



EP/AGA - n° 2799\_01/Div.

SECURITIES AND EXCHANGE  
COMMISSION

President's Working Group Report  
on Money Market Fund Reform

Paris, 10 January 2010

**AFG COMMENT ON THE PRESIDENT'S WORKING GROUP ON FINANCIAL  
MARKETS ON MONEY MARKET FUND REFORM OPTIONS SUBMISSION TO  
THE SECURITIES AND EXCHANGE COMMISSION**

*[Release No. IC-29497; File No. 4-619]*

The Association Française de la Gestion financière (AFG)<sup>1</sup> welcomes the Securities Exchange Commission's request for comment on the options discussed in the report presenting the results of the President's Working Group on Financial Markets' study of possible money market fund reforms.

We want to thank the Commission for the opportunity to express the French asset management's opinion on the proposal. Indeed, our asset management industry, that has a complete spectrum of asset classes and techniques, represent the major European money market fund domicile for variable NAV funds.

---

<sup>1</sup> The Association Française de la Gestion financière (AFG)<sup>1</sup> 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).

French MMFs held a 35% share in the European MMF market at the end of September 2010, that represent EUR 420 billion of exclusively VNAV funds (which is not the case for MMFs in Ireland or Luxembourg, two other top markets in Europe).

The choice for VNAs in France is due to several elements:

- Nor institutional investors, nor retail ones ask for CNAs;
- OPCVM<sup>2</sup> (general mutual fund) culture is very strong in France (and thus, the NAV varies normally according to the valuation of net assets);
- Both industry and regulator want to avoid any ambiguity on what could be seen as an implicit or explicit guarantee. No guarantee may be given to the investor and this is clearly stated in the prospectus of French MMFs;
- Regulatory adjustments are still needed in France to be able to create CNAs;
- As European and French regulations envisage it, French MMFs can adapt to the occurrence of a crisis by temporarily suspending, in the event of an emergency, the subscriptions / redemptions, and this in the best interest of the subscribers.

During the subprime crisis, in summer 2007, no French MMF used this faculty and some of them, very few, saw their NAV dropping, and that was understood by the investors (3 OPCVM suspended their subscriptions / redemptions, but these funds were not MMFs, whose definition at the time was already very strict and controlled by our regulator).

Nevertheless, nor the French regulator (AMF), nor the French industry are opposed to CNAV MMFs. No method excludes the other.

We thus express our strong wish for a better cooperation between the two sides of the Atlantic so that this concept of MMF is harmonized, as well for CNAs and VNAs. Confident with our experience with the VNAs, a concept until now less used in the USA for MMFs, AFG is eager to make its contribution within the discussions led in Washington. We remain however very skeptical on any program that could let believe that a MMF is supplied with a guarantee, even resulting from a private program of guarantee. That is in our opinion a false protection for the investor. Indeed, whatever the valuation and accounting techniques, a MMF remains a mutual fund that intervenes in the money markets and is linked to the evolutions of the latters. Return on investment is never acquired in advance.

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](mailto:e.pagniez@afg.asso.fr)) or Adina Gurau Audibert, at +33 1 44 94 94 31 ([a.gurau.audibert@afg.asso.fr](mailto:a.gurau.audibert@afg.asso.fr)).

Sincerely Yours,

(signed)

Eric Pagniez

---

<sup>2</sup> Organisme de placement collectif en valeurs mobilières (Undertaking for Collective Investment in Transferable Securities)