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## **Discours de Benoît de Juvigny, Secrétaire général de l'AMF - AIMA Global Policy & Regulatory Forum - 4 Avril 2017 (en anglais uniquement)**

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Good afternoon, ladies and gentlemen,

I am honoured to have been invited to speak to you today.

Such an event is always an excellent opportunity for regulators to engage with the industry and gain an insight into the strategy, and possibly some of your concerns, as professionals. It is important for us to understand one another. I know that other financial markets regulators have been invited. A number of interesting thoughts have been shared today and for which I thank you. I would now like to seize the chance to offer you some insights into what the near future may hold for your industry.

1. In the current context, I am firmly convinced that the alternative management industry has a key role to play in the diversification of investors' investment opportunities.
2. To this end, we have made sure that the AMF has put a framework in place that should allow this industry to be as competitive as it is innovative.
3. However, with this comes an increased focus on managers' responsibility in terms of investor protection and financial stability.
4. Finally, in the context of BREXIT, I would like to share some thoughts with you on the main upcoming challenges for the European financial market regulators.

Let's take a closer look at these different points I've just mentioned.

Alternative management has its role to play – of that I am convinced

For investors, the current market conditions are indeed challenging. In a low rate and low volatility context (which could however change) and an uncertain political environment, most would probably agree upon the merits of helping investors to diversify their exposures and to favor countercyclical investment strategies.

Here the asset management industry can play a key role. Alternative management, in particular, has much to offer. There is strong demand from investors to decorrelate their portfolios from markets fluctuations. Traditional financial assets become more correlated. It creates an increase in demand for investment in assets such as real estate or private equity and this -in itself- opens up significant opportunities for alternative managers. France is well-known for its vast variety of management companies and for the pool of talent and expertise it provides the industry. The AMF has always been a firm supporter of diversity and welcomes innovation. This has been illustrated recently again via a number of different initiatives, I will now outline.

The regulatory framework should indeed allow you to be competitive and innovative

This is why we wanted to make sure the ELTIF regulation was promptly implemented, with the aim of financing long term projects for example, infrastructures. The AMF was the first Member State regulator to authorize this type of fund. As of today, in total, 6 asset management companies are authorized to manage and market ELTIF funds, now nearly 10 in number.

We also supplemented this framework with national initiatives with the same objective of competitiveness and innovation at heart. First, as you have probably heard, the AMF launched the FROG initiative, standing for the "French Routes and Opportunities Garden". The goal was to emphasize the advantages of the French framework and to identify potential room for improvement towards an increased visibility and a better distribution of French funds but on a global scale. For example, it was important that SICAV vehicles that exist not only in France could offer a governance framework that meets international investors' expectations. A few months after the publication of the FROG report in October last year, I am glad to announce that all regulatory changes needed to implement the recommendations have been made. And we have already seen some concrete examples of actors taking advantage of them.

Furthermore, we also amended our French rules to permit loan issuing funds alongside ELTIF vehicles and in addition to the existing possibility to set up loan participating funds. These loan participating funds are already well developed in France. Today more than 40 asset managers are authorized to manage funds investing in existing loans, which have had a great success, especially our "Fonds de prêts à l'économie" for investors such as insurers.

But France recently changed its law to give the industry the opportunity to go a step further by launching loan originating funds. The French regulatory framework now offers asset managers the possibility to develop this activity while addressing the concerns that it may raise, especially in terms of liquidity and maturity transformation as well as use of leverage. It also contains a number of safeguards, for example limiting the marketing of these vehicles to professional investors only.

All the details, including specific requirements that asset managers must comply with in terms of resources and organization, are available on our website. The AMF teams are of course available, as ever, to engage with you to help building your projects. As a result, as of today, 7 asset managers are already authorized to manage and market professional funds which may grant loans to non-financial firms, subject to the various requirements set out in French law.

All this and more clearly demonstrate that France offers a wealth of opportunity.

Nevertheless, for the sake of investor protection and financial stability, this brings with it increased responsibility for professionals

Since the alternative management industry is playing a greater role, I expect its professionals to be all the more vigilant in the management of their vehicles and in their distribution.

