

## Result of public consultation on the abolition of the AMF's classifications of collective investment schemes

At its meeting of 31 May 2016, the AMF's Board authorised a public consultation on the abolition of its classifications of certain collective investment schemes (CISs). The consultation ran from 7 June to 29 July 2016.

The AMF received 18 responses from professional associations, asset management companies (AMCs), financial investment advisors (FIAs), investment services providers (ISPs) and individual investors.

Most responses from professional associations and AMCs said the classification system was unsuitable because it covered only French funds. Having said that, many respondents praised the informational aspect of the classifications, which serve as a reference point for retail investors.

Respondents welcomed the opportunity to discuss the AMF classifications, with most believing that the system absolutely must be changed because these classifications do not always reflect the CIS's investment and are therefore not appropriate. Moreover, respondents claimed the "Diversified" category was hard to understand and potentially misleading. They said that, in spite of the category's name, it does not necessarily reflect a diversification of assets or risks.

The vast majority of participants in the consultation said it should no longer be compulsory to use AMF classifications. They wish to still have the option of using them, however, because they can be important for distribution purposes. In addition, some participants requested a transition period so that the operational consequences of abolishing the classifications, particularly from an information systems standpoint, can be assessed.

### 1. Changes to the AMF's policy on CIS classifications

#### 1.1. Scope of amendments

This reform affects CISs that are currently classified under the AMF system, i.e. UCITS, retail investment funds, funds of alternative funds, professional investment funds, employee investment undertakings and professional specialised investment funds (excluding *sociétés de libre partenariat*, or limited partnerships).

#### 1.2. Substance of changes to AMF policy

In light of the various comments made by participants in the consultation, the AMF is making the following changes to its policy:

- In principle, AMCs or CISs can choose to keep using the AMF classifications;
- The categories "Equity", "Bonds" and, where applicable, "Funds of hedge funds" can be abolished as an option;
- However, the categories "Formula funds", "Short-term money market products" and "Money-market products", as well as those relating to salary savings (employee investment undertakings), will not be abolished<sup>1</sup>;
- In addition, the "Diversified" category will be abolished on 31 December 2017, with no option to retain it thereafter.

Only the measure relating to the abolition of the "Diversified" category makes provision for a transitional period (abolition to take place on 31 December 2017). If no action is taken by the AMC or CIS, any other AMF classification of a fund will be retained.

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<sup>1</sup> Categories relating to salary savings are taken to mean those provided for in articles 30-10 and 30-11 of AMF instruction DOC-2011-20, i.e. employee investment funds (FCPEs) or SICAVs for employee shareholders (SICAVASs) "invested in corporate securities" and FCPEs or SICAVASs "invested up to one third in corporate securities".

## 2. CISs abolishing their AMF classification must switch to CIS categories enabling the Banque de France to fulfil its reporting obligations with the European Central Bank

To ensure ongoing communication of data to the Banque de France, CISs abolishing their AMF classification must, as part of their relations with the AMF and for the purpose of statistical reporting, provide information about one of the CIS categories enabling the Banque de France to fulfil its reporting obligations with the European Central Bank<sup>2</sup>.

### 2.1. CIS categories enabling the Banque de France to fulfil its reporting obligations with the European Central Bank

The CIS categories in question are:

#### **"Bond funds"**

Investment funds with assets primarily exposed in the long term to debt securities and other fixed-income products; exposure to the equity markets must be less than 10% of total assets in the long term. Any increased exposure to equities taking the fund's exposure to such markets above 10% must be temporary.

This category includes CISs that have chosen to scrap their AMF classifications "Bonds and other debt securities in euros" and "International bonds and other debt securities" but retain their investment strategy, as well as certain "diversified" funds with temporary equity risk exposure of more than 10%.

#### **"Equity funds"**

Investment funds with assets primarily exposed in the long term to equities and similar interests; exposure to the equity markets must be at least 60% of total assets. Any reduced exposure to equities taking the fund's exposure to such markets below 60% must be temporary.

This category includes CISs that have chosen to scrap their AMF classifications "French equities", "Eurozone equities", "Equities of European Union countries" and "International equities" but retain their investment strategy, as well as certain "diversified" funds with long-term equity exposure of at least 60%.

#### **"Mixed funds"**

Investment funds with assets exposed to both equities and bonds and not qualifying for either of the two previous categories.

This category includes CISs that have chosen to (or must) scrap their AMF classification "Diversified", are exposed to both equities and bonds and are retaining their investment strategy.

#### **"Real estate funds"**

Investment funds with assets primarily exposed, whether directly or indirectly, to real estate assets.

This category includes open-ended property investment funds (OPCIs), *sociétés civiles de placement dans l'immobilier* (SCPIs) and professional specialised investment funds (FPS), where these latter funds are primarily exposed, whether directly or indirectly, to real estate assets and are retaining their investment strategy. Since their legal status enables them to be qualified directly, however, no classification information is required for OPCIs and SCPIs.

#### **"Hedge funds"**

Investment funds that implement relatively constraint-free investment strategies in order to achieve a positive absolute return and do not come under the aforementioned ECB categories of equity, bond, mixed or real estate funds. There are few restraints on the type of financial instruments in which these funds can invest, meaning they can easily resort to a wide range of financial techniques, including leverage and short selling.

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<sup>2</sup> Pursuant to European Central Bank Regulation No 1073/2013 of 18 October 2013 concerning statistics on the assets and liabilities of investment funds, the Banque de France must fulfil statistical reporting requirements on six categories of CIS with the European Central Bank.

This category includes CISs that have chosen to scrap their AMF classification "Funds of hedge funds" or that directly implement alternative investment strategies.

#### **"Other funds"**

Funds that do not qualify for any of the previous categories.

This category includes CISs that invest in receivables or other assets not mentioned above and are retaining their investment strategy.

#### 2.2. Practical methods for switching from AMF classifications to the CIS categories enabling the Banque de France to fulfil its reporting requirements

CISs that choose to scrap their AMF classification must provide information about one of the aforementioned categories on their GECO extranet. CISs without an AMF classification - including retail private equity investment funds (FCPRs), innovation funds (FCPIs), retail local investment funds (FIPs), OPCIs and SCPIs - are not affected. Equally, CISs for which AMF classification remain compulsory (money-market funds, formula funds, FCPEs or SICAVASs invested in corporate securities and FCPEs or SICAVASs invested up to one third in corporate securities) will not have to choose a CIS category.