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## The AMF publishes a study of macro stress tests for the markets and the asset management industry

**Methodology, governance, data, modelling of interactions between supervised institutions: the Autorité des marchés financiers proposes a review of macro stress tests carried out by authorities in the field of asset management and possible ways to improve their development for the future.**

Since the 2008 financial crisis, the authorities' stress testing of supervised entities in the banking sector has been institutionalized. Such stress tests carried out at the level of a sector, a market or the entire financial system are of course of interest to market authorities. This is particularly the case in the field of asset management, whose ability to mitigate or amplify shocks throughout the financial sector is still being debated. It is for this reason that the AMF has chosen to study the exercises conducted to date in the field of asset management, with focus on the methodologies used.

The study demonstrates that they vary from one authority to another. However, two main categories of test emerge:

- Entity-by-entity (bottom-up) tests conducted by the authorities having access to the relevant data or in relation to these entities themselves, whose results are then aggregated to provide a general view of impacts on the financial system;

- Tests relying on a comprehensive (top-down) approach of interactions between actors and market liquidity dynamics (potential fire sale or contagion phenomena).

In the short term, to the extent that data availability and the ability to model interactions and dynamics limit the relevance of top-down approaches, the results of early attempts should be interpreted with caution. Their development is likely to require academic research. In the meantime, more targeted bottom-up exercises appear more useful.

To feed the reflections on the subject, the study puts forward a number of proposals to improve macro stress tests, in particular bottom-up exercises, taking into account the specificities of asset management.

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#### **Press contact:**

AMF Communication Directorate - Christèle Fradin - Tel : +33 (0)1 53 45 60 23 or +33 (0)1 53 45 60 28


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