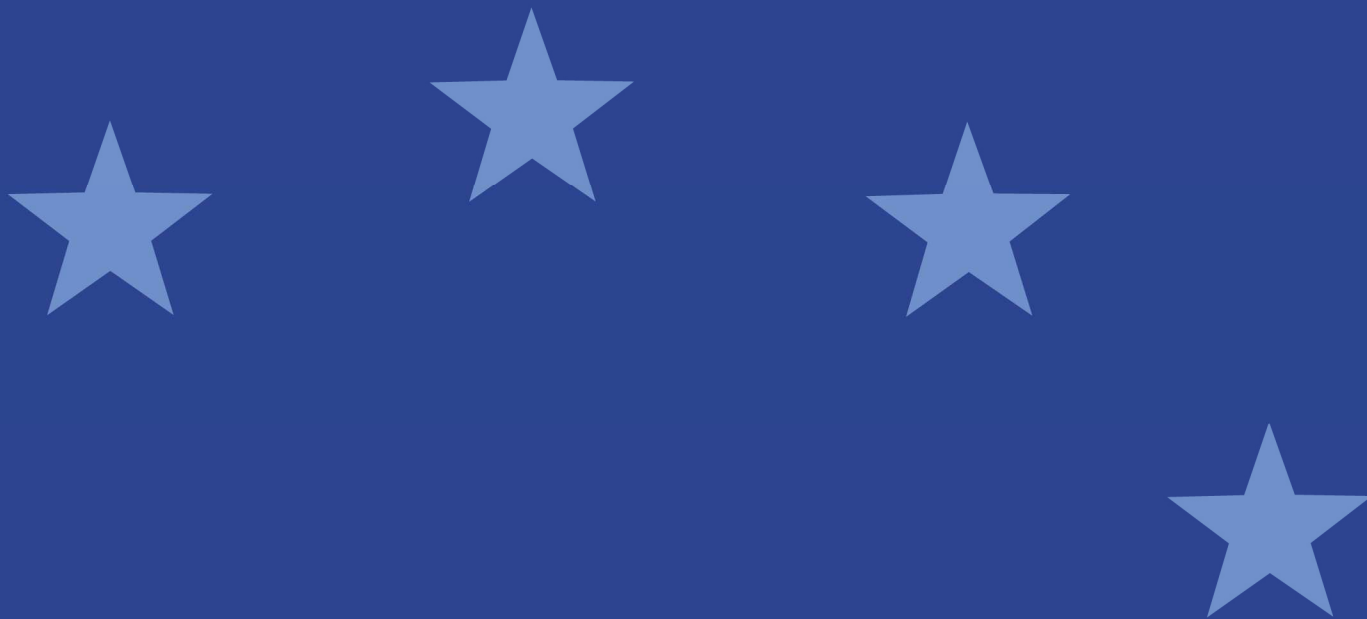




European Securities and
Markets Authority

**Reply form for the
ESMA's Technical Advice to the European Commission on the implementing
measures of the Regulations on European Social Entrepreneurship Funds
and European Venture Capital Funds**





European Securities and
Markets Authority

Date: 26 September 2014

Responding to this paper

The European Securities and Markets Authority (ESMA) invites responses to the specific questions listed in the ESMA Consultation Paper - ESMA's Technical Advice to the European Commission on the implementing measures of the Regulations on European Social Entrepreneurship Funds and European Venture Capital Funds, published on the ESMA website ([here](#)).

Instructions

Please note that, in order to facilitate the analysis of the large number of responses expected, you are requested to use this file to send your response to ESMA so as to allow us to process it properly. Therefore, please follow the instructions described below:

- i. use this form and send your responses in Word format;
- ii. do not remove the tags of type < ESMA_EUSEF_EUVECA_QUESTION_1> - i.e. the response to one question has to be framed by the 2 tags corresponding to the question; and
- iii. if you do not have a response to a question, do not delete it and leave the text "TYPE YOUR TEXT HERE" between the tags.

Responses are most helpful:

- i. if they respond to the question stated;
- ii. contain a clear rationale, including on any related costs and benefits; and
- iii. describe any alternatives that ESMA should consider

Given the breadth of issues covered, ESMA expects and encourages respondents to specially answer those questions relevant to their business, interest and experience.

