



SJ – n° 2813_02/Div.

Mr. Werner Bijkerk
Senior Policy Advisor
International Organization of Securities Commissions (IOSCO)
Calle Oquendo 12
28006 Madrid
Spain

4th February, 2011

Re: ASSOCIATION FRANCAISE DE LA GESTION (AFG)'s comments on IOSCO
Consultation Report regarding Issues Raised by Dark Liquidity

Dear Mr Bijkerk:

The ASSOCIATION FRANCAISE DE LA GESTION FINANCIERE (AFG) – French Asset Management Association¹ would like to thank the International Organization of Securities Commissions (IOSCO) for providing the opportunity to submit comments on the Consultation Report regarding ‘Issues Raised by Dark Liquidity’, issued last October.

We would like to express the following comments regarding the IOSCO Report:

¹ 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 409 management companies and 660 investment companies. They are entrepreneurial or belong to French or foreign banking or insurance groups.

AFG members are managing more than 2600 billion euros in the field of investment management. In terms of financial management location, it makes the French industry the leader in Europe for collective investments (with more than 1300 billion euros managed by French companies, i.e. 23% of all EU investment funds assets under management, wherever the funds are domiciled in the EU) and the second at worldwide level. In terms of fund domiciliation, French funds are second in Europe and third at worldwide level. Regarding product interests, our association represents – besides UCITS – the employee saving schemes, 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).

1. We applaud the IOSCO Technical Committee for having tackled the issue of Dark Liquidity. The development of Dark Pools and Dark Orders obviously make necessary to assess them from a regulatory perspective.
2. We approve and support the 6 Principles proposed by IOSCO. Such Principles show the path for getting a minimum regulatory convergence on this topic at worldwide level.
3. On the substance, improving the transparency of Dark Pools and Dark Orders is a general Principle to be followed, at least towards regulators and to some extent towards market participants.
4. However, AFG wishes IOSCO and its members to go one step beyond.
5. First, regarding Principle 1 on Pre-trade Transparency, AFG considers that the exception to the Principle – although legitimate - seems to weaken too much the Principle. In terms of drafting of this first Principle, the principle should be developed and the exception proportionately reduced.
6. Second, regarding Principle 4 on Reporting to Regulators, we consider that regulators should not have either a reporting regime or means of accessing to information regarding orders and trade information in venues that offer trading in dark pools or dark orders: regulators should have both a reporting regime and means of accessing information, as regulators are supposed to have the means to fulfill their missions.
7. Third, regarding Principle 5 on Information Available to Market Participants about Dark Pools and Dark Orders, we think that in addition there should be an incentive for market participants to use ‘lit pools’.
8. Last, regarding Principle 6 on Regulation of the Development of Dark Pools and Dark Orders, AFG considers that regulators should monitor the development of dark pools and dark orders on an on-going basis, and not only “periodically” – as once again this monitoring should be part of the permanent missions of regulators.

**
*

We thank you in advance for your attention to the views expressed above.

If you wish to discuss the contents of this letter with us, please contact myself at +33 1 44 94 94 14 (e-mail: p.bollon@afg.asso.fr), Stéphane Janin, Head of International Affairs Division, at +33 1 44 94 94 04 (e-mail: s.janin@afg.asso.fr), or Adina Gurau-Audibert, Management Techniques Advisor, at +33 1 44 94 94 31 (a.gurau.audibert@afg.asso.fr).

Sincerely,
(signed)

Pierre BOLLON