



Print from the website of the AMF

17 January 2019

## Key figures for asset management in 2017 - Control systems in asset management companies

The number of employees working in compliance and internal control in the French asset management industry was practically stable in 2017. The number of person-days decreased slightly, by 0.1%, from 125,010 to 124,920 between 2016 and 2017. Following a 4.5% increase in the total workforce of management companies, the share of the workforce working in compliance and internal control contracted slightly (by 0.1% percentage points between 2016 and 2017). Following is our review of the organisation of control systems at asset management companies in 2017.

An interruption in the increase of compliance and internal control staff

The tightening of regulation since the 2008 financial crisis has led companies to expand their compliance and internal control teams. From 2012 to 2017, the number of person-days dedicated to the compliance and internal control function has increased by an average 5.9% a year. But at end-2017, the number of person-days allocated to compliance and internal control was stable on 2016.

This interruption in the growth of the compliance and internal control workforce resulted primarily from a sharp 10.3% drop<sup>(1)</sup>.

This decrease can largely be attributed to an accounting method change by a major player regarding the human resources provided to other entities of the group.

in the human resources provided to other entities of the group. A decrease can also be observed in the number of investment management companies providing control or assistant services to other entities of the same group, which fell from 17.4% of the asset management company total in 2012 to 12.8% in 2017 (see Table 1). This trend reflects the consolidation process afoot at financial groups.

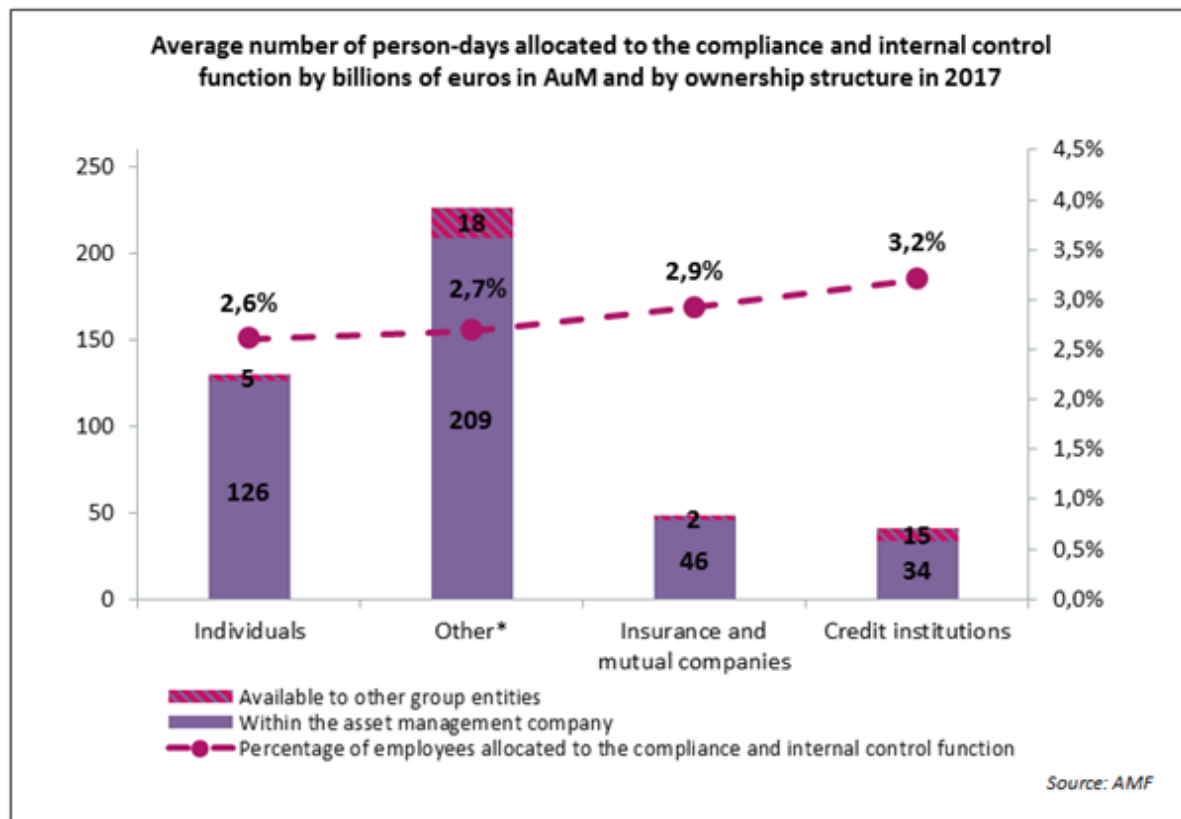
**Table 1: Average trend in compliance and internal control staff since 2012**

