



# FRANCE: A GUIDE TO INTERNATIONAL FUND DISTRIBUTION

# ABOUT

## IRISH FUNDS

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Established in 1991 the Irish Funds Industry Association (Irish Funds) is the representative body of the international investment fund community in Ireland. We represent the fund promoters / managers, administrators, custodians, transfer agents and professional advisory firms involved in the international funds industry in Ireland, with more than 13,500 funds and net assets of more than €4 trillion. The objective of Irish Funds is to support and complement the development of the international funds industry in Ireland, ensuring it

continues to be the location of choice for the domiciling and servicing of investment funds. Through its work with governmental and industry committees and working groups, Irish Funds contributes to and influences the development of Ireland's regulatory and legislative framework. Irish Funds is also involved in defining market practice through the development of policy and guidance papers and the promotion of industry-specific training.

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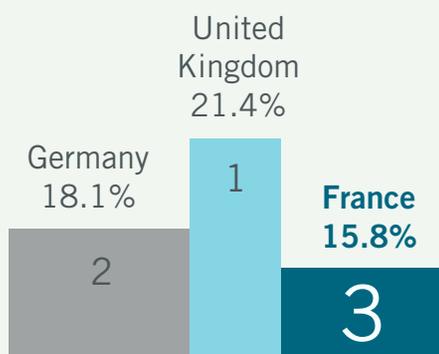
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# MARKET OVERVIEW

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As of the end of 2015, France held the 3<sup>rd</sup> place in Europe with respect to financial management of funds, with a market share of 15.8%, behind United Kingdom (21.4%) and Germany (18.1%). Including discretionary management, France is in 2<sup>nd</sup> place in Europe with 20% of market share.

The French fund industry is one of the biggest in Europe, and has grown by 5% in terms of assets under management in 2015 to reach almost €1,700 billion. Net assets for UCITS funds are now of €963 billion and €920 billion for AIFs.



As of the end of 2015, 627 French management companies (with more than 200 created in the last 5 years) were registered. 32 French management companies manage more than €15 billion and 13 French management companies more than €50 billion. 4 French groups are listed in the top 20 management groups worldwide.

In 2015, the main strategies implemented for funds sold in France were:

DIVERSIFIED FUNDS	18.7%
MONETARY FUNDS	18.5%
EQUITY FUNDS	18%
BONDS OR DEBT FUNDS	14.3%

# KEY DISTRIBUTION CHANNELS

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**DISTRIBUTION NETWORKS OF BANKS**  
through their investment services providers.



**INSURANCE COMPANIES**  
through life insurance contracts



**FRENCH CONSEILLER EN  
INVESTISSEMENTS FINANCIERS**

(financial investment advisor)

This is a French specific regime. The Financial Investment Advisor can provide investment advice. It must (i) be insured, (ii) join a professional association and (iii) be registered on the French financial intermediaries register (ORIAS). It has to follow good conduct rules and is under the surveillance of the *Autorité des Marchés Financiers* (French Financial Markets Authority, the “AMF”).

As a general comment, distribution of funds in France shall be made by a duly authorised intermediary.

# DISTRIBUTING UCITS IN FRANCE

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There is no private placement regime in France for the marketing of funds. As a general rule, a fund that is not registered or authorised by the French Financial Market Authority (AMF) for distribution in France may not be actively marketed in France.

According to the AMF Position n°2014-04 (Guidelines on the marketing regime applicable to UCITS and AIF), “the act of marketing units or shares of a UCITS (or AIF) consists in presenting them on French territory by different means (advertising, direct marketing, advice) with a view to encouraging an investor to subscribe to or purchase them”. As a result, the definition of marketing in France is wide and interpreted broadly by the AMF.

“THE ACT OF MARKETING UNITS OR SHARES OF A UCITS (OR AIF) CONSISTS IN PRESENTING THEM ON FRENCH TERRITORY BY DIFFERENT MEANS (ADVERTISING, DIRECT MARKETING, ADVICE) WITH A VIEW TO ENCOURAGING AN INVESTOR TO SUBSCRIBE TO OR PURCHASE THEM”

AMF POSITION N°2014-04

However, in this position, the AMF has excluded the qualification of marketing in France for the following situations (among others):

- reverse solicitation (where a prospective investor contacts, on a purely unsolicited basis, a fund manager or its distributor with respect to a specific fund): such possibility shall only be used in the context of a genuine reverse solicitation and not used as a way to circumvent marketing regulations in France. It should also be documented in order to evidence the unsolicited nature of the subscription;
- subscription to a fund under the terms of a third party portfolio management agreement;
- secondary transactions;
- replies to RFPs

In a recent amendment of the Position, the AMF has now included a possibility to “pre-market” a fund to no more than 50 investors before its creation, provided that (i) such pre-marketing activities be only directed towards professional investors and (ii) the prospective investors are not provided with a subscription agreement and/or a definitive documentation which would allow said prospects to subscribe to the fund.

