

# Reply form

**On the Guidelines on Liquidity Management Tools of UCITS and open-ended AIFs**

## Responding to this paper

ESMA invites comments on all matters in this paper and in particular on the specific questions summarised in Annex 1. Comments are most helpful if they:

- respond to the question stated;
- indicate the specific question to which the comment relates;
- contain a clear rationale; and
- describe any alternatives ESMA should consider.

ESMA will consider all comments received by **8 October 2024**.

All contributions should be submitted online at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading 'Your input - Consultations'.

## Instructions

In order to facilitate analysis of responses to the Call for Evidence, respondents are requested to follow the below steps when preparing and submitting their response:

- Insert your responses to the questions in the Call for Evidence in this reply form.
- Please do not remove tags of the type < ESMA\_QUESTION\_GLMT\_0>. Your response to each question has to be framed by the two tags corresponding to the question.
- If you do not wish to respond to a given question, please do not delete it but simply leave the text "TYPE YOUR TEXT HERE" between the tags.
- When you have drafted your responses, save the reply form according to the following convention: ESMA\_CP1\_GLMT\_nameofrespondent.

For example, for a respondent named ABCD, the reply form would be saved with the following name: ESMA\_CP1\_GLMT \_ABCD.

- Upload the Word reply form containing your responses to ESMA's website (**pdf documents will not be considered except for annexes**). All contributions should be submitted online at <https://www.esma.europa.eu/press-news/consultations/consultation-liquidity-management-tools-funds> under the heading 'Your input - Consultations'.

## **Publication of responses**

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA's Board of Appeal and the European Ombudsman.

## **Data protection**

Information on data protection can be found at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading '[Data protection](#)'.

## **Who should read this paper?**

This document will be of interest to alternative investment fund managers, AIFs, management companies, UCITS, and their trade associations, depositories and their trade associations, as well as professional and retail investors investing into UCITS and AIFs and their associations.

## 1 General information about respondent

Name of the company / organisation	France Post-Marché
Activity	Associations, professional bodies, industry representatives
Country / Region	France

## 2 Questions

**Q1 Do you agree with the list of elements included under paragraph 17 of Section 6.5.1 of the draft guidelines that the manager should consider in the selection of LMTs? Are there any other elements that should be considered?**

<ESMA\_QUESTION\_GLMT\_1>

FRANCE POST-MARCHE (previously named AFTI) was created in 1990, with the goal of gathering members of organizations in the Banking and Financial Services industry involved in activities with financial instruments and specifically post trade activities.

FRANCE POST-MARCHE is an integral part of the French, European and international financial ecosystem, supporting the increasingly interdependent players in the French financial marketplace.

FRANCE POST-MARCHE (FPM) is the leading association representing the post-trade business in France and Europe.

FPM represents through its 82 members a wide range of activities: market infrastructures, custodians, account-keepers and depositaries, issuer services, reporting, and data management services, with a total staff of 28,000 in Europe of which 16,000 in France.

Our members acting as financial intermediaries account for 26% of the European market.

We agree with elements a to e of paragraph 17 of section 6.5.1. We don't have items to add.

As a general remark, it should be clarified that the selection of tools should be made at the fund level or for each sub-fund in the case of an umbrella fund because the sub-funds are not

jointly responsible for each other, and each sub-fund has its own investment strategy and investor base. |

<ESMA\_QUESTION\_GLMT\_1>

**Q2      Should the distribution policy of the fund be considered in the selection of the LMTs? What are the current practices in relation to the application of anti-dilution levies by third party distributors (e.g.: whether the third party corrects the price by adding the anti-dilution levy to the fund NAV)?**

<ESMA\_QUESTION\_GLMT\_2>

|Practices may differ: the choice of LMT must be analyzed according to the type of fund and the operational capacity of the players to apply it.

