

9 July 2004

Comments of the Association Française de la gestion financière (AFG) on CESR call for evidence on its agenda and work programme for investment management

The French asset management industry, represented by AFG, welcomes the call for evidence issued by CESR. It is of utmost importance that CESR, its Experts group on Investment Management and its staff continue to work very closely in the future with the industry if they want to play a truly decisive role in the establishment of a single market beneficial for investors, managers and, indeed, the whole European economy. To that purpose, the establishment of a dedicated consultative group must be very much welcomed. It does not, and should not, though, substitute for an ongoing close relationship with trade associations, both at national level and, of course, at the European level with FEFSI.

We have decided to keep that answer short, all the more as we very much agree with the content of CESR's paper and fully approve the content of the answer sent to you by FEFSI. To try to avoid repetitions, we will only add a few important methodological remarks and insist on some priorities, other than those rightly enumerated in the points 3, 4 and 5 of CESR's paper.

On the proposed method and priorities we would like to make the following comments:

- it is not certain that the "package" method proposed in the paper will prove to be the more efficient. It has two main drawbacks. First, it often leads to incredibly thick consultation papers (more than 150 pages for the current one on the FIM directive!) for which the comment period is then inevitably too short. Second, it leads to longlasting timetables, given the difficulty of a very complex task, unduly delaying the final result and hence the benefits of CESR's hard work. In the case of the current work on transitional provisions of the amending UCITS directive, given the technical complexity of the different subjects, it would be quite impossible to settle all the problems identified in the paper and to meet the challenge face before March 2005 which is very very late, as FEFSI has rightly pointed out.
- We would then strongly advocate, for effectiveness sake, in favour of a slicing of the task and a step by step tactic. CESR could start, for example, by questions related to the UCITS launched after February 2002 (and also February 2003) and the

establishment of a truly common simplified prospectus, which is clearly key and on which FEFSI has done a seminal work.

At the same time we would like to add two subjects to the list you have established. The first one is the role of investment management and especially of investment funds, in retirement schemes. CESR role should be to make sure that the insurance European supervisor takes correctly into account the fact that an efficient management of assets is key to the pension industry and that pension vehicles tend in the whole world to evolve towards DC products, in which investment funds play a vital role. The second topic is international accounting rules: not only might they apply to investment fund themselves, as mentioned in your paper on point 5.1, but also they are of great importance to our industry as they might impact the demand for funds originating from institutional investors (if investment funds were unduly assimilated to special purpose vehicles) and they could add volatility to the securities markets on which we invest on behalf of our clients.

- Finally, we would urge CESR to take full account of the fact that the European investment management industry is engaged in a worldwide competition and for these reasons needs a stable, clear and cost/efficient regulatory environment.

Thanking CESR for the opportunity it gave us to comment its agenda and work programme for investment management, we remain at its disposal for further work on the proper development of the asset management industry.