward markets:

a) If this dealing on the forward markets does not cause a material lack of correlation between the feeder AIF and the UCITS or master AIF, the “Investment strategy” section must:

- Specify the percentage of the investment of the feeder AIF in a UCITS or another AIF (and the name of that UCITS or AIF), as well as whether it deals on forward markets;

- Reproduce the “Objectives and investment policy” section from the key investor information document (KIID) of the UCITS or master AIF and specify the nature and the impact of the dealing in forward markets by the feeder AIF;

b) If this dealing on forward markets causes a material lack of correlation between the feeder AIF and the UCITS or master AIF, the “Investment strategy” section must:

- State that the AIF is fully invested in a UCITS or another AIF and, incidentally, in cash, but that the use of forward markets substantially alters the exposure of the AIF compared with a simple direct investment in that UCITS or other AIF;

- State the nature and effect of the use of forward markets on the feeder AIF’s exposure by describing the financial arrangement used.

To prevent risks of confusion, all the text quoted from the UCITS or master AIF prospectus must be clearly identifiable as such (different font, different colour, etc.).

11. Special case of umbrella AIF.

If plans call for compartments to subscribe units or shares in other compartment(s) of the same umbrella AIF, the prospectus must state that this is the case and specify the maximum percentage of assets of the compartment invested in other compartments of the same umbrella AIF, as well as the maximum percentage of each compartment’s assets that can be held by another compartment of the same umbrella AIF.

12. Risk profile.

The purpose of this section is to provide relevant information about the risks incurred by investors. The fund’s risk profile may not be a mere description of the instruments that the AIF invests in.

For example:

a) Statement of the specific characteristics of the AIF, particularly with respect to classifications (minimum exposure to the equities market, sensitivity, foreign exchange risk, etc.);

b) Possible effects of the use of financial contracts on the risk profile;

c) Specific statement when the net asset value is likely to be highly volatile on account of the composition of the portfolio or the investment management techniques that may be used, or if a money-market fund is sensitive to credit risk;

d) The risk that the AIF might fail to meet its performance objectives or the investors’ objectives (specifying that the latter risk depends on the composition of the investors’ portfolio);

e) The risk that the capital invested might not be fully returned;

f) The impact of inflation;

g) Liquidity restrictions;

h) The risks arising from use of a prime broker (e.g., risk that the latter will reduce the level of financing provided, risk stemming from the reuse of securities);

i) Risks stemming from potential changes in certain areas (tax rules, for example);

j) Risks stemming from the type of replication used, for index-tracking AIF;

k) For professional retail investment funds or funds of alternative funds, the risks stemming from the existence of more flexible risk dispersion rules than for retail investment funds;

l) For professional retail investment funds implementing leverage, the risks stemming from the existence of leverage greater than the leverage authorised in other AIF.

m) The risks stemming from the establishment of an agreement made pursuant to Article L. 214-24-10(III) or (IV) of the Monetary and Financial Code (not applicable to retail investment funds open to retail investors);

n) Risks associated with the use of leverage.

The prospectus must also describe the risks linked to securities financing transactions and total return swaps, and to the management of guarantees, which may include operational risk, liquidity risk, counterparty risk, custody risk, legal risk, and – if applicable – risk linked to the reuse of guarantees.

13. Guarantee or protection.

This section supplements the key investor information document (KIID) by specifying all the technical characteristics of the guarantee or protection, such as the procedures for substituting underlying assets and the mathematical formulas.

14 A description of the main legal consequences of the contractual commitment made for investment purposes, including information on legal competence, applicable law and whether legal instruments exist permitting the recognition and enforcement of decisions on the territory of the French Republic.

15. Subscribers concerned and typical investor profile.

The purpose of this section is to state which subscribers have access to the AIF and what type of investors it is intended for.