We understand that, by delegation from the asset manager, the centralizing agent will apply the price asked by distributors, investors' custodians. |

<ESMA\_QUESTION\_GLMT\_2>

**Q3      Do you agree that among the two minimum LMTs managers should consider the merit of selecting of at least one quantitative LMT and at least one ADT, in light of the investment strategy, redemption policy and liquidity profile of the fund?**

<ESMA\_QUESTION\_GLMT\_3>

|We agree with the fact that the selection of LMTs should be done in light of the fund's investment strategy, redemption policy and liquidity profile. In France, the AMF's doctrine (2017-05 - Procedures for the introduction of liquidity management mechanisms, namely Swing pricing, Anti-dilution Levy ADL and Gates) adds the consideration of market conditions. ADL, Swing pricing (ADT tools) shall apply at any times, in normal marked conditions while Gates (quantitative tool) shall be reserved in case of stressed market conditions |

<ESMA\_QUESTION\_GLMT\_3>

**Q4      Do you see merit in developing further specific guidance on the depositaries' duties, including on verification procedures, with regards to LMTs?**

<ESMA\_QUESTION\_GLMT\_4>

In accordance with the UCITS and AIFM Directives, the depositary must, as part of the exercise of its supervisory obligations, carry out verifications on the processes and procedures for which the asset manager is responsible. The depositary shall thus ensure that appropriate procedures for the management of the funds are in place in all circumstances. The documented procedures on the LMTs will be an integral part of the audit procedure carried out by the depositary. We agree with the proposed guidelines in paragraph 25 of section 6.5.1. We do not think it is necessary to add any other specific guidance. |

<ESMA\_QUESTION\_GLMT\_4>

**Q5 Do you agree with the list of elements included under paragraph 28 of Section 6.5.2 of the draft guidelines to be included in the LMT policy? Are there any other elements that, in your view, should be included in the LMT policy?**

<ESMA\_QUESTION\_GLMT\_5>

We agree with the elements listed in paragraph 28 of section 6.5.2 and don't see any other items to add to this list. However, a few elements might have to be adapted in function of the LMT (ex: point n is not adapted to gates).

Please also note that point i (procedures to ensure the operational readiness and effectiveness of the manager and relevant stakeholders - e.g.: depositary, accounting, distributors and other services providers - in the event of the activation of LMTs) is key for depositaries/custodians who can also act as asset servicers (including Transfer Agent and Fund Accountant). Depositaries, custodians/asset servicers (and more generally all the players in the chain if applicable) must be able to monitor and operationally process the tools by taking into account the volume of processing. |

<ESMA\_QUESTION\_GLMT\_5>

**Q6 In your view, what are the elements of the LMT policy that should be disclosed to investors and what are the ones that should not be disclosed? Please provide reasons for your answer.**

<ESMA\_QUESTION\_GLMT\_6>

On the elements of the LMT policy listed in paragraph 28 of section 6.5.2, we believe that only elements h and p should be brought to the attention of investors.

The other points are part of the detailed internal procedure for LMTs (included in the risk management framework) set up by the asset manager. Those elements are not useful to the investor in the context of the investment decision and are even likely to blur his analysis of the elements that are important for his decision-making. The information provided to investors must remain simple, understandable and not misleading. |

<ESMA\_QUESTION\_GLMT\_6>

**Q7 Do you agree with the above definition of “exceptional circumstances”? Can you provide examples of additional exceptional circumstances, not included under paragraph 30 of Section 6.5.3.1 of the draft guidelines, that would require the manager to consider the activation of suspension of subscriptions, repurchases and redemptions, having regard to the interests of the fund’s investors?**

<ESMA\_QUESTION\_GLMT\_7>

We agree with the definition of exceptional circumstances. Although it is stated in paragraph 30 of subsection 6.5.3.1 that the list of examples of exceptional circumstances is not exhaustive, we do not see any additional examples. The list is indeed complete, which takes into account the diversity of circumstances, including unforeseeable, operational, regulatory events, fraud, cyber incidents, political, financial or social crises or natural disasters. |

<ESMA\_QUESTION\_GLMT\_7>

**Q8 Do you agree with the elements of the LMT plan included under paragraph 32 of Section 6.5.3.1 of the draft guidelines to be included in the LMT plan? Is there any other element that should be considered?**

<ESMA\_QUESTION\_GLMT\_8>

We agree with the elements of the LMT plan in paragraph 32 of subsection 6.5.3.1. Deadlines should be set on a case-by-case basis by asset managers, taking into account the interests of the investors. |

<ESMA\_QUESTION\_GLMT\_8>

**Q9 Do you agree with the above list of elements to calibrate the suspensions of subscriptions, repurchases and redemptions? Is there any other element that should be considered?**

<ESMA\_QUESTION\_GLMT\_9>

We are not in favour of setting a threshold for the triggering of the suspension of redemption/subscriptions. This mechanism is appropriate to exceptional market circumstances and is only used as a last resort by discretionary decision of the asset manager which must document the activation. The stakeholders currently operate without a threshold without any evidence of abuse on the part of asset managers, which use it as a last resort sparingly because there are reputational issues.

