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## War in Ukraine: the AMF alerts asset management companies

In the wake of the current situation in Ukraine and the various economic sanctions imposed by the European Union among others, the AMF calls on asset management companies to be vigilant in several areas.

### Implementation of international economic sanctions (as at 25 April 2022)

To counter Russia's military aggression in Ukraine, the European Union has adopted five series of sanctions, with individual asset freezes affecting certain persons or entities, and economic sanctions that affect the financial sector in particular.

Some of these economic sanctions that are particularly likely to affect the activity of asset management companies include:

- a prohibition to sell transferable securities (including in the form of crypto-assets) denominated in any official currency of an EU Member State and issued after 12 April 2022 or units in collective investment undertakings (CIU) providing exposure to such securities, to any Russian national, or natural persons residing in Russia or any legal person, entity or body established in Russia (excluding nationals of a Member State and natural persons having a temporary or permanent residence permit in a Member State);

- a prohibition to provide investment services and to acquire or increase a stake in certain entities operating in the energy sector in Russia or connected to these entities; a ban on the acquisition or disposal of certain transferable securities or money market instruments issued by Russia, the Russian Central Bank or certain entities operating in the financial sector or connected to them, and on the provision of investment services relating to them;
- a ban on the provision of "crypto-asset wallet, account or custody" services (within the meaning of Council Regulation (EU) No 833/2014 of 31 July 2014) to Russian nationals or natural persons residing in Russia, or to legal persons, entities or bodies established in Russia (other than nationals of a Member State, of a country member of the European Economic Area or of Switzerland, and other than natural persons having a temporary or permanent residence permit in a Member State, in a country member of the European Economic Area or of Switzerland), if the total value of the crypto-assets of the natural persons or legal person, entity or body exceeds €10,000 per wallet, account or custody service provider.

The [European Commission website provides](#) URL =

[[https://www.consilium.europa.eu/en/policies/sanctions/restrictive-measures-against-russia-over-ukraine/?utm\\_source=dsms-](https://www.consilium.europa.eu/en/policies/sanctions/restrictive-measures-against-russia-over-ukraine/?utm_source=dsms-)

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measures as well as an [FAQ](#) URL = [[https://ec.europa.eu/info/business-economy-euro/banking-and-finance/international-relations/restrictive-measures-sanctions/sanctions-adopted-following-russias-military-aggression-against-ukraine\\_fr#horizontal](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/international-relations/restrictive-measures-sanctions/sanctions-adopted-following-russias-military-aggression-against-ukraine_fr#horizontal)]; the

[dedicated website of the French Treasury](#) URL =

[[https://www.tresor.economie.gouv.fr/services-aux-entreprises/sanctions-](https://www.tresor.economie.gouv.fr/services-aux-entreprises/sanctions-economiques/russie-en-lien-avec-la-violation-par-la-russie-de-la-souverainete-et-de-l-integrite-territoriale-de-l-ukraine)

[economiques/russie-en-lien-avec-la-violation-par-la-russie-de-la-souverainete-et-de-l-integrite-territoriale-de-l-ukraine](https://www.tresor.economie.gouv.fr/services-aux-entreprises/sanctions-economiques/russie-en-lien-avec-la-violation-par-la-russie-de-la-souverainete-et-de-l-integrite-territoriale-de-l-ukraine)] provides consolidated versions of the relevant legislation,

[FAQ](#) URL = [<https://www.tresor.economie.gouv.fr/Institutionnel/Niveau3/Pages/ddf1c77a-ba70-4001-b0bb-ba9d8d5c0604/files/57dc7d5f-4a41-4f46-9046-363e20a7950c>]

dedicated to asset-freezing as well as the [national asset freeze register](#) URL = [<https://gels-avoirs.dgtresor.gouv.fr/>].

All these measures are directly applicable in France and must be implemented without delay. Failure to comply with them may result in disciplinary and criminal sanctions.

In addition to adding the new individuals and entities covered by these sanctions to the existing systems of asset management companies (AMCs), in particular to block any subscription to collective investment schemes or any provision of discretionary portfolio management services for the benefit of persons covered by these measures, market participants should review the impact of these measures on the liabilities of funds for which

they have information on the final holders, as well as on their clients and, more broadly, on all individuals and entities that already have a business relationship with the AMC. AMCs are reminded that the implementation of asset-freezing measures does not rely on risk-based approach but on an obligation to achieve a specific result. Once a client or business relationship is targeted by an asset-freezing measure, this measure must be implemented promptly.