To help you navigate this document more easily, bookmarks are available in "Navigation Pane" for Word 2010 and in "Document Map" for Word 2007.

Responses must reach us by **10 December 2014**.

All contributions should be submitted online at www.esma.europa.eu under the heading 'Your input/Consultations'.

Publication of responses

All contributions received will be published following the end of the consultation period, unless otherwise requested. **Please clearly indicate by ticking the appropriate checkbox in the website submission form if you do not wish your contribution to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.** Note also that a confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make is reviewable by ESMA's Board of Appeal and the European Ombudsman.

Data protection

Information on data protection can be found at www.esma.europa.eu under the heading 'Disclaimer'.

Q1: Do you agree with the identified policy options set out in the cost benefit analysis (Annex III)? Could you identify any other options?

<ESMA_EUSEF_EUVECA_QUESTION_1>

As noted in the beginning of Annex 3 (§3) the result of EuSEF regulation is a disaster with only 2 funds registered. Amundi thinks that there is a fundamental misunderstanding in EuSEF and EuVECA regulations. We totally support their objective to promote specific investments in entities and projects with a positive social impact or in developing small businesses at an early stage. We agree that the market is not that large and consider that the figure of 110 “impact funds” mentioned in §3 is encouraging. However we do not share ESMA’s view that it will mean a future increase of registered EuSEFs, but we consider that it shows a great involvement in those investments by large asset managers that spend time and money to promote this trend in their clientele. The fact that EuSEF label is limited to firms below the threshold of AIFM Directive is inconsistent with the objective to make it a successful label. Thus Amundi considers that ESMA should point out in its advice to the Commission that the scope of the EuSEF label should be reviewed and **management of EuSEF should become accessible to larger AIFMs**, if the label is expected to meet any success.

With respect to the three options identified by ESMA we agree that on the technical issue of defining activities and entities with a “social objective”. However we insist on asking European authorities to extend the access to the EuSEF label to larger asset managers.

<ESMA_EUSEF_EUVECA_QUESTION_1>

Q2: Do you agree with the proposal set out in the consultation paper? Are there any additional principles or criteria that you would like to propose?

<ESMA_EUSEF_EUVECA_QUESTION_2>

When reading the proposed advice in 1.4, we find that its presentation could easily improve through a clear indication of the decision tree that is followed and of the nature, cumulative or alternative, of the different criteria. More specifically, we suggest that item 5 go after item 2 as a general list of examples of eligible activities ; then items 3 and 4 should be merged in one single discussion of the quality of the persons the services and products are addressed to; it then would immediately show that the conditions developed in current item 6 will only be considered if the first test of the vulnerability of the public is not met; furthermore the 3 criteria listed in this last item are alternative and it should appear explicitly (“embed a social objective in *at least one of the* following circumstances).

<ESMA_EUSEF_EUVECA_QUESTION_2>

Q3: Is it useful to provide indicative open-ended lists of goods and services provided by the social enterprises, methods of production employed and entities that provide financial support?

<ESMA_EUSEF_EUVECA_QUESTION_3>

Yes, as a general rule Amundi considers that open ended lists of positive examples are useful and provide safety to product developers.

<ESMA_EUSEF_EUVECA_QUESTION_3>

Q4: If so, do you agree with the lists of situations described in the proposed advice? Would you like to suggest any more?

<ESMA_EUSEF_EUVECA_QUESTION_4>

Please refer to our answer to question 2 with regard to the positioning of the list. Eventually, we suggest that the open character of the list be explicated through the addition of “...” at the end.

<ESMA_EUSEF_EUVECA_QUESTION_4>

Q5: Do you agree with the description of the types of conflicts of interest? Would you like to suggest any other type?

<ESMA_EUSEF_EUVECA_QUESTION_5>

We consider that the listed potential conflicts of interest are commonly assessed by firms that are either UCITS or AIFMD compliant. Therefore, we suggest that larger AIFM may run EuSEFs.

<ESMA_EUSEF_EUVECA_QUESTION_5>

Q6: Do you agree with the standards proposed in terms of the measures that EuSEF managers should adopt in order to identify, prevent, manage, monitor and disclose the conflicts of interest?

