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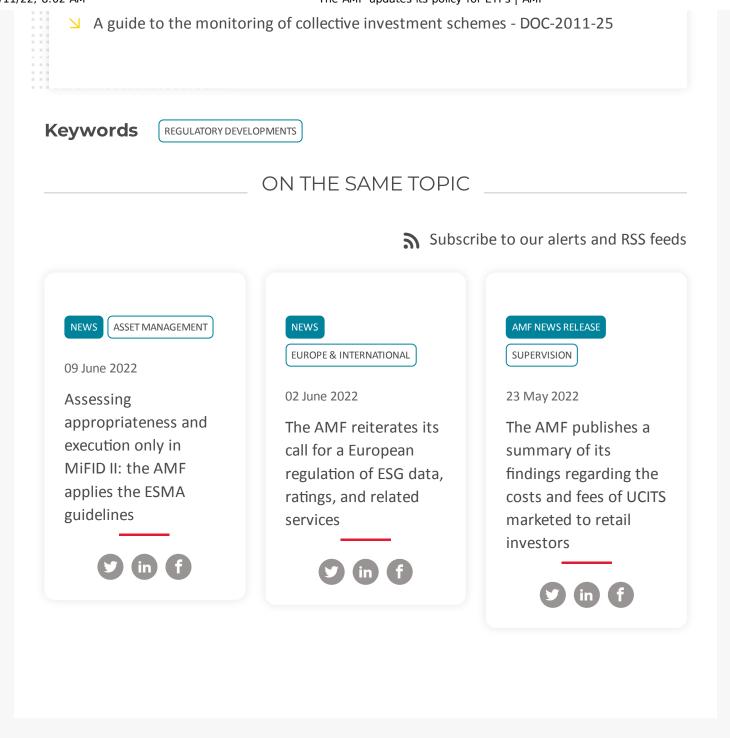
The AMF updates its policy for ETFs

The AMF is supplementing its Position-Recommendation DOC-2011-25, "Guide to monitoring CIUs", with two recommendations on the monitoring of exchange-traded funds (ETFs). The first relates to procedures and maintenance of subscriptions and redemptions in the event of a significant reduction in the liquidity of the underlying assets of an index followed by the ETF, or significant valuation problems. The second outlines what to do if one or more of the ETF's financial counterparties defaults.

In the event of a significant reduction in the liquidity of the underlying assets of an index followed by an ETF, or significant valuation problems, it is recommended that the asset management company promptly inform the AMF of its action plan and justify its decision to suspend or continue honouring subscriptions and redemptions on the primary market, in the best interests of the holders.

Concerning the management of ETFs, if the fund lends or borrows securities or uses OTC derivatives, the AMF recommends that the asset management company draw up an action plan detailing the various options in terms of managing the ETF if one or more counterparties defaults.

Read more



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