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International Organization of Securities Commission
IOSCO

Paris, 18 May 2012

AFG's response to the IOSCO's consultation report on "Principles for the valuation of Collective Investment Schemes"

The Association Française de la Gestion financière (AFG)[1] welcomes the IOSCO's consultation report on the "Principles for the valuation of Collective Investment Schemes".

Introductory remark

We would like to formulate the following observation related to the permanency of the valuation methodology. We believe there should be added a principle on the permanency of methods as it seems to us this is an important issue. We agree that the methods may change, but the change should be subjected to special procedures.

Principle 1

We fully agree. The responsible entity (which is the asset management company for the vast majority of collective investment schemes) must set the valuation methodology.

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[1] The Association Française de la Gestion financière (AFG)[1] represents the France-based investment management industry, both for collective and discretionary individual portfolio managements.

Our members include 411 management companies. They are entrepreneurial or belong to French or foreign banking or insurance groups.

AFG members are managing 2600 billion euros in the field of investment management, making in particular the French industry the leader in Europe in terms of financial management location for collective investments (with nearly 1600 billion euros managed from France, i.e. 23% of all EU investment funds assets under management), wherever the funds are domiciled in the EU, and second at worldwide level after the US. In the field of collective investment, our industry includes – beside UCITS – the employee savings schemes and products such as regulated hedge funds/funds of hedge funds as well as a significant part of private equity funds and real estate funds. AFG is of course an active member of the European Fund and Asset Management Association (EFAMA) and of the European Federation for Retirement Provision (EFRP). AFG is also an active member of the International Investment Funds Association (IIFA).

Principle 3

Concerning the derivative valuation, we are not favourable that the valuation could be performed by the depositary (we usually know that the scope of derivatives valued by the depositary is narrow and we think that this might not be relevant to outsource this function to the depositary).

Principle 5

The materiality of the pricing error must be assessed according to the investment objective of the CIS as the materiality is not the same between a money market fund and an equity fund for instance.

Principle 8

We are not convinced by an annual review of the valuation policy done by a third party. We think that this role is inherent to the fund's auditor's role. The auditor ensures that the NAV is compliant with the accounting principles that are detailed in the valuation methodology of each asset.

Principle 9

We agree that the responsible entity has to check if the third party has the ability and the means to perform an appropriate valuation according to the valuation policies and procedures. It should be clear that the responsible entity, which delegates the valuation, cannot in addition in all cases retain the ability to perform the valuation itself, but instead must always understand the process.

Principle 11

The principle is that purchases/redemptions must be processed at the next NAV.

A most frequent practice that should be kept pertains to money market funds that refer to historical pricing in order to facilitate the immediate remuneration of the investment.

If you need any further information, please don't hesitate to contact Eric Pagniez, at +33.1.44.94.94.06 (e.pagniez@afg.asso.fr) or Adina Gurau Audibert, at +33.1.44.94.94.31 (a.gurau.audibert@afg.asso.fr).

Sincerely Yours,

(signed)

Eric Pagniez