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Speech by Gérard Rameix, AMF Chairman - Sino-French Forum on Asset Management - 14 November 2016

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Vice Chairman FANG Xinghai
Vice Chairwoman ZHONG Rongsa,
Arnaud de BRESSON,
Honorable representatives from the French Asset management associations,
Ladies and Gentlemen,

I am very glad and honoured to host, jointly with my colleague from the CSRC, FANG Xinghai, this 2nd Sino French Forum on Asset Management.

You welcomed us last year in Beijing for the launch of this initiative which we had been planning for some time. The 4th High Level Economic and Financial Dialogue between our two nations gives us the opportunity to renew and pursue what I hope will be a success story that others, in the international community, will copy. Gathering regulators and regulated entities to foster mutual understanding on issues of common interest is an idea which looks simple and yet is not widely spread.

I am convinced it is the basic recipe for establishing long lasting relationships based on trust.

I would therefore like to extend our sincere appreciation of your mark of interest and our warm welcome to such a large and high-level delegation coming from China for this special

event.

Last time we met we recognised the challenging times we were living.

No doubt that we then did not expect such astounding events as the ones that have marked the geopolitical scene recently in the European Union and in the United States of America. Such movements have consequences well beyond financial markets and the job of financial regulators. However, they affect us because they generate changes to which we need to adapt. They also have a positive side in that they force us to re-focus on our job and our priorities.

We can witness the deep reforms that China is carrying on in its transition towards more stable and sustainable growth and the role that capital markets play in that context. We also look with great interest at the reforms conducted in China with a view to enhance financial stability, mitigate systemic risk while also promoting the further opening-up of capital markets. Of course, in this overall environment, the work done by the CSRC is of great importance to us. And it matters to us that you pursue on this path steadfastly.

Our agenda in Europe is also about growth. The priority for policy makers in the various member states and the Union as a whole is to ensure that financial markets are capable of financing the real economy. Succeeding the Capital Markets Union initiative launched by the EU Commission is more than ever a necessity. The AMF as well as other authorities and in the first place ESMA, the European agency for securities markets of which we are a member, are actively contributing to it. We need to be pragmatic, to foster the diversification of the sources of funding for businesses and to build on the effective implementation of post-crisis reforms. The AMF strategic plan, which is closing this year, and of which we will conduct an analysis to evaluate success and the need for further steps, was about "making finance meaningful again". No doubt that this dimension will still be present in the next plan.

In these times of high uncertainty, in particular as regards the macro-economic environment, the risks related to persisting low interest rates and on the other hand, the consequences of a potential sharp rise in interest rates, as well as persisting volatility, our dialogue at regulator and market participants' level is very important and needs to gain in strength and durability.

I thus welcome the steps taken during the High level Dialogue towards consolidating and developing a close and durable Sino-French economic and financial strategic partnership. I welcome the commitment to work towards enhanced cooperation between the CSRC and the AMF in various areas of capital market activities and in particular asset management activities.

The enhanced cooperation between the AMF and the CSRC is key for our respective industries to seek for opportunities in our two jurisdictions. It is also an essential tool for the supervision of our actors and their activities.

Indeed, I am convinced that the development of exchanges between our two jurisdictions, may it be through facilitating local management via branches, subsidiaries, or delegation arrangements, as well as, in the longer run, through funds cross-border marketing, will contribute to supporting the financing of our economies.

This requires a clear and robust supervisory framework, where authorities work hand in hand to ensure that these cross border activities do not threaten investor protection nor financial stability. For us regulators, it is our mission to build together cooperation arrangements necessary to reach this objective.

On that aspect, we need to take into account the market environment and the innovations that our respective asset management industries are capable of. We need to support this innovation but also to make sure that the rules are adapted to the various possible models and prevent risks that these may generate.

Considering the expertise of the CSRC and the AMF staff, I am convinced that our close cooperation will allow us to learn a lot from each other. The CSRC and the AMF share many common interests.

The new forms of management and marketing of funds, especially through online platforms, the capacity of the asset management industry to finance banks through money market funds for example, or the liquidity risk management processes that managers must put in place, are topics that are of the highest importance for the AMF.

Regarding online platforms, it is crucial for the AMF to accompany supervised market participants in their initiatives to expand their fields of activity and adapt to new technologies and market environment. However, investor protection and market integrity have always been core objectives of regulation in this sector and lie at the heart of the AMF's missions.

In order to deal with this new type of innovative participants, the AMF has set up a Fintech, innovation and competitiveness division (FIC), whose mission is to analyse current innovations in the financial services sector, and to identify and address the challenges regarding competitiveness and regulation.

Money market funds represent more than 300 billion euros in France. Their regulatory environment is therefore of the utmost importance for us.

The AMF is working closely with our Treasury on the proposed regulation on MMF at the European level. I hope we can reach a compromise by the end of the year, so as to better respond to the expectations expressed by international asset management regulators since 2012.

Regarding liquidity risk, the AMF has also played a key role in the analysis conducted by the Financial Stability Board and IOSCO in the context of their work on potential vulnerabilities of the asset management industry. One of the main concerns relates to the means whereby managers can ensure that funds assets and investment strategies are, and remain consistent, with the terms and conditions governing fund unit redemptions.

In total consistency with work at international level, the AMF is as keenly focused as ever on issues related to financial stability in the supervision of its participants. In this regard, the AMF is associated with or has promoted two recent initiatives:

- The current legislative reform in SAPIN 2, which would allow managers to adopt "gates" in exceptional circumstances, in order to better manage redemption requests in a timely manner. This tool, which already exists for certain funds, could be applied more generally so as to reconcile the imperatives of financial stability with investor protection, thanks to the appropriate prior information of investors.
- The recent work presented for consultation by the AMF aims to identify best practices regarding "stress tests" in asset management activities. The objective here is to accompany professionals by providing concrete illustrations of the best practices or the recommendations with regard to liquidity management tools.

I understand that all of these topics are of great interests for the CSRC as well, and that its staff has developed a deep expertise in these areas. I look forward to carrying on our very fruitful cooperation so that we can leverage on our respective experience to improve together the framework necessary to accomplish our missions as regulators.

To conclude, I would like to thank you again for participating in this Forum and wish everyone very fruitful discussions.

Thank you.

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