(details per unit class, where applicable)

It must therefore:

a) Specify whether the AIF is:

- All subscribers;

- All subscribers, but especially X (e.g., all subscribers, but especially intended for use with unit-linked insurance policies from insurance company Z);

- Dedicated to no more than 20 investors: in this case, this section must indicate that the number of subscribers may not exceed twenty persons, with the exception of the following persons who may subscribe only one unit:

The management company of the AIF or an entity belonging to the same corporate group,

The depositary institution or an entity belonging to the same corporate group,

The marketing institution of the AIF or an entity belonging to the same corporate group,

The AIF dedicated to no more than 20 investors is not the subject of any listing, advertising or any other form of public solicitation;

- Dedicated, especially to X (for example, dedicated to subsidiaries of the K group): in this case, this section must clearly specify the characteristics of the category of targeted investors and that the AIF is not the subject of listing, advertising, direct marketing or any other form of public solicitation;

Where the AIF is intended to be marketed to a particular target of investors, this category of investors must be precisely defined in the prospectus. A technical note must be communicated when applying for authorisation, detailing in particular the intended target client base and the proposed marketing methods.

b) Specify, where the AIF is a professional retail investment fund:

- The nature of the subscribers concerned, incorporating the exact list set out in Article 423-2 of the AMF General Regulation; or

- That the AIF is marketed outside France only (optionally specifying which countries).

c) Explain the typical investor profile for which the AIF was created as well as the recommended holding period where applicable.

- With regard to the standard investor profile, its description must be completed, where applicable, with information about:

* The risk aversion or appetite of the intended subscribers;
* The proportion of the clients’ investment portfolios or net worth that can reasonably be invested in the AIF;
* Along with a warning about the need to diversify investments.

With regard to the recommended holding period, it must be consistent with the investment objective and the categories of instruments in which the AIF is invested. It must be consistent with minor exposure to capital risk, depending on the long-term market trends and not some transitory or unusual situation. For example, the AMF would have questions for the management company about why it has chosen a recommended holding period of less than five years for an “equities” AIF.

16. Procedures for determining and allocating income.

(details per unit class, where applicable).

17. Frequency of distribution.

(details per unit class, where applicable).

18. Characteristics of the units or shares: (base currencies, fractional units, etc.).

(details per unit class, where applicable).

Under the conditions of Article 422-23 of the AMF General Regulation, the prospectus must include a description of how the management company guarantees fair treatment of investors and, from the moment an inventor receives preferential treatment or the right to receive preferential treatment, a description of this preferential treatment, the type of investors who receive this preferential treatment, and, where applicable, the indication of their legal or economic ties with the AIF or the management company.

19. Subscription and redemption procedures.

(stating the address of the body designated to receive subscription and redemption requests)

This heading includes the following indications and the table below[[14]](#footnote-15) :

*“Orders are executed in accordance with the table below.*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| *D-q bus. days [0 ≤ q ≤ 5]* | *D-p bus. days [0 ≤ p ≤ 5]* | *D : NAV date* | *D+y bus. days* | *D+s bus. days [0 ≤ s ≤ 5]* | *D+z bus. days [0 ≤ z ≤ 5]* |
| *Centralisation before [12h] of subscription orders* | *Centralisation before [12h] of redemption orders* | *Execution of the order on D at the latest* | *Publication of net asset value* | *Settlement of subscriptions* | *Settlement of redemptions* |

*1Except in the case of a specific deadline agreed with your financial institution.”*

Exceptionally, funds subject to Regulation (EU) 2017/1131 do not have to display the table above in their prospectus.

a) Explanation of the procedures for switching compartments, unit or share classes, including the tax consequences;

b) For an AIF with units or shares admitted to trading on a regulated market or a multilateral trading facility: indication of the rules for admission on a regulated market or a multilateral trading facility where the units are traded;

c) Options provided to restrict or suspend subscriptions;

d) Describe any advance notice incentives offered for subscriptions and/or redemptions;

Example of the wording for an advance notice incentive for redemptions:

*“Redemption fees will apply as follows:*

*- for redemption orders with no advance notice: the AIF will charge 2% for any redemption request made with less than 35 days’ notice;*

*- no charge will be made for redemptions requested 35 or more days in advance.”*

e) Existence and description of any time lag between the date on which a subscription or redemption order is centralised and the date of settlement by the issuing account keeper or of delivery of the units or shares in the AIF (only for funds of alternative funds and professional retail investment funds).

