

Book IV - Collective investment products

Title II - AIFS

Chapter II - Funds open to retail investors

Section 1 - Retail investment funds

Sub-section 4 - Calculation of aggregate risk

Paragraph 1 - Measurement of aggregate risk for retail investment funds in relation to financial contracts

Sub-paragraph 1 - General provisions

General regulation of the AMF

Article 422-52 into force since 21 December 2013

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Article 422-52

I.- In order to calculate the aggregate risk of retail investment funds under its management, the asset management company shall use the commitment approach or the value at risk approach set by an AMF instruction.

For the purposes of this paragraph, the term: "value at risk" denotes the measure of maximum potential loss on the basis of a given level of confidence and for a given period.

II. - Any company managing portfolios of retail investment funds shall ensure that the approaches it uses to measure aggregate risk are appropriate in the light of the corresponding risk profile for the investment strategy of the retail investment fund, the type and degree of complexity of the financial contracts concluded, and the share of the retail investment fund portfolio consisting of financial contracts.

III. - The asset management company shall use the value at risk approach if the retail investment fund that it manages has any of the following characteristics:

- a) The retail investment fund uses complex investment strategies that account for a substantial proportion of its investment policy;
- b) The exposure of the retail investment fund to non-standard financial contracts is substantial;
- c) If the market risks run by the retail investment fund are not adequately taken into account by the commitment approach.

The value at risk approach shall be supplemented by a stress test system. An AMF instruction shall define the concepts of standard and non-standard financial contracts.

IV. - Aggregate risk for a feeder retail investment fund in relation to financial contracts shall be calculated by combining the fund's own direct risk with respect to financial contracts concluded pursuant to Article L. 214-24-57 of the Monetary and Financial Code with the following:

- a) Either the actual risk for the master UCITS or AIF in relation to financial contracts, proportionate to the investments by the feeder retail investment fund in the master UCITS or AIF;
- b) Or the potential maximum aggregate risk of the master UCITS or AIF with regard to financial contracts specified in the regulations or articles of association of the master UCITS or AIF, proportionate to the investments by the feeder retail investment fund in the master UCITS or AIF.

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