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17 March 2021

AMF position regarding the Alternative Investment Fund Managers Directive (AIFMD) review

Ahead of the AIFMD's review and in-line with the AMF's response to the consultation of the European Commission, the regulator outlines its recommendations for a more effective supervision of alternative investment fund managers.

Since its application in 2013, the AIFMD has been successful in creating an efficient internal market for Alternative Investment Funds (AIFs) and setting out robust standards recognised internationally. However some vulnerabilities remain such as the fragmentation of supervisory responsibilities amongst several national competent authorities in the case of AIFMs acting under the management passport, the functioning of delegation or the heterogeneous availability of Liquidity Management Tools (LMTs) across jurisdictions in the absence of harmonised rules in the EU.

In order to promote a more effective supervision that is better adapted to key risks such as liquidity risks, the AMF advocates an improved and harmonised regulatory framework for asset management, through amendments to the AIFMD which could also be reflected in amendments to the UCITS Directive with the objective of reducing unnecessary differences between the two directives. In this context, the AMF supports the following proposals:

- in situations where supervision is fragmented between several authorities due to the use of the management passport, a leading supervisory role should be given to the competent authority in charge of supervising the fund manager to monitor its activities

across the EU. This would include a comprehensive access to relevant supervisory information on all funds managed by this entity;

- while acknowledging the benefits of delegation to structure businesses and source expertise, as highlighted by ESMA, certain types of extensive delegation arrangements – such as those where fund managers solely provide middle and back-office services without retaining any portfolio management expertise – should be scrutinized to ensure AIFM and UCITS managers remain ultimately in charge of the key business functions and decisions;
- a thorough examination of the current reporting requirements is necessary to enhance regulators' capacity to supervise investment funds and monitor the different types of risks that may arise from their activities, from both a micro and macro perspective;
- a common EU framework is needed in order to make the use of LMTs available in all EU jurisdictions with gates becoming a mandatory LMT;
- further harmonisation and consistency should be introduced between AIFMD, UCITS and MIFID to reduce unnecessary differences in obligations between entities providing the same services.

Regarding this last proposal, the AMF recommends a common set of rules for asset managers in areas such as conflicts of interest, reporting, delegation, liquidity risk management as well as the definition of leverage.

About the AMF

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