Example of wording on the time lag applied for the redemption of units or shares in an AIF where the valuation interval is monthly:

*“The lag between the date of centralisation of the subscription or redemption order and the date when this order is settled by the depositary is XX days (60 days maximum):*

*1) The net asset value is determined on the last day of each month*

*(net asset value determination date).*

*2) The net asset value is computed and published no later than 20 days after the*

*net asset value determination date.*

*3) The depositary pays for redeemed units or shares no later than five days after the date on which the net asset value is computed and published.*

*Redemption orders must be transmitted before noon, 35 days before the net asset value determination date. If this date is not a weekday, orders must be sent before noon on the previous weekday.*

*For example, a unitholder wishing to redeem his or her units at the 30 April net asset value must send in a redemption order before noon on 26 March. The 30 April net asset value will be computed and published on 20 May, and the depositary will pay for redemptions no later than 25 May.*

*Investors are reminded that an order from a unitholder given on 27 March (after the centralisation deadline) will not be executed at the 30 April net asset value, but at the 30 May net asset value. In this case, the lag between giving the order and payment by the depositary would be 90 days.*

*This example does not consider additional lags that could result if the days cited are not weekdays”.*

f) Possible existence of a “gate”

The operating procedures for “gates” must be precisely described in the prospectus of the AIF concerned. Any legal details must complete the section within the prospectus. The management company must assess the relevance of the selected gate, particularly in view of the consequences on the management of the AIF’s liquidity arising from certain gates.

- Description of the selected methodology (calculation method, threshold of activation of gates to be applied on centralised redemptions for all assets of the AIF and not specifically according to the unit classes, any minimum amount necessary to trigger the application of the gate rules, calculation date, any exceptions, etc.)

- Arrangements for notifying holders whose orders have not been executed and arrangements for notifying all unitholders/shareholders in case of activation of the gate

- Treatment of unexecuted orders (postponement, cancellation, options for unitholders to oppose any automatic postponement)

- Example illustrating the mechanism put in place

The prospectus must specify whether the triggering of the application of gates is automatic (funds of alternative funds and professional investment funds only) or whether the management company reserves the possibility not to trigger this mechanism (general case).

g) for an AIF whose investment objective is based on an index and whose units or shares are listed on a regulated market:

- requirements for subscriptions and redemptions on the primary market

- admission and trading of units of the fund on the secondary market

h) for an AIF whose investment objective is based on an index and whose units or shares are listed on a regulated market, terms of indicative net asset value calculation and publication

i) for an AIF whose investment objective is based on an index and whose units or shares are listed on a regulated market, details about the “Market maker” financial institutions.

j) A description of the management of the AIF’s liquidity risk, including the rights to reimbursement in both normal and exceptional circumstances, and the existing arrangements with investors regarding reimbursement;

20. Charges and fees.

(details per unit class, where applicable).

The purpose of the prospectus is to provide an exhaustive description of charges, fees and compensation paid to the different parties and intermediaries, along with further information (indirect management fees, for example) providing a breakdown of the total ongoing charges given in the key investor information document (KIID), and more particularly:

a) Subscription and redemption fees added to the subscription price paid by the investor or subtracted from the redemption price. The fees accruing to the AIF to cover the expenses that the AIF incurs in investing or disinvesting in the assets under management. The fees that do not accrue to the AIF are paid to the management company, the distributor, etc.

