



# FRANCE: A GUIDE TO INTERNATIONAL FUND DISTRIBUTION

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funds

# 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 14,000 funds and net assets of more than €5.2 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.



### Our Mission

We are the voice of the Funds and Asset Management industry in Ireland.



### Our Vision

Ireland will be the premier location to enable and support global investing through its reputation for trust, capability and innovation.



### Our Values

- **Collaboration** – we succeed together and in working with others
- **Commitment** – to achieving better outcomes for investors
- **Dedication** – to member interests
- **Excellence** – in delivering and enhancing our capabilities
- **Integrity** – in everything we do
- **Society/Community engagement** – we give back
- **Transparency** – In who we represent, our interests and our decisions

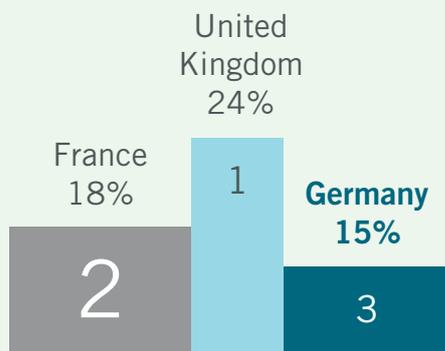
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# MARKET OVERVIEW

As of May 2017, France ranks 2nd place in Europe with respect to financial management of investment funds, with a market share of 18%, behind United Kingdom (24%). The French asset management industry (investment funds and discretionary mandates) ranks first on the Continental European market. Including discretionary management, France is in 2nd place in Europe with 20% of market share.



In October 2019, the main strategies implemented for funds sold in France were:

BALANCED FUNDS	19%
MONEY MARKET FUNDS	39%
EQUITY FUNDS	25%
BONDS OR DEBT FUNDS	17%

The French asset management sector is the largest in continental Europe. French asset managers manage in France assets worth €4,000 billion: €1,950 billion in the form of investment funds and €2,050 billion in the form of discretionary mandates and funds domiciled abroad.

Employing over 85,000 people – including 26,000 directly in asset management companies – the industry plays a key role in the financing of the real economy.

630 asset management companies operate in France, including 200 set up over the last 5 years. Over 450 of them are entrepreneurial, while 4 French groups rank among the global top 25. About 50% of French asset managers commercialise their funds on a cross-border basis, and more than 30% of the assets managed by our members are issued by corporates or states of the Euro zone (excluding France), which makes our industry a key source of funding for the European economy.

At European level, assets under management in funds amounted to €15,623 billion at the end of 2017, growing by +10.1% over the year.

As of the end of 2016, 630 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 Asset Managers in the Top 25 Global Ranking.

# 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 within the framework of the financial management of a UCITS or AIF, the so called "fund of funds" exemption.
- the “pre-marketing” exemption 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;
- the participation or organisation of a conference or investor meetings during which the management company comments on market developments and trends and on its own activities, provided that (i) audience is reserved for professional investors and (ii) no solicitation to invest in a specific UCITS or AIF is carried out and no fund specific communication is made to which units/shares may be subscribed;
- secondary transactions;
- replies to RFPs

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).

# 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)



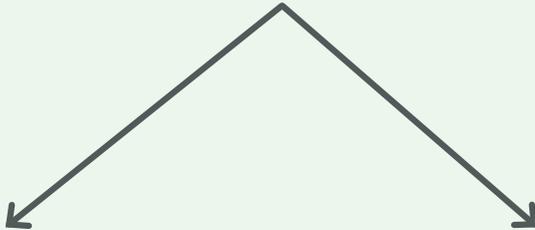
**AMF Instruction n° 2011-19**  
(UCITS)



**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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