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The AMF announces the creation of a working group on the end-of-life of private equity funds

The Autorité des Marchés Financiers (AMF) is bringing together industry professionals to formulate proposals for adapting the regulatory framework to the difficulties encountered by management companies.

Asset management companies of private equity funds (FCPRs, FIPs, FCPIs, FPCI, etc.) face challenges in realising value for their various end-of-life holdings under good terms and within a timeframe that is compatible with the term commitments made at the fund launch, as well as with the relevant regulatory provisions.

Asset management companies looking for buyers for investments held by a fund that is winding up must act with the dual objective of ensuring that the life span of the fund is respected and that the fund is managed in the best interests of investors. This equation may be complex to solve when funds hold investments in distressed companies or when the value creation cycle has not been completed (a situation frequently encountered by funds investing in biotechs, for example).

As at 31 December 2020, of 569 private equity funds open to non-professional investors (FCPRs, FIPs, FCPIs, FPCI, etc.), 253 funds had exceeded their life span, sometimes by several years.

These situations raise many questions from retail investors. For example, the Epargne Info Service platform regularly receives requests for information on the life span of private equity funds. The AMF Ombudsman has reported a fairly significant number of complaints from

investors about the information provided on these funds and the failure to return the sums invested at the maturity date (78 out of 170 mediation cases between 2017 and 2020 concerned private equity).

Aside from investor protection issues, the end of the life of private equity funds also poses problems for management companies, as the assets in question often become non-contributory, even though they require significant resources to be mobilised.

In light of these challenges, and as announced in its 2022 priorities for action, the AMF intends to adapt the regulatory framework for the end-of-life of private equity funds.

With this in mind, it has set up a working group to propose improvements to the regulatory framework for the end-of-life of private equity funds that would reconcile the need to protect investors with the need to ensure the long-term viability of management companies. The group's findings should lead to proposals by the summer of 2022.

The working group is chaired by Board member Muriel Faure and made up of representatives of the AMF Board, the various professionals involved (management companies, depositaries, auditors and lawyers) and investors. It is composed as follows

- Muriel Faure, Chair of the working group, member of the AMF Board;
- Hervé Chappuy, BPSS;
- Emmanuelle Corcos, Ernst and Young;
- Emmanuel Courant, Pearl Capital, member of the AMF's Asset Management and Institutional Investors Consultative Commission;
- Carine Echelard, CACEIS, member of the AMF's Asset Management and Institutional Investors Consultative Commission;
- Jean-François Filliatre, member of the AMF's Retail investors Consultative Commission;
- Marc Guittet, 123 Investment Managers;
- Sylvianne Guyonnet, Eurazeo Investment Managers;
- Charles Keller, member of the AMF Board;
- Stéphane Puel, Gide, member of the AMF's Asset Management and Institutional Investors Consultative Commission;

- Frederic Sellam/Sarah Kressman Floquet, PWC, member of the AMF's Asset Management and Institutional Investors Consultative Commission;
- Patrick Suet, member of the AMF Board;
- Sara Taubira, RSM;
- Vivien Trocherie, SGSS;
- Antoine Valdes, Eiffel Investment Group.

AMF Board members Marie-Christine Caffet and Jacqueline Eli-Namer will assist the working group.

The working group may consult professional associations.

About the AMF

The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected and that investors are provided with adequate information. The AMF also supervises the orderly operations of markets. Visit our website <https://www.amf-france.org>. URL = [https://www.amf-france.org/]

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