As a result, in order to market UCITS in France, it is generally recommended to use the UCITS Directive passport (i.e., filing of an application with the relevant fund’s home state regulatory authority which will then send it to the AMF).

In order to be registered in France, the UCITS shall also:

- appoint a centralising agent (Correspondant Centralisateur), which will be in charge of certain tasks in France (processing subscription/redemption requests, paying coupons/dividends, providing information to investors);
- pay the AMF registration fee (i.e., €2,000 for each fund/sub-fund).

Should the relevant UCITS be marketed towards retail clients, it is required to translate all regulated information into French (prospectus, KIIDs, annual reports, etc).

# DISTRIBUTING AIFS IN FRANCE

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As a general principle, the marketing rules detailed for UCITS funds are applicable to the marketing of AIFs in France. However, with respect to foreign AIFs, please note the following:



## MARKETING WITH A PASSPORT

Marketing to professional investors of EU AIFs is possible through the AIFM Directive passport (as detailed in the AMF Instruction 2014-03). The AIFM of the foreign AIF must notify to its home regulatory authority of its wish to market the AIF in France, which will then forward its notification to the French Financial Market Authority (AMF). Marketing in France can start as soon as the AIFM is notified by its home regulatory authority. There is no need to appoint a centralising agent and the AMF registration fee is €2,000.

Such a passport is not possible for retail investors.



## MARKETING WITHOUT A PASSPORT

### Distribution to retail investors

The passport is not available for AIFs when marketing toward retail investors. It is required to obtain a marketing authorisation from the AMF. Though Instruction 2014-03 provides a detailed procedure, it is currently not possible to obtain such an authorisation, as it requires that:

- an information and mutual assistance exchange instrument in portfolio management for the account of a third party be in place between the AMF and the home state regulator of the AIFM and the AIF (which is generally the case);
- the AIF and AIFM must be in compliance with the provisions of the mutual recognition agreement between the AMF and the home state regulator of the AIFM and AIF (the AMF has not sign such an agreement yet).

When such authorisation becomes available, it will be required to appoint a centralising agent in France.

### Distribution to professional investors

In order to obtain such an authorisation, it will be required to comply with the requirements set forth under Article 42 of the AIFM Directive (compliance with certain AIFM Directive provisions, signature of a co-operation arrangement with the local regulatory authority of the AIFM/AIF and that the AIF is not listed as a non-cooperative country). French regulations (article D. 214-32 of the French Monetary and financial code) also require full compliance with the provisions of the AIFM Directive (except with respect to the obligations relating to the custodian).

To our knowledge, such an authorisation has not been granted by the AMF as of the publication of this document.

# REGULATORY AUTHORITIES

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The regulatory body for foreign fund distribution in France is the AMF



The key texts regulating the distribution of foreign funds are :



**FRENCH FINANCIAL  
AND MONETARY CODE**  
*(Code monétaire et financier)*



**GENERAL REGULATION  
OF THE AMF**  
*(Règlement général de l'AMF)*



**AMF  
REGULATIONS**



**AMF Instructions n° 2014-03**  
(AIFs)



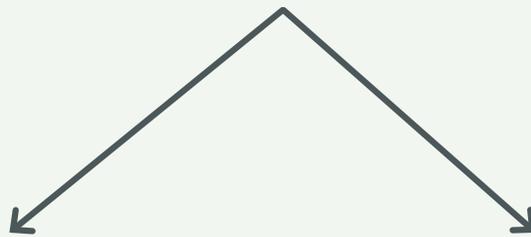
**AMF Instruction n° 2011-19**  
(UCITS)



**AMF Position AMF n° 2014-04**  
(UCITS and AIFs)

# COSTS OF REGISTRATION IN FRANCE

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Initial  
Registration fee  
per fund/sub-fund  
**€2,000**

Annual  
Registration fee  
per fund/sub-fund  
**€2,000**



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