Book III - Service providers

Title I - Investment services providers

Chapter II - Organisational rules

Section 7 - Third-party risk management

General regulation of the AMF

Article 312-44 into force since 05 July 2018

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Article 312-44

The following terms shall have the following meanings for the purposes of this Section:

- “counterparty risk” means the risk of loss for the individual portfolio resulting from the fact that the counterparty to the transaction or to a contract may default on its obligations prior to the final settlement of the transaction's cash flow;

- “liquidity risk” means the risk that a position in the portfolio cannot be sold, liquidated or closed out at limited cost in an adequately short time frame and that the ability of the investment service provider to liquidate positions in an individual portfolio in accordance with the contractual requirements of the portfolio management mandate, is thereby compromised;

- “market risk” means the risk of loss for the individual portfolio resulting from a fluctuation in the market value of positions in the portfolio attributable to changes in market variables, such as interest rates, foreign exchange rates, equity and commodity prices, or an issuer's creditworthiness;

- “operational risk” means the risk of loss for the individual portfolio resulting from inadequate internal processes and failures in relation to people and systems of the investment service provider or from external events, and includes legal and documentation risk and risk resulting from the trading, settlement and valuation procedures operated on behalf of the individual portfolio;

- “board of directors” means the board of directors, executive board or any equivalent body of the investment service provider.

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