<ESMA_EUSEF_EUVECA_QUESTION_6>

Amundi typically supports the principle of proportionality listed in item 2 and feels that it would make much more sense if it were possible for asset managers of different sizes to run EuSEFs.

In our view, item 6 which expresses a possibility already at hand for asset managers should not be included in the list of steps to disclose conflicts of interest as long as it is not a mandatory requirement.

<ESMA_EUSEF_EUVECA_QUESTION_6>

Q7: Could you quantify the costs that the implementation of these standards could generate for a EuSEF manager?

<ESMA_EUSEF_EUVECA_QUESTION_7>

Amundi believes that smaller asset managers may experience large one-off and running costs to comply with the proposed standards. On the contrary, larger firms complying with AIFMD would marginally adapt their processes to cover EuSEF if they were allowed, as we suggest, to manage these funds.

<ESMA_EUSEF_EUVECA_QUESTION_7>

Q8: Are there any other measures that you would like to propose? If so, could you quantify the costs of your proposal for the EuSEF manager?

<ESMA_EUSEF_EUVECA_QUESTION_8>

The proposed advice does not cover the case of a firm that belongs to a group. That is of real importance when identifying and managing conflicts of interests.

<ESMA_EUSEF_EUVECA_QUESTION_8>

Q9: Do you agree with the proposed approach?

<ESMA_EUSEF_EUVECA_QUESTION_9>

Yes, we agree that the exercise of voting rights is of special significance for EuVECA funds. However we do not see the reason why the item f) in the list of conflicts of interests identified for EuSEF has been deleted without any comment in the case of EuVECA; we think that the risk to dominate a small starting business raises a real conflict of interests with EuVECA.

Furthermore, the item 6 in the steps to disclose conflicts of interests is without interest as it states an existing possibility and is not prescriptive. Finally there is an apparent error when referring to paragraph 6 at the end of paragraph 8: the reference should be to the paragraph immediately preceding, i.e. §7.

<ESMA_EUSEF_EUVECA_QUESTION_9>

Q10: Are there any other measures that you would like to propose? If so, could you quantify the costs of your proposal for the EuVECA manager?

<ESMA_EUSEF_EUVECA_QUESTION_10>

TYPE YOUR TEXT HERE

<ESMA_EUSEF_EUVECA_QUESTION_10>

Q11: Do you agree with the general approach on social impact measurement?

<ESMA_EUSEF_EUVECA_QUESTION_11>

If Amundi participates to the present consultation despite the fact that it is not allowed to run EuSEF, it is due to its involvement in management of “fonds solidaires” and its interest in assessing social impact of these investments. Amundi has a dedicated team that works on criteria to determine entities that through their services, products or organisation can be considered as “social enterprises”. It is one specific field of expertise next to the SRI non-financial criteria.

Amundi shares ESMA’s approach to leave a certain flexibility to asset managers to assess which investments are eligible. We consider that there is no satisfactory general method and agree that the reference should be to general principles. As such the 5 steps identified by ESMA are satisfactory if the idea to try and express in monetary terms what cannot be measured is abandoned. We think it is not workable and should not be considered as an objective. Any attempt to “monetarise” social impact tends to overlook some aspect or side effect and more generally valuation of qualitative data is not appropriate.

<ESMA_EUSEF_EUVECA_QUESTION_11>

Q12: Could you help us estimate the costs to which the proposed approach would give rise for the EuSEF manager and the social enterprises?

<ESMA_EUSEF_EUVECA_QUESTION_12>

TYPE YOUR TEXT HERE

<ESMA_EUSEF_EUVECA_QUESTION_12>

Q13: Which option would you favour? Why?

- i) Imposing on all EuSEF managers a single method for measuring the social impact (SROI, IRIS, other – please specify)**
- ii) Relying in generally on accepted existing methods, at the discretion of the EuSEF manager (SROI, IRIS, other – please specify)**
- iii) Allowing EuSEF managers to create their own method, following the principles and basic steps described in the proposal.**
- iv) A combination of (ii) and (iii).**

<ESMA_EUSEF_EUVECA_QUESTION_13>

Option 1 is not acceptable, as it would introduce a monopoly creating an even worse dependency than the oligopolistic situation of credit rating agencies. Option 2 implies the same risk of overreliance on external analysis.