However, in France, there is one case in which there is a threshold to protect the last investors: when a fund falls below a defined minimum asset threshold, redemptions are suspended with the need to define an action plan within 30 days (recapitalisation, merger with another fund or liquidation of the fund).

<ESMA\_QUESTION\_GLMT\_9>

**Q10 Do you agree with the proposed criteria for the selection of redemption gates? Is there any other criteria that should be considered?**

<ESMA\_QUESTION\_GLMT\_10>

We agree with the proposed criteria.

We don't think additional criteria should be considered, however a disclaimer should be provided in the prospectuses when the fund does not provide gates to inform investors that the chances of suspensions of redemptions and subscriptions are higher due to the absence of this tool.

<ESMA\_QUESTION\_GLMT\_10>

**Q11 What methodology should be used and which elements should be taken into account when setting the activation threshold of redemption gates?**



<ESMA\_QUESTION\_GLMT\_11>

We agree with paragraphs 36 to 38, as drafted. It is the responsibility of the asset manager to decide on gate activation as well as the threshold to be defined. |

<ESMA\_QUESTION\_GLMT\_11>

**Q12 Do you agree that the use of redemption gates should not be restricted in terms of the maximum period over which they can be used? Do you think that any differentiation should be made for funds marketed to retail investors? Please provide concrete cases and examples in your response.**

<ESMA\_QUESTION\_GLMT\_12>

We do not agree that the use of redemption gates should not be restricted in terms of the maximum period over which they can be used. In France, the AMF has established a doctrine that takes into account the frequency of the NAV to determine the maximum number of NAVs that can be gated, with specific rules concerning private equity funds (e.g. a fund with a daily NAV can only gate 20 NAVs over a 3-month period) - cf instruction AMF 2017-05. This doctrine is in the interest of investors and in line with the purpose of this tool, and is not a day-to-day management tool (cf Q11).

In addition, when the set deadline is reached, the asset manager should terminate the gate and consider another exceptional solution, which may be, in particular, the suspension of redemptions or the liquidation of the vehicle. Furthermore, gates must be applied in the same way to all investors, and order execution must not be prioritized in relation to order amount, investor, order date, etc., to ensure equal treatment of investors. This is currently the case in France with AMF doctrine 2017-05.

We think that a differentiation should be made for funds marketed to retail investors, according to their investment targets and liquidity. For retail funds, which are more liquid, the gates mechanism should be limited in time.

We foresee a technical issue in France with books of redemption orders that could persist for a very long time, with prorated/deferred redemptions of shares with derisory quantities/amounts. |

<ESMA\_QUESTION\_GLMT\_12>

**Q13** What is the methodology that managers should use to calibrate the activation threshold of redemption gates to ensure that the calibration is effective so that the gate can be activated when it is needed? Do you think that activation thresholds should be calibrated based on historical redemption requests and the results of LSTs?

<ESMA\_QUESTION\_GLMT\_13>

[TYPE YOUR TEXT HERE ]

<ESMA\_QUESTION\_GLMT\_13>

**Q14** In order to ensure more harmonisation on the use of redemption gates, a fixed minimum activation threshold, above which managers could have the option to activate the redemption gate, could be recommended. Do you think that a fixed minimum threshold would be appropriate, or do you think that this choice should be left to the manager?

