



SJ - n° 2003/Div.

Mr Philippe Richard
IOSCO Secretary General
Oquendo 12
28006 Madrid
Espagne

Paris, May 11 2005

AFG RESPONSE TO IOSCO CONSULTATION ON INVESTMENT ADVICE, BEST EXECUTION AND MARKET TRANSPARENCY (POSSIBLE IMPLEMENTING MEASURES OF DIRECTIVE 2004/39/EC)

Dear Mr Richard,

The Association Française de la Gestion financière (AFG) represents the France-based investment management industry, both for collective and discretionary individual portfolio managements. Our members include management companies and investment companies. Some are entrepreneurial ones; others belong to French or foreign banking, insurance or asset management groups. AFG members are responsible for the management of over 1800 billion euros in the field of investment management - making the French industry a leader in Europe for collective investment in particular (with more than 20% of EU investment funds assets under management) and one of the top ones at global level. In the field of collective investment, our industry includes – beside UCITS – a significant part of products such as hedge funds, real estate funds and private equity funds. We are also a member of the Fédération Européenne des Fonds et Sociétés d'Investissement/European Fund and Asset Management Association (FEFSI/EFAMA).

Therefore, we hope that AFG (through the size and diversity of its membership) can provide with a helpful contribution to IOSCO, based on our members' experience.

We appreciate the opportunity to support IOSCO's consultation paper on "*Examination of Governance for Collective Investment Schemes*".

We agree with IOSCO that, although the definition of CIS governance can be developed from the concept of corporate governance, a definition of CIS governance must recognize the differences between the nature and purposes of CIS and the operating companies in which they invest.

In particular, we agree that a common objective for regulators should be to develop a governance framework for the organization and operation of CIS that seeks to ensure that CIS are organized and operated efficiently and exclusively in the interests of CIS investors, and not in the interest of CIS insiders.

Moreover, we share IOSCO's view that the definition must recognize the fact that CIS are structured and regulated differently among the jurisdictions of SC5 members. The way in which potential conflicts of interest in the operation of funds are addressed reflects differences in law, policy, and business structures very often.

More specifically, we do share IOSCO's view that entities such as trustees or depositaries can be considered, among others, as *Independent Entities* for the purpose of independent review – as long as (as stated by IOSCO) these entities are "*legally and economically independent from the CIS operator*". Instead of adopting a 'one size fits all' approach which might harm many regional industries, IOSCO is right when accepting that such independent entities can ensure CIS are operated exclusively in the interest of CIS investors; if necessary, IOSCO could advocate for a clear definition of what should be the responsibilities of such entities.

We are now looking forward to reading your next paper on the subject and ready to share our experience with IOSCO if you find it helpful.

If you would like to discuss the contents of this letter with us, please contact myself on 00 33 1 44 94 94 14 (e-mail: p.bollon@afg.asso.fr), or Stéphane Janin on 00 33 1 44 94 94 04 (e-mail: s.janin@afg.asso.fr).

Yours sincerely.

(signed)

Pierre Bollon