This information must be presented in a table:

|  |  |  |
| --- | --- | --- |
| **Charges paid by the investor and deducted from subscriptions and redemptions** | **Base** | **Rate scale** |
| Subscription fee not accruing to the AIF | Net asset value  X  Number of units/shares | A%, A% maximum, or special procedures (range, etc.) |
| Subscription fee accruing to the AIF | Net asset value  X  Number of units/shares | B%, or special procedures[[15]](#footnote-16) (applicable to all subscriptions) |
| Redemption fee not accruing to the AIF | Net asset value  X  Number of units/shares | C%, C% maximum, or special procedures (range, etc.) |
| Redemption fee accruing to the AIF | Net asset value  X  Number of units/shares | D% or special procedures[[16]](#footnote-17) (applicable to all redemptions) |

b) financial management charges

c) external administrative charges (:

d) maximum indirect charges (management fees and charges). For an AIF investing more than 20% of its net assets in French collective investments, undertakings for collective investment in transferable securities (UCITS) incorporated under foreign law, AIF established in another EU Member State or investment funds incorporated under foreign law, indicate the maximum level of indirect charges and fees;

e) movement commissions. The movement commissions scale in the prospectus must explain in particular:

- The bases used for:

* Transactions;
* Securities trading;
* Other transactions;

- The rates or amounts applied to these different items (in the interests of simplicity, AIF may state a maximum rate for all instruments);

- How the costs are allocated to the different parties.

It must also include a brief description of the procedure for selecting intermediaries and any comments.

If, on an exceptional basis, a sub-custodian should charge a movement fee for a specific transaction that is not provided for in the above procedures, the description of the transaction and the movement fees charged must be provided in the AIF management report.

f) performance fee

This information must be presented in a table:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Charges invoiced to the AIF** | **Base** | **Rate scale** |
| 1 | Financial management fees[[17]](#footnote-18) | Net assets | X% including tax  Maximum rate |
| 2 | External administrative charges [[18]](#footnote-19) | Net assets | X% including tax  Maximum rate |
| 3 | Maximum indirect charges (management fees and charges) | Net assets | X% including tax  Maximum rate |
| 4 | Movement commissions | Charged for each transaction | Rates:  H% for equities  I% for bonds  Etc. |
| 5 | Performance fee | Net assets | F% of the performance beyond G (including taxes) |

*Only the fees mentioned below may fall outside the scope of the five types of charges listed above and must be referred to below:*

* *the fees payable for managing the AIF under Article L. 621-5-3(II)(3)(d) of the Monetary and Financial Code*
* *exceptional and one-off taxes, charges, contributions and government fees (linked to the AIF)*
* *exceptional and one-off costs associated with debt collection (e.g., Lehman).*

*The information relating to these fees is detailed ex post in the AIF annual report*

The prospectus for AIF’s created after 8 November 2016 includes the new terminology “financial management fees” and “external administrative fees” and the new numbering for the types of charges. The prospectus for AIF’s created prior to 8 November 2016 must be updated, to include the new terminology when said prospectus is next updated and by 8 November 2017 at the latest.

Optionally, the management company may:

- combine its internal financial management fees and external administrative charges. In this case, the heading should be “Financial management fees and external administrative charges”;

- add a maximum total rate for charges that includes internal and financial management fees, external administrative charges and movement commissions and indirect charges. Therefore, the management company may indicate for example that “the maximum total fees will be X% per year of the net assets”.

For dedicated funds, it may display an amount of financial management fees and external administrative charges in euros (fixed sum).

Only AIF’s that detail the fees in the prospectus, using the breakdown (for financial management fees and external administrative charges) in force on 8 November 2016, shall be able to inform shareholders and unitholders by any means provided for under the conditions specified under the heading “fee increase” in the table under Article 8 of AMF Instruction DOC-2011-20 (Please note that money market AIF’s or short-term money markets must not present the information in this manner).

