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AMF public consultation on offering future performance simulators to private investors

As part of their marketing of investment solutions, more and more firms are offering their potential clients the option to perform simulations of their investments' future performance. However, these instructional tools sometimes generate potentially misleading and/or overly optimistic information. The regulations that apply to the various firms capable of offering such services need to be clarified. Thus, the AMF is launching a public consultation on the topic ending 20 January 2017.

The Autorité des Marchés Financiers wants to help guide investment professionals operating in France, while also protecting investors' investments and ensuring they have access to reliable information. Consequently, it is taking a closer look at the performance simulators firms are offering to private investors prior to providing advisory or investment services.

The AMF has seen an increase in the use of tools that simulate future performance. These can be found online or through an investment advisor, may be offered by traditional or non-traditional investment firms, and are used to help market investment solutions such as financial instruments and discretionary management services.

These tools are designed to let the potential investor to enter his or her financial information and perform certain simulations. More specifically, potential clients are invited to fill out standardised online questionnaires with information that typically includes the

amount of their initial investment, their monthly contributions, their chosen risk profile, and the amount they hope to attain at the end of a given period of time. Based on how the algorithm is set up, the simulator then generates an estimated trajectory for the value of the client's investment, with a range of possible scenarios from the most pessimistic to the most optimistic. These simulations are provided to clients prior to the performance of any advisory or investment services.

However, in some cases, the information these tools generate can be potentially misleading and/or overly optimistic. Furthermore, the regulations that apply to the various firms capable of offering such services need to be clarified. As a result, the AMF is launching a public consultation on the topic to study whether it would be suitable to adjust its policy and/or take stock of the best practices for designing and supplying these tools.

Contributions to the AMF's public consultation must be received by 20 January 2017 at the following address: directiondelacommunication@amf-france.org URL = [mailto:directiondelacommunication@amf-france.org].

About the AMF

The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected, providing investors with adequate information and supervising the orderly operation of markets. Visit our website www.amf-france.org.


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