



COMPETITIVENESS OF THE PARIS FINANCIAL CENTRE

Asset Management: Boosting the Competitiveness of Paris, the Place to Be

To re-energise the French asset management industry, **Eric Pinon**, Chairman of the French Asset Management Association, AFG (*Association française de la gestion financière*), invited **Jean-Pierre Grimaud**, CEO of OFI Asset Management and a member of the AFG's Strategic Committee, to draft a **white paper on competitiveness** aimed at generating clear, concrete and ambitious proposals.

Drawing on earlier proposals made in the FROG Report and the 2016 AFG white paper on the competitiveness of the Paris financial centre, the white paper recommends **40 measures** broken down into four main areas:

■ **Support innovation** to ensure that France becomes the leader in the management of digital assets

■ **Modernise market infrastructures** to ensure that the ecosystem in which asset management companies operate is more dynamic and inventive

■ **Review the legal and regulatory framework** at national, European and international levels

■ **Reform the current fiscal and accounting framework** in order to follow up on initiatives already undertaken to boost France's attractiveness

The AFG wants to boost the Paris financial centre and points out that **seven of these 40 proposals could be implemented very quickly**:

- 1 Recommend that a new European framework be created as quickly as possible to regulate activities involving digital assets qualified as financial instruments
- 2 Promote a standardised data model for non-professional investors (KYC) that can be used by all financial sector players
- 3 As part of the development of blockchain-based services in France and Europe, promote interoperability among the various players involved in collecting subscription/redemption orders for units of CIS
- 4 Encourage the development of late stage funds by mobilising stakeholders (institutional and individual investors, public authorities and accounting standard-setters)
- 5 Amend the MiFID II rules that impact research funding by applying the proportionality principle to inducement rules for SMEs and small asset management companies
- 6 Improve the tax treatment of income earned by French CIS
- 7 Update the CIS chart of accounts

The AFG's 40 proposals

I. Support innovation

- 1 Recommend that a new European framework be created as quickly as possible to regulate activities involving digital assets qualified as financial instruments

II. Modernize market infrastructures

II. 1 Facilitate subscription and redemption transactions involving UCI units

- 2 Promote a standardised data model for non-professional investors (KYC) that can be used by all financial sector players
- 3 Ensure the cross-referencing of BIC/BIC1 and LEI codes
- 4 Encourage the use and the recognition of electronic communications between management companies and investors
- 5 As part of the development of blockchain-based services in France and Europe, promote interoperability among the various players involved in collecting subscription/redemption orders for CIS units

II. 2 Promote new operating frameworks for the financial centre

- 6 Initiate a study into the feasibility of creating a new Eurozone-based central counterparty (CCP) to provide central clearing house services for IRS and, potentially, other related products
- 7 Promote the implementation of stricter European regulation of index and data providers and rating agencies
- 8 Support alternatives to the dominance of index and data providers: indexes built by asset management companies, a data backbone provided by the AMF, creation of an industry-wide reference database

II. 3 Facilitate the growth of SMEs

- 9 Encourage the development of late-stage funds by mobilising stakeholders (institutional and individual investors, public authorities and accounting standard-setters)
- 10 Facilitate access to financial markets for medium-sized companies by significantly raising the market cap threshold set out in the MiFID II directive
- 11 Amend the MiFID II rules that impact research funding, by applying the proportionality principle to inducement rules for SMEs and small asset management companies
- 12 Provide the opportunity to request accelerated rulings when tax accounting questions arise

III. Review the legal and regulatory framework

III. 1 Create a new regulatory foundation

- 13 Incorporate all aspects of legal innovation from the very earliest stage: regulatory, accounting, tax, etc.
- 14 Reinforce coordination between relevant administrations to ensure legal and regulatory coherence
- 15 Obtain greater consideration of the French asset management industry from political leaders
- 16 Require European and French authorities to take into account competitiveness, reciprocity and security imperatives for European investors
- 17 Expand the remit of the AMF and the Treasury to include financing the economy and competitiveness and analysing the strategic consequences of regulatory changes
- 18 Harmonize the laws and regulations governing regulated investments by institutional investors such as insurers, French pension institutions...
- 19 Systematically opt for the most favourable interpretation of European regulations
- 20 Use the principle of proportionality, whenever it can be applied, in defining and interpreting new national or European regulations
- 21 Implement more flexible regulations allowing a broader range of assets eligible for third-party asset management
- 22 Not restrict retail investors to only those investments considered to be very secure
- 23 Make anonymous a greater number of the AMF Enforcement Committee's decisions, based on their type and severity

III. 2 Make concrete revisions to regulations

- 24 Overcome regulatory obstacles to business combinations among management companies and the pooling of their resources
- 25 Harmonise, at European level, the conditions for creating asset management companies
- 26 Create a European status for SICAVs
- 27 Create a new category of non-coordinated, long-term, retail CIS
- 28 Ease rules governing the frequency of net asset value (NAV) calculation and publication for AIFs
- 29 Ease certain financial management rules such as those applying to investment ratios, investments on commodity markets, UCITS investments in AIFs, conditions for the temporary acquisition or sales of securities, compliance with ratios at all times, and investment in delta-one financial instruments

III. 3 The exceptional situation of Brexit

- 30 Promote the convergence of rules on the reshoring practices by European supervisors, in partnership with the AMF, to avoid a race to the regulatory bottom undermining the credibility of the European Union
- 31 Promote the principles of reciprocity and protection of European investors in determining the conditions of access by UK funds and asset management companies to French and European markets

IV. Reform the current fiscal and accounting framework

IV. 1 Make French tax rules more attractive

- 32 Continue to lower the payroll tax
- 33 Definitively discard the European plan for a financial transaction tax
- 34 Maintain the stability of tax rules and enhance tax security, which is essential to France's attractiveness, by not challenging recent positive tax reforms or worsening the tax treatment of financial investments
- 35 Enable more asset management companies to claim the Research Tax Credit (CIR)
- 36 Improve the tax treatment of income earned by French CIS
- 37 Enable SPPICAV (real-estate funds), to break down their dividends into French-source and foreign-source income
- 38 Clarify the fiscal situation of the "organismes de financement (OF)", via legislation or publication in the Official Journal of Public Finances-Taxes (BOFIP-Impôts), regarding the VAT treatment of fund management, the social solidarity contribution (C3S) and the territorial economic contribution (CET)

IV. 2 Improve accounting competitiveness

- 39 Update the chart of accounts for CIS
- 40 Enable the European Union to amend IFRS standards developed by the IASB and no longer be obliged to either adopt them as is or reject them

The Association Française de la Gestion Financière (French Asset Management Association – AFG) represents and promotes the interests of third-party portfolio management professionals. It brings together all asset management players from the discretionary and collective portfolio management segments. The latter manage nearly €4,000 billion worth of assets, i.e. a quarter of continental Europe's asset under management.