	2012	2013	2014	2015	2016	2017
Average number of person-days allocated to the compliance and internal control function by AMC	134,6	171,3	173,9	177,6	184,8	188,4
AMCs with a part of workforce allocated to the compliance and internal control function supplying control and assistance services to other group entities (%)	17,4%	17,2%	13,8%	14,5%	14,0%	12,8%
Average person-days allocated to the compliance and internal control function for other group entities by AMC	27,4	27,4	26,9	27,2	27,1	24,4
Does one of the senior managers of the AMC have a professional compliance officer card?	43,7%	48,0%	48,3%	48,5%	49,0%	47,0%
Is the compliance officer an employee of the AMC?	70,1%	71,6%	75,0%	75,2%	75,0%	76,5%

Source: AMF

It is also important to stress that since 2013 the share of the workforce allocated to the compliance and internal control function fell slightly in 2017 (by 0.1 percentage points) after remaining relatively stable at around 3%. This resulted from stronger growth in the total workforce of management investment companies (up 4.5% between 2016 and 2017) than in the number of person-days allocated to compliance and internal control.

Analysis of compliance and internal control figures reveals strong contrasts according to the type of ownership structure. But independently of this last, the share of the staff dedicated to compliance and internal control is close to 3%.



\* The "Other" category consists of management companies that are subsidiaries of investment service providers or companies governed by public law.

Boutique firms and the "Other" category dedicate the highest number of person-days to the compliance and internal control function by billions of euros in assets under investment management (a median of 131 and 227 person-days, respectively, in 2017). This is because these companies are required to fulfil mandatory control duties despite their often modest assets.

Conversely, management companies that are subsidiaries of credit institutions or insurance or mutual companies dedicate fewer person-days to the compliance and internal control function by billions of euros in assets under investment management (a median of 49 and 48 person-days, respectively, in 2017). These firms have higher AuM (assets under collective investment management of 71% and 15.4%, respectively, in 2017) and to a great extent work with institutional clients, which allows them to generate economies of scale.

However, management companies that are subsidiaries of credit institutions or insurance and mutual companies allocate a larger proportion of their workforce to compliance and internal control (3.2% and 2.9%, respectively, in 2017).

Stable proportion of human resources dedicated to risk control

Asset management companies are required to establish and maintain a permanent risk management function<sup>(2)</sup>. [Article 313-53-4 of the AMF General Regulation](#). in order to formalise "all procedures enabling the investment manager to assess exposure to market, liquidity, counterparty and operational risks for each collective investment scheme or managed portfolio<sup>(3)</sup>".

The number of person-days dedicated to risk control rose 3.4% year on year to 101,873 at end-2017. This figure has grown considerably since 2012, by an average 8.4% a year. After increasing in recent years, from 2% in 2012 to 2.7% in 2016, the share of the workforce allocated to this function remained stable in 2017.

The share of asset management companies required to maintain an independent risk management function, owing to the nature of the financial instruments used and the complexity of the strategies implemented, fell from 24.3% in 2016 to 23.6% in 2017. Furthermore, a slight decrease was observed in the number of management companies using the value at risk (VaR) method<sup>(4)</sup>.

[Value at risk \(VaR\)](#) is a composite indicator that estimates the maximum potential loss that a portfolio could incur for a given time frame and a given probability.

to measure risk exposure (63.3% in 2017 compared with 63.9% in 2016, see Table 2). This relative stability should nevertheless be considered in the light of the strong growth in asset management companies in private equity and real estate, which often do not require the implementation of an independent risk management function. This demonstrates a significant strengthening of the resources allocated to this function on the part of asset management companies working in more traditional asset classes.

**Table 2: The number of asset management companies by ownership structure required to implement an independent risk management function and using the VaR method**

Ownership structure		2012	2013	2014	2015	2016	2017
Individuals	Independence of risk control function	52	59	61	56	64	61
	o/w ISPs using the VaR method (%)	76,9%	64,4%	62,3%	75,0%	67,2%	65,6%
Investment services providers	Independence of risk control function	8	10	9	8	6	6
	o/w ISPs using the VaR method (%)	50,0%	60,0%	55,6%	37,5%	50,0%	50,0%
Insurance and mutual companies	Independence of risk control function	19	18	16	14	16	17
	o/w ISPs using the VaR method (%)	52,6%	61,1%	62,5%	78,6%	68,8%	64,7%
Credit institutions	Independence of risk control function	45	45	49	54	55	53
	o/w ISPs using the VaR method (%)	62,2%	68,9%	63,3%	63,0%	61,8%	62,3%
Companies under public law	Independence of risk control function	4	4	5	5	3	2
	o/w ISPs using the VaR method (%)	25,0%	25,0%	0,0%	20,0%	33,3%	50,0%
Total	Independence of risk control function	128	136	140	137	144	139
	o/w ISPs using the VaR method (%)	64,8%	64,0%	60,0%	66,4%	63,9%	63,3%