<ESMA\_QUESTION\_GLMT\_14>

[We think that a fixed minimum threshold is appropriate. In France, minimum thresholds are already fixed by the AMF (doctrine 2017-05). ]

<ESMA\_QUESTION\_GLMT\_14>

**Q15** If you think that a fixed minimum threshold should be recommended, do you agree that for daily dealing funds (except ETFs and MMFs) it should be set as follows:

<ESMA\_QUESTION\_GLMT\_15>

[TYPE YOUR TEXT HERE ]

<ESMA\_QUESTION\_GLMT\_15>

**a) at 5% for daily net redemptions; and**

<ESMA\_QUESTION\_GLMT\_0>

|We agree with this minimum threshold. |

<ESMA\_QUESTION\_GLMT\_0>

**b) at 10% for cumulative net redemptions received during a week?**

<ESMA\_QUESTION\_GLMT\_0>

|For daily dealing funds, we are not in favour of this threshold since we are not able to manage an accumulation of calculations over a period which is beyond the NAV frequency. |

<ESMA\_QUESTION\_GLMT\_0>

**Q16 Do you agree with the proposed criteria for the selection of the extension of notice period? Are there any other criteria that should be considered?**

<ESMA\_QUESTION\_GLMT\_16>

|In France, based on a high-volume industrial CSD model, the extension of the notice period can only apply to funds that do not have close frequency NAVs (from weekly frequency, whether UCITS or AIF) and not to UCITS or FIA funds that may have daily frequency NAVs.

We remain vigilant with regard to the notification of the notice period to the centralizing agent. The centralizing agent and the investors' custodians should be informed of the start and end dates of the extension of the notice period by the asset manager. |

<ESMA\_QUESTION\_GLMT\_16>

**Q17 According to the revised AIFMD and UCITS Directive, the extension of notice periods means extending the period of notice that unit-holders or shareholders must give to fund managers, beyond a minimum period which is appropriate to the fund. In your view, for RE and PE funds: i) what would be an appropriate minimum notice period; and ii) would the extension of notice period be an appropriate LMT to select?**

<ESMA\_QUESTION\_GLMT\_17>

|Please refer to answer provided for question 16. |

<ESMA\_QUESTION\_GLMT\_17>

**Q18 Do you think the length of the extension of notice periods should be proportionate to the length of the notice period of the fund? Do you think a standard/ maximum extended notice period should be set for UCITS?**

<ESMA\_QUESTION\_GLMT\_18>

|Please refer to answer provided for question 18 of the RTS. |

<ESMA\_QUESTION\_GLMT\_18>

**Q19 Do you agree with the above criteria for the activation of the extension of notice period? Are there any other criteria that should be considered?**

<ESMA\_QUESTION\_GLMT\_19>

|We do not agree with the above criteria: the notice period extension is part of quantitative LMTs and should therefore be applied in periods of market tension, which should exclude normal market conditions. This mechanism seems to be better suited for AIF (example: PE/RE funds). |

<ESMA\_QUESTION\_GLMT\_19>

**Q20 Do you have any comments on the guidance on the calibration of the extension of notice periods?**

<ESMA\_QUESTION\_GLMT\_20>

|We do not have any comments. |

<ESMA\_QUESTION\_GLMT\_20>

**Q21 Do you agree with the above criteria for the selection of redemptions in kind? Are there any other criteria that should be considered?**

<ESMA\_QUESTION\_GLMT\_21>

We believe that the use of this tool should be reserved for professional investors as long as the assets received are eligible directly by these institutions according to any regulatory constraints.

In addition, it is necessary to take into account the nature of the assets, some of which are indivisible in proportion (derivatives, loans, real estate, etc.).

Therefore, asset managers of funds open to professionals and non-professionals should not select this tool and prefer another quantitative LMT such as the gates for example. |

<ESMA\_QUESTION\_GLMT\_21>

**Q22 Do you agree with the above criteria for the activation of redemptions in kind?  
Are there any other criteria that should be considered?**

<ESMA\_QUESTION\_GLMT\_22>

We agree with the criterion in point 67 (guidelines 47 in subsection 6.5.3.4).

We don't agree with point 68 for the Depositary acting as an independent third party to carry out an additional valuation of the assets repurchased in kind. To recall, the depositary's due diligence must enable it to ensure that the asset manager has a framework that allows it to:

- apply the rules for valuing financial instruments as defined by the UCI's prospectus and ensure that they comply with pricing policy defined by the AM
- to check the permanence of the method chosen by the AM
- periodically check that this valuation method is appropriate
- determine and control the source of the price used for the valuation of the instrument
- ensure that deviations from the pricing policy have been documented and brought to the attention of the AM's internal control
- establish a price independently. In this respect, and more specifically, the depositary verifies that the Asset manager has put in place procedures enabling it to value the instruments which do not have a market price, either on an ad hoc or permanent basis

Under no circumstances the depositary has to recalculate the price of financial instruments which is the responsibility of the Asset manager, in particular with regard to which concerns unlisted securities.