Lastly, the attention of AMCs is specifically drawn to the fact that sanctions against Russian persons or entities concern not only existing or future business relationships, but also the possibility of acquiring and disposing of certain securities.

Concerning more specifically the prohibition for Russian citizens and residents - except limited waivers - to subscribe to CIUs exposed to transferable securities issued in one of the currencies of the European Union after 12 April 2022, this provision applies as of right to the CIUs actually concerned (e.g. a money market fund investing in money market instruments issued after 12 April or a "French equity" fund subscribing to a capital increase after 12 April), without the need to mention this in the prospectus of the UCI. For UCIs whose investment universe is likely to include such transferable securities in the foreseeable future, but which do not currently hold such transferable securities, the AMCs may wish to prohibit the subscription by relevant Russian investors to such CIUs as of now. For these CIUs, in order to ensure the enforceability of this prohibition, and following the example of the approach adopted in other partially comparable situations (FATCA), AMCs should include this provision in the prospectuses of the concerned CIUs, where appropriate after informing the concerned intermediaries so that the measure can be applied operationally. It should be noted that such a change in the prospectus does not require AMF approval or special disclosure to investors.

Depending on the international nature of their business, AMCs must also pay particular attention to the application of other financial sanctions adopted by certain third countries.

For more information, the AMF recommends that AMCs:

- on the implementation of sanctions regime, consult the [Directorate General of the Treasury](#) webpage and send any questions about their scope, interpretation or implementation to [sanctions-russie@dgtresor.gouv.fr](mailto:sanctions-russie@dgtresor.gouv.fr);
- on the AMF's expectations regarding the implementation of the asset-freezing measures, consult its [dedicated guide](#).

## Cybersecurity system

The AMF urges AMCs to be extremely vigilant about the increased risk of cybersecurity incidents. The AMF asks AMCs to pay particular attention to monitoring actual and potential incidents and to report any known incidents or suspicious behaviour to their AMF contact without delay. AMCs may wish to refer to the French national cybersecurity agency's (ANSSI) recommendations on this subject ([here](https://www.ssi.gouv.fr/administration/actualite/tensions-internationales-renforcement-de-la-vigilance-cyber/) URL = [https://www.ssi.gouv.fr/administration/actualite/tensions-internationales-renforcement-de-la-vigilance-cyber/]).

## Valuation and use of liquidity management tools

During this period, the valuation and liquidity of Russian asset exposures may change significantly and very quickly as a result of decisions by public authorities (including Russian) and the various stakeholders (central depositaries, counterparties, etc.). These situations relate, with their respective specific circumstances, to:

- securities issued in Russia (for which the Russian central bank announced in a speech on 28 February that it had introduced sales restrictions for non-residents);
- depositary receipts for securities issued in Russia (Global Depositary Receipt or American Depositary Receipt);
- direct or indirect exposure to Russian entities or activities;
- the holding of roubles and the ability to sell or repatriate these currencies with regard to the "S account" blocked account mechanism set up by the Russian authorities.

In view of the provisions applicable to the valuation of collective investments, the use of "frozen" valuations based on market data relating to periods when the economic context was significantly different from that prevailing at the time of the valuation could appear inappropriate in view of the principle of valuation at probable trading value.


The AMF reminds AMCs of their obligations to put in place appropriate and effective arrangements, procedures and techniques to measure and manage at all times the risks to which the UCITS and AIFs they manage are exposed or likely to be exposed, including liquidity risk management. Market participants are therefore expected to be proactive and prudent in the liquidity management of these exposures.

The AMF therefore reminds AMCs that they have tools for managing the liquidity risk of French collective investment undertakings. These tools are designed not only to protect the interests of clients and ensure that they are treated equally, but also to ensure financial stability and guarantee market integrity.

These liquidity management tools and their terms of use are outlined in [this document](https://www.amf-france.org/sites/default/files/2020-04/faq_covid-19_en-relu_amg.pdf) URL = [https://www.amf-france.org/sites/default/files/2020-04/faq\_covid-19\_en-relu\_amg.pdf].

In conclusion, the AMF draws the attention of AMCs to the need to inform the Asset Management Directorate without delay of any significant problems that may affect their activities.

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