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Payment of research by asset management companies: the AMF launches a public consultation on new provisions relating to MiFID II

The MiFID II Directive regulates the payment of research by investment firms, notably by asset management companies offering portfolio management services. The Autorité des Marchés Financiers (AMF) is reflecting on the way new provisions on payment for research used by professionals providing investment advice on an independent basis or portfolio management should be implemented, especially with regard to commission-sharing agreements. The AMF will thus be consulting on this topic until 28 October 2016.

New provisions on retrocession fees that have an impact on payment of research

Investment firms are no longer permitted to accept and retain any monetary or nonmonetary benefits when providing investment advice on an independent basis or discretionary portfolio management services. The inducement regime applicable to other investment services is also strictly limited and these benefits are only authorised if they:

- enhance the quality of service to a client;
- do not impair compliance to act in the client's best interest; and

are clearly disclosed to clients.

However, providing a research service is not considered an inducement when the investment firm pays for this service directly from its own resources or, under certain detailed conditions, these payments come from a research payment account.

Purpose of the AMF public consultation

Scope of the consultation

The AMF's consultation aims to propose practical answers to the main questions raised by the implementation of the new measure with regard to the execution of transactions on equities. It does not therefore cover transactions on other instruments. Moreover, the consultation does not aim to identify all the questions. It is above all intended to determine the AMF's preliminary guidance on the main provisions, in order to support stakeholders in their application of this new regime.

Lastly the European Securities and Markets Authority (ESMA) may also provide certain clarifications on this topic.

Preliminary guidance to support players

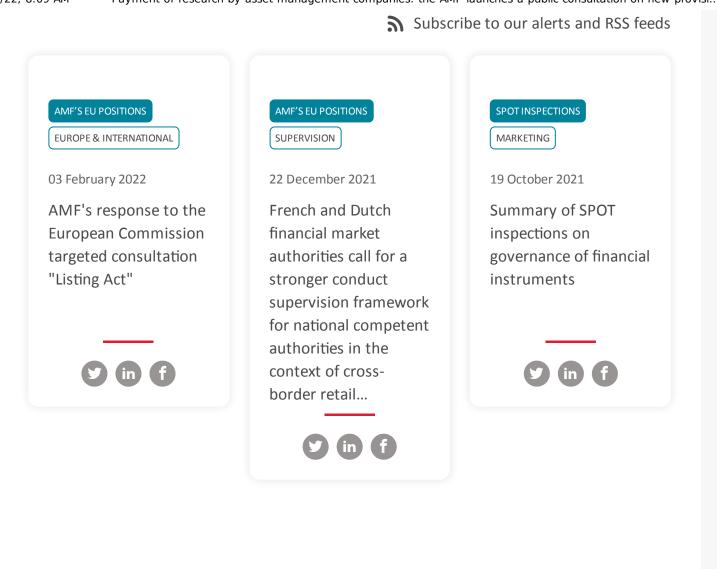
The consultation addresses the specific case of the provision of research services. Proposals have been formulated in order to:

- determine the scope of the research service concerned by these new provisions;
- indicate how the research budget is to be set and is to function; and
- review the functioning of the various types of research payment accounts envisaged, and in particular, the case of the account being financed by unbundled brokerage commissions.

The consultation is open until 28 October 2016

This public consultation will end on 28 October 2016. Please send comments to: <u>directiondelacommunication@amf-france.org</u> URL = [mailto:directiondelacommunication@amf-france.org].

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