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27 June 2017

Negative interest rates: the Autorité des marchés financiers sets out its expectations for the information issuers must provide in bond prospectuses

The Autorité des Marchés Financiers (AMF) approves numerous prospectuses allowing the issuance of floating-rate debt securities for which the coupon amount is generally indexed to money-market indices such as EURIBOR and EONIA. The current interest-rate environment has led the regulator to consider the possibility of a coupon bond having a negative nominal rate and the existence of an implied-zero floor rate. In this context, while it is not for the AMF to make any legal determination on this matter, it is setting out its expectations about the information that should be given to investors in the prospectuses in question.

A pragmatic approach for better investor information

In view of the stakes and uncertainties associated with the issue of negative interest rates, especially with regard to ensuring that investors are properly informed and without ruling on the legal aspects of the matters raised, the Autorité des Marchés Financiers has decided to adopt the following approach as part of its review of prospectuses' projects allowing the issuance of floating-rate debt securities and from now on subject to its approval:

- Where a prospectus expressly provides for a floor rate of 0%, such a stipulation will not call for any specific comment from the AMF insofar as the information is given to the

market and the application of a "negative interest rate" is formally excluded;

- Where a prospectus expressly provides for a "negative interest rate" or the possibility of such a rate, such a stipulation does not require further comment from the AMF if its implementing instructions are specified (including its method of calculation and charging) and if this stipulation is supplemented by a "risk factor";
- Where a prospectus does not mention the possibility of applying a "negative interest rate" or floor rate, the AMF will ensure that the issuer expressly states in said prospectus whether it intends to apply a contractual floor rate of 0%, or if it intends to apply a negative rate, if applicable, depending on the trend in the index concerned.


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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