The prospectus shall, therefore, include information clearly indicating that the AIF may decide not to inform its shareholders or unitholders through any particular means nor offer them the option of redeeming their shares or units without being subject to fees if external administrative charges are equal to or less than 10 basis points per calendar year. As such, shareholders or unitholders shall be sent said information by any means (including via the website of the asset management company, in the section covering the AIF concerned). Moreover, this information should be published prior to the date on which it shall take effect.

Existing AIF’s which decide to include this information in their prospectus should inform their shareholders or unitholders in advance, by means of a dedicated communication, and give them the option of redeeming their shares or units without any fees.

If the management company prefers a fixed real rate, it may display a simplified table with the single rate.

Furthermore, the prospectus must also define the procedures for computing and sharing compensation for temporary purchases and sales of securities or any equivalent transactions under foreign laws: the prospectus must describe what portion of income generated by securities financing transactions is paid to the AIF, and state the costs and fees paid to the management company or to third parties (for example, the lending agent). The prospectus must also indicate whether these parties have any ties to the management firm.

If the AIF is a feeder AIF, the charge information (particularly the table of charges) relating to the master AIF must be included in the feeder AIF prospectus.

In the case of an [AIF] with units or shares admitted to trading on a regulated market or a multilateral trading facility pursuant to Article D. 214-32-31 of the Monetary and Financial Code, the prospectus must indicate, where applicable, the impact of this admission on the costs/fees of subscription/redemption to investors using this method of distribution.

**IV - Marketing information**

This section must provide information about the measures taken for:

1. Distributing income;

2. Repurchasing or redeeming units;

3. Publishing information about the AIF;

4. In accordance with Article L. 533-22-1 of the Monetary and Financial Code, this section must indicate where investors can find information about the environmental social governance (ESG) criteria that the AIF considers in its investment strategy.

Where the units are marketed in another Member State, the above information must be provided with regard to that Member State and included in the prospectus distributed there.

**V - Investment rules**

This section contains a description of the different regulatory ratios and specific ratios applying to the AIF. This description may refer directly to the applicable regulations.

Special mention must be made of the waiver that allows investments in excess of the 5-10-40 ratios in guaranteed securities, indicating the Governments, local governments and international public organisations in which the AIF intends to invest or has invested more than 35% of its assets.

**VI – Aggregate risk**

Explain the method for calculating the aggregate risk ratio (commitment method or Value at Risk (VaR) method).

Special mention must be made of information about the benchmark portfolio if the relative VaR is applied.

**VII - Asset valuation rules**

The asset valuation rules are based on valuation methods and practical procedures that are explained in the notes to the annual financial statements and in the prospectus.

1° Establishing the valuation rules is the responsibility of the Board of Directors or the Executive Board of the SICAV, or, in the case of an FCP, the management company. The prospectus explains the valuation methods for each class of financial instruments, deposits or securities and the practical procedures for valuing these assets. The valuation methods set out the general valuation principles by reference to a market trade or to specific methods set out in the AIF chart of accounts. These principles are used to define the practical valuation procedures. “Practical procedures” shall be taken to mean, with regard to each piece of information needed to value assets (yield curve, stock exchange, etc.), the information sources needed to value assets and, where applicable, the time of day for gathering such information. These practical procedures ensure that the net asset value is calculated exactly the same way each time.

The prospectus must also provide for alternative practical procedures for use in the event that the financial data needed to make the valuation are not available and for notification of the auditor of the AIF if they are implemented.

For example:

a) In the case of equities, the valuation method calls for the latest known prices to be used when the valuation of the AIF is done, whereas the practical procedures specify a time for each of the regulated markets used and whether opening or closing prices must be used;

b) In the case of negotiable debt securities, the valuation method specifies which options in the chart of accounts are to be used and the practical procedures specify the information sources and rates to be used.

The template for this paragraph of the prospectus is as follows: “Financial instruments and securities traded on a regulated market are valued... However, the following instruments are valued using the following specific methods:

- Financial instruments that are not traded on a regulated market are valued ...

