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The AMF has published a study on the fees charged by UCITS distributed in France

The Autorité des Marchés Financiers (AMF) reviewed the key information documents for just over 8,000 funds and on that basis, offers an overview of funds distributed in France, explanatory factors for variations observed in the fees, an analysis of funds that charge the highest fees and an assessment of performance fees. It found that 148 funds charged substantially high fees.

Given that investors are increasingly focused on the level of fees charged by investment funds, the AMF analysed some of the information found in the key investor information documents (KIIDs) for financial year 2015 and the ongoing charges disclosed by 8,038 French or foreign undertakings for collective investment in transferable securities (UCITS) distributed in France. The market regulator must ensure that investors are able to accurately assess the service being offered and the expenses incurred and that the fund is distributed in accordance with regulations.

Explanatory factors behind certain charges

While the dispersion of ongoing charges is high, with the exception of money market funds, the study shows a concentration around the average for each asset class. Funds invested predominantly in equities were found to charge comparatively higher fees. The study also shows that differences in ongoing charges can be attributed to factors such as the distribution services, the size of the fund (which might allow it to benefit from economies of

scale), the fund's domicile and the minimum subscription amount. In addition, the study indicates that, in general, foreign funds charge slightly higher fees on average than French funds for equivalent asset classes.

148 funds charge substantially high fees

Of the 8,038 funds distributed to the general public, 148 UCITS, representing 0.33% of assets under management, disclosed substantially higher charges than their competitors. Among these UCITS, 70% had less than EUR 20 million in assets, which likely did not allow them to benefit from economies of scale. In addition, the majority of these funds charge additional fees when their fund manager buys or sells portfolio securities (turnover fees), which increase the level of ongoing charges disclosed in the funds' KIIDs. The AMF nevertheless observed that some of these UCITS have since merged or been liquidated, which could be the result of competition from other UCITS that charge lower fees.

Focus on performance fees

Management companies can choose to introduce additional fees if the fund reaches or exceeds the objective set by the fund manager. The International Organization of Securities Commissions (IOSCO) has issued recommendations on these fees, which are not included in the calculation of ongoing charges disclosed in the KIID, with the aim of better aligning the fund manager's interests with those of investors. The AMF has incorporated these recommendations into its General Regulation and its policy. In the course of this study, the AMF observed that they have not been uniformly implemented throughout the European Union: 13 foreign UCITS do not appear to have applied these recommendations. The AMF would therefore like to promote European convergence in this area.

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. URL = [http://www.amf-france.org].

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