We analysed the existing and suggested methodology and consider that SROI is very difficult to implement as it is not based on a series of fixed criteria but may vary from one entity to the following; IRIS appears to be efficient to measure environmental and social impact but comes short to assess solidarity for example; Planet rating limits its activities to IMFs as does CERISE developed by Argidius Foundation.

We recently worked on a new method, SRS, launched in Germany by Ashoka Germany, Auridis GmbH, BonVenture Management GmbH, PHINEO AG, Vodafone Foundation Germany, Schwab Foundation, University of Hamburg and the Technical University of Munich with support from the Federal Ministry For Family, Seniors, Women and Youth and we consider it to bring some new light in the area.

Our view, however, is that it should be left to the EuSEF manager to keep the total responsibility of its process. We agree that it could rely either on existing method or develop its personal approach or may mix both (all of which is contained in option3). We therefore strongly support option 3 and consider that option 4 is redundant and included in option 3.

<ESMA_EUSEF_EUVECA_QUESTION_13>

Q14: Could you please quantify the costs for the EuSEF manager of your preferred option?

<ESMA_EUSEF_EUVECA_QUESTION_14>

TYPE YOUR TEXT HERE

<ESMA_EUSEF_EUVECA_QUESTION_14>

Q15: Do you have any alternative proposals? If so, please quantify the costs involved.

<ESMA_EUSEF_EUVECA_QUESTION_15>

Amundi thinks that another route should be encouraged, which relies on self-assessment by eligible entities. Social enterprises would declare themselves as eligible and register with ESMA or another European or National authority. The entity would list the criteria on which its declaration relies and it would be up to the asset manager to decide whether it converges with its own approach. This is a long term view, but it is very helpful to keep it in mind, as it has a high pedagogic impact to teach entities what is expected and what they should include in their scope.

<ESMA_EUSEF_EUVECA_QUESTION_15>

Q16: Do you agree with the proposed approach with regard to the information on the different items of the investment strategy and objectives required under Article 14(1)(c) of the EuSEF Regulation?

<ESMA_EUSEF_EUVECA_QUESTION_16>

We find that the item c) should be either deleted or limited to a reference to §5 that relates to non-qualifying assets.

<ESMA_EUSEF_EUVECA_QUESTION_16>

Q17: Do you agree with the proposed approach with regard to the information on the positive social impact expected, the projections and the past performance and the methodologies for measuring the social impact (Article 14(1)(d) and (e))?

<ESMA_EUSEF_EUVECA_QUESTION_17>

We think that the regulation should not impose to develop quantitative measures. We agree with the proposed wording. We also understand and agree that the EuSEF could comply with the requirement expressed in article 14 (1) (e) by publishing a methodology/policy for measuring the social impact and keeping it up to date.

<ESMA_EUSEF_EUVECA_QUESTION_17>

Q18: Do you agree with the proposed approach on the non-qualifying assets held by the EuSEF and the process and the criteria used for selecting these assets (Article 14(1)(f))?

<ESMA_EUSEF_EUVECA_QUESTION_18>

We believe that the proportionality principle should be mentioned in order not to require excessive details on investments that do not present much risk for the investor. For example a repartition by sector might not be needed in certain circumstances.

<ESMA_EUSEF_EUVECA_QUESTION_18>

Q19: Do you agree with the proposed approach with regard to the description of the support services, as required by Article 14(1)(l)? Do you think that the manager should provide information about the cost of the support services?

<ESMA_EUSEF_EUVECA_QUESTION_19>

The wording of §6 could be improved if at the beginning of b) we could add "*if yes, specify...*" and conclude the § by "*and*" before turning to c).

<ESMA_EUSEF_EUVECA_QUESTION_19>

Q20: Do you consider that it is advisable to develop an indicative model or a template for the pre-contractual information that EuSEF has to provide to the investors under Article 14 of the EuSEF Regulation?

<ESMA_EUSEF_EUVECA_QUESTION_20>



Yes, we consider that a common template would help to enforce harmonisation in the implementation of the regulation.

<ESMA_EUSEF_EUVECA_QUESTION_20>