- Contracts are valued ...

- Deposits are valued ...

- Other instruments.

- Financial instruments where the price is not noted on the valuation day or where the price has been corrected must be valued at their likely trade price under the responsibility of the board of directors or the executive board of the SICAV or, in the case of an FCP, of the management company. These valuations and the relevant documentation shall be submitted to the auditor during audits

- Descriptions of other alternative practical procedures for valuation and cases where they are used.”

The prospectus must describe and justify the valuation method used for guarantees, and must state whether or not the value is marked to market daily and state what the daily fluctuation ranges are.

2. Recognition method. This section must specify the method used to recognise income from financial instruments (cum dividend, ex-dividend, inclusion of weekend interest, etc.) and transaction charges (charges included or charges excluded, by type of instrument, where applicable).

1. KIID: key investor information document [↑](#footnote-ref-2)
2. For asset management companies subject to title I of book III of the AMF General Regulation for their AIF management activity. [↑](#footnote-ref-3)
3. For asset management companies subject to title I bis of book III of the AMF General Regulation for their AIF management activity (or the equivalent provision in national law for the management company authorised in accordance with Directive 2011/61/EU in a Member State of the European Union other than France). [↑](#footnote-ref-4)
4. The term “CoCos” (short for “contingent convertibles” or “compulsory convertibles”) is used here to refer to subordinated debt securities issued by credit institutions or insurance or reinsurance companies that are eligible in their regulatory capital and are unique in that they can be converted into shares or written down in the event of a predefined trigger occurring, as specified in the prospectus for the said debt securities. [↑](#footnote-ref-5)
5. If the administrator responsible for providing the benchmark index belongs to a group, the AIF prospectus shall clearly indicate the entity that, within this group, acts as the administrator for this benchmark index. [↑](#footnote-ref-6)
6. For asset management companies subject to title I of book III of the AMF General Regulation for their AIF management activity. [↑](#footnote-ref-7)
7. For asset management companies subject to title I bis of book III of the AMF General Regulation for their AIF management activity (or the equivalent provision in national law for the management company authorised in accordance with Directive 2011/61/EU in a Member State of the European Union other than France). [↑](#footnote-ref-8)
8. The same information must be provided for the total return swaps used by the AIF. [↑](#footnote-ref-9)
9. According to Articles 7 to 8 of Commission Delegated Regulation (EU) 231/2013 of 19 December 2012 [↑](#footnote-ref-10)
10. For asset management companies subject to title I of book III of the AMF General Regulation for their AIF management activity. [↑](#footnote-ref-11)
11. For asset management companies subject to title I bis of book III of the AMF General Regulation for their AIF management activity (or the equivalent provision in national law for the management company authorised in accordance with Directive 2011/61/EU in a Member State of the European Union other than France). [↑](#footnote-ref-12)
12. For asset management companies subject to title I bis of book III of the AMF General Regulation for their AIF management activity. [↑](#footnote-ref-13)
13. For asset management companies subject to title I bis of book III of the AMF General Regulation for their AIF management activity (or the equivalent provision in national law for the management company authorised in accordance with Directive 2011/61/EU in a Member State of the European Union other than France). [↑](#footnote-ref-14)
14. Where “q” is the subscription notice period; “p” is the redemption notice period; “y” is the deadline for publication of net asset value; “s” is the order subscription deadline; and “z” is the redemption settlement deadline. [↑](#footnote-ref-15)
15. For example, adjustable entry fees accruing to the AIF [↑](#footnote-ref-16)
16. For example, adjustable exit fees accruing to the AIF [↑](#footnote-ref-17)
17. The financial management fees are detailed in the AMF Position/Recommendation DOC 2011-05 [↑](#footnote-ref-18)
18. External administrative charges are detailed in the AMF Position/Recommendation DOC 2011-05 [↑](#footnote-ref-19)