

Committee of European Securities
Regulators (CESR)
11-13, Avenue de Friedland
75008 Paris

Paris, 30th December 2010

AMUNDI INVESTMENT SOLUTIONS RESPONSE TO CESR'S CONSULTATION ON GUIDELINES ON RISK MEASUREMENT AND THE CALCULATION OF GLOBAL EXPOSURE FOR CERTAIN TYPES OF STRUCTURED UCITS

Amundi Investment Solutions welcomes CESR's consultation on Risk Measurement and the Calculation of Global Exposure for Certain Types of Structured UCITS.

Amundi Group was formed by combining the asset management expertises of two major banking groups: Crédit Agricole and Société Générale. It is owned 75% by the Crédit Agricole Group and 25% by the Société Générale Group. With around €700 billion in assets under management Amundi is one of the top 10 asset managers worldwide.

Amundi Investment Solutions is the subsidiary of Amundi Group dedicated to Structured Products and ETFs. It manages around €35 billion of assets in structured funds.

We want to thank CESR for having submitted such a high quality consultation paper and for having acknowledged the specificity of structured UCITS and the necessity to have an appropriate approach for this type of UCITS, within the existing guidelines.

We want to stress that structured products can be built under several types of wrappers (funds, notes, deposits,...), the safest wrapper for the investor being the UCITS framework. It is therefore important, for the sake of investors protection, to keep the possibility of building structured UCITS.

Please see our detailed responses below:

1. Do you agree with the proposed approach for the calculation of global exposure by certain types of structured UCITS which satisfy the criteria in paragraph 2 of Box 29?

Yes, we broadly agree with the proposed approach, but please see our answers to the other questions, especially Q11.

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2. Do you agree with the proposed criteria for these structured UCITS?

We agree, but with regard to “passively managed” we would like to stress that it should not rule out any portfolio management, and in particular prevent the manager from actively managing his relations with derivatives counterparties, actively entering and unwinding derivatives, changing counterparties, managing counterparty risks, managing inflows and outflows, etc.

3. Do you agree with the scope of the application of the alternative approach that derives from the criteria and global exposure calculation approach laid down in paragraph 2 of Box 29? If there are any specific criteria which could present difficulties for certain UCITS, could you elaborate on the reasons for your views and describe the types of UCITS concerned?

We agree, provided that Box 3 may be used as explained in our answer to Q11.

5. Do you agree with the proposal to limit the maturity of structured UCITS which may apply the provisions of Box 29 to 9 years? Do you have any alternative suggestions?

Pension / retirement concerns are becoming more and more important nowadays. Investors will need innovative secure products. Therefore, we suggest extending the limit to 15 years, at least for capital guaranteed funds.

6. Do you agree with the proposal to prohibit these structured UCITS from accepting new subscriptions after the initial offer period?

We would prefer a different wording: “the fund is no longer actively marketed after the initial marketing period”. A complete closing of the fund would have a negative impact on the pricing of the derivatives obtained by the fund, as counterparties would know that trades in the secondary market would be only in one direction (selling).

7. Do you agree with the proposed criteria to limit the maximum loss the UCITS can suffer under any individual scenario on any given day? Can you suggest any methods by which this loss can be limited or other safeguards which would deal with the risks posed by barrier-type features as described in Box 29?

The maximum loss is already limited by the diversification requirements.

8. Do you agree with the proposals regarding structured UCITS which were authorised before 1 July 2011? Do you have any alternative suggestions?

Yes.

9. Are the examples provided in paragraph 97 useful in illustrating the diversification requirement?

Yes.

10. Can you suggest alternative examples?

No.

11. Do you think the examples in paragraph 98 correctly explain how global exposure is calculated in different scenarios?

Yes, but we have a major comment on Case 1 about the use of Box 3 of the guidelines.

Case 1 illustrates the use of a total return swap ("TRS"). However, technically speaking, TRS is not the only way to comply with Box 3 requirements.

At least two other techniques comply with Box 3:

(A) performance swap combined with a reverse repo;

(B) performance swap combined with an external guarantee of the payoff

Technique (A) is strictly equivalent to a TRS: financial assets are held by the UCITS as "collateral" of the repo agreement which totally offsets the risk of the assets.

Technique (B) offers even more protection to the investors : not only the guarantee agreement covers all the risks of the assets held by the UCITS, it also covers the operational risk of the UCITS, as the final payoff is guaranteed.

This point is very important and we kindly request CESR to take it into account.

13. Do you agree with the proposed prospectus disclosure requirements in Box 30?

Yes, we fully agree. Disclosure is crucial for this type of fund.

14. Is the terminology used in the guidelines clear? Are there any terms used for which you feel it would be helpful to have a definition?

Yes.

Sincerely Yours,
(signed)
Frédéric Fouquet
Deputy CEO