Regarding financial stability, as you may know, the AMF was closely involved in the work led by the Financial Stability Board on vulnerabilities in the asset management industry. The FSB recommendations, published in January of this year, identify liquidity mismatch and the use of leverage as main potential sources of risks generated by the asset management industry for the financial markets.

Considering its activities and the feedback received, I know that the alternative management industry has followed this work closely. I thank you here and now for your responses to the consultation, which in turn contributed to constructive discussions that this work gave rise to.

The International Organization of Securities Commissions (IOSCO) is now in charge of implementing the recommendations made by the Financial Stability Board. Its intention is to propose harmonization in all competent jurisdictions of the different regulatory tools available to manage liquidity risks and of the calculation methods for leverage.

The AMF is contributing actively to these initiatives. One of its objectives is to leverage on this work in the perspective of a possible revision of the AIFM directive, as required by its review clause. Discussions are expected to start this summer on AIFMD2. Liquidity risk and leverage calculation methods could be part of the main topics discussed.

Our objective here is to offer to the industry as much regulatory stability as possible while making sure that the legal requirements are relevant, even for global actors established in different jurisdictions. These requirements should ensure efficient risk management and more convergence in the manner that regulators throughout the world approach these particular matters. This, once again, goes to demonstrate just how useful it is for us to engage with industry.

Regarding investor protection, many reforms have been passed recently in Europe.

The PRIIPS regulation and the reform of the MIFID directive will significantly change the way funds will be distributed to investors. Here again, the AMF is closely involved in the implementation of these reforms. Our objective is to make sure that products, including funds, are distributed appropriately, with investors being provided with clear and understandable information. At the same time our goal is also to maintain the possibility for investors to have access to diversification and innovative products, provided their investment's decision is properly informed.

These reforms contribute to strengthening the European framework. On this matter, and to conclude my speech, I would like to share a couple of thoughts with you on the main challenges that I see for the Union in the context of BREXIT.

BREXIT underscores the need for the Union to stay united and strong

First of all, as a continental regulator and a European by conviction, frankly speaking Brexit is not good news.

EU regulators are losing a key partner. Europe's economic efficiency will be a concern for us all. More fragmentation is unavoidable. Our role will be to limit its negative effects and to preserve financial stability as well as to ensure proper investor protection and not to forget fair competition.

BREXIT heightens the need to have clear and harmonized regulatory framework in the Union and consistency in the way it is implemented by the different Member States. A race to the bottom among the 27 Member States should be avoided. ESMA in this field has an important role to play. The discussions taking place currently around the Capital Market Union and the future of European Supervisory Authorities, including ESMA, should provide interesting inputs in this field.

More specifically for asset management and its regulation, two topics seem particularly important: the rules on delegation, and the access to the EU markets for non-European managers.

On the first point, I am convinced that delegation is, and should remain, a way for managers to optimize their organization. The possibility for managers to rely on expertise that they don't have in house, including when this expertise lies outside of the Union, is again key to diversify the range of products available in the Union.

However, European regulators should have a clear and harmonized approach to make sure that delegation does not become a way to access the European market while circumventing the rules set out in the Union law. Delegation should not affect our supervisory prerogatives by allowing excessive reliance on entities located outside of the Union, and which therefore do not come under the direct supervision of European regulators. We call for a harmonized answer in Europe to this specific question in a timeframe that would allow the industry to adapt in due time.

On the second point regarding the third country regime, let me emphasize the particularity of the AIFMD regime, whereby certain non-European actors might have access to the European markets and the AIFMD passport if they comply with the same requirements as European asset managers subject to this directive. I support the caution with which the European Commission seems to be handling this file given the current context. I would call for reciprocity to be better taken into account between the EU and non-EU countries. Furthermore, we support the voices calling for more consistency in the different regimes applicable in European law for third country regimes. I nevertheless wish to emphasize the subtle balance found in AIFMD between ensuring on one side openness of the Union to non-European countries and on the other the level playing field among professionals.

Ladies and gentlemen, I thank you for your attention. As I have said, there are many challenges ahead. But there are also many opportunities. It is up to us, both as regulators and market participants, to take on the former so as to create the latter.

## Mots clés

BREXIT

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