On the other hand, it seems important to us in order to ensure a fair treatment between the professional investors that the fund's auditor be able to certify the valuation of the assets to be redeemed in kind (as is the case in France, for example, when contributions in kind are made within a UCI).

Against this background, the guidelines 48 in subsection 6.5.3.4 should be "In case of the activation of redemptions in kind, an independent third party (e.g.: the fund auditor) should perform an additional valuation of the asset(s) to be redeemed in kind". |

<ESMA\_QUESTION\_GLMT\_22>

**Q23 Do you think that redemptions in kind should only be activated on the NAV calculation dates?**

<ESMA\_QUESTION\_GLMT\_23>

|We think that redemptions in kind should only be activated on the NAV calculation dates. |

<ESMA\_QUESTION\_GLMT\_23>

**Q24 What are the criteria to be followed by the managers for the selection of the assets to be redeemed in kind in order to ensure fair treatment of investors?**

<ESMA\_QUESTION\_GLMT\_24>

|Asset managers must ensure the ability to distribute assets on a pro rata basis for fair treatment: non-divisible assets should be subject to compensation between investors accepted by all investors, and under validation by the Fund's auditor. |

<ESMA\_QUESTION\_GLMT\_24>

**Q25 How should redemptions in kind be calibrated?**

<ESMA\_QUESTION\_GLMT\_25>

|We don't understand the purpose of calibration regarding redemptions in kind, which should be determined on a case-by-case basis. |

<ESMA\_QUESTION\_GLMT\_25>

**Q26 Do you agree that managers should consider the merit of avoiding the simultaneous activation of certain ADTs (e.g.: swing pricing and anti-dilution levies)? Please provide examples when illustrating your answer.**

<ESMA\_QUESTION\_GLMT\_26>

|In France, swing pricing is already in place, with procedures defined and automated by the fund accounting teams, whereas the ADL mechanism is being studied for future automated implementation on CSD model funds (not yet deployed).

Nevertheless, given the similar objectives of swing pricing, ADL and redemption fees, we don't think it's appropriate to activate several mechanisms for the same fund/sub-fund at the same NAV. Any ADT mechanism whose objective is to make the investor pay the costs of portfolio reorganization should not be activated at the same time, in the interest of incoming and outcoming unitholders (cost paid twice). |

<ESMA\_QUESTION\_GLMT\_26>

**Q27 Do you agree with the list of elements provided under paragraph 56 of Section 6.5.4 of the draft guidelines? Is there any other element that should be included in the estimated cost of liquidity?**

<ESMA\_QUESTION\_GLMT\_27>

|TYPE YOUR TEXT HERE |

<ESMA\_QUESTION\_GLMT\_27>

**Q28 Do you have any other comments on the proposed general guidance on ADTs?**

<ESMA\_QUESTION\_GLMT\_28>

|We don't have any other comments. |

<ESMA\_QUESTION\_GLMT\_28>

**Q29 Do you agree with the above criteria for the selection of redemption fees? Is there any other criteria that should be considered?**

<ESMA\_QUESTION\_GLMT\_29>

|Any ADT mechanism whose objective is to make the investor pay the costs of portfolio reorganization should not be activated at the same NAV on a same fund/sub-fund, in the interest of incoming and outgoing unitholders (cost paid twice). |

<ESMA\_QUESTION\_GLMT\_29>

**Q30 Do you have any views on how to set the activation thresholds for redemption fees?**

<ESMA\_QUESTION\_GLMT\_30>

|As a general rule, we are able to manage the fixed acquired fees stipulated in the prospectus, as well as acquired fees calculated according to order size (scales), but we are not in a position to manage acquired fees calculated according to percentage of NAV or combination of order size + NAV. In the industrial CSD model in France, we would like to see a simple, automatable calculation model, given the volumes handled. In addition, any calculation on the NAV could only be made once the NAV has been estimated.

Note that this mechanism is predetermined and must not be modified according to market conditions, which would be similar to ADL, another liquidity mechanism. |

<ESMA\