Source: AMF

A more in-depth analysis by type of ownership structure shows a number of disparities in the operation of the risk control function at asset management companies.

Per €1 billion in assets under collective management, boutique firms and companies that are subsidiaries of investment services providers allocate the greatest number of person-days to the risk control function (an average 79 and 211 person-days, respectively, in 2017).

However, management companies that are subsidiaries of credit institutions or insurance or mutual companies allocate a larger share of their staff to the risk control function (3.4% and 3.6% respectively), owing to certain activities specific to these players, such as asset and liability management.

## Outsourcing of permanent and periodic control

When an asset management company or, more broadly, its parent group, "does not reasonably have the financial resources to assign a person to the compliance function"<sup>(5)</sup>. [Article 3.2.6.1. of AMF Position-Recommendation DOC-2012-19 – Programme of operations guide for asset management companies and self-managed collective investments.](#) and the position of compliance officer can only be assigned to a senior manager, then the company must outsource its compliance and internal control tasks.

Asset management companies are therefore increasingly outsourcing permanent and periodic control tasks, the latter being outsourced more than the former.

*\* The "Other" category consists of management companies that are subsidiaries of investment services providers or companies governed by public law.*

#### Permanent control

Asset management companies outsourcing permanent control (to an external entity) represented 55.7% of the total in 2017, up 3.8 percentage points on 2016. Management companies that are subsidiaries of investment services providers and boutique firms outsource permanent control the most (56.1% and 68.9%, respectively).

More than half of boutique structures have a senior manager compliance officer (59.1% in 2017, see Table 3). In addition to their control tasks, these officers usually perform sales or other management functions, which means that control tasks need to be outsourced.

In contrast, management companies that are subsidiaries of credit institutions or insurance or mutual companies make moderate use of external providers for permanent control tasks (18% and 22%, respectively) given their larger size, which is more favourable to completing these tasks in-house.

\* The "Other" category consists of management companies that are subsidiaries of investment service providers or companies governed by public law.

Periodic control

Periodic control aims to "examine and evaluate the suitability and effectiveness of the asset management company's internal audit mechanisms and systems<sup>(6)</sup>".

The percentage of management companies outsourcing periodic control stood at 67.6% in 2017 compared with 63.6% in 2016. Management companies that are subsidiaries of investment services providers and boutique firms outsource periodic control the most (73.2% and 85%, respectively).

*\* The "Other" category consists of management companies that are subsidiaries of investment service providers or companies governed by public law.*

## Notes




- 1 • This decrease can largely be attributed to an accounting method change by a major player regarding the human resources provided to other entities of the group.
- 2 • Article 313-53-4 of the AMF General Regulation.
- 3 • Article 2.1.1 and 2.1.2 of AMF Position-Recommendation DOC-2014-06 – Guide to arranging risk management systems in asset management companies.
- 4 • Value at risk (VaR) is a composite indicator that estimates the maximum potential loss that a portfolio could incur for a given time frame and a given probability.
- 5 • Article 3.2.6.1. of AMF Position-Recommendation DOC-2012-19 – Programme of operations guide for asset management companies and self-managed collective investments.
- 6 • Article 313-62 of the AMF General Regulation.

---

## ON THE SAME TOPIC

---

 Subscribe to our alerts and RSS feeds

### ENFORCEMENT COMMITTEE NEWS RELEASES

SANCTIONS & SETTLEMENTS

04 May 2022

The AMF Enforcement Committee fines a financial investment advisor and its manager for breaches of their professional obligations



### AMF NEWS RELEASE

SAVINGS PROTECTION

29 October 2021

Investment recommendations on social media: the AMF backs ESMA's reminder



### WARNING

SAVINGS PROTECTION

24 June 2021

The AMF warns the public against Sinclair Upton Capital Management



Legal information:

Head of publications: The Executive Director of AMF Communication Directorate. Contact:  
Communication Directorate – Autorité des marchés financiers 17 place de la Bourse – 75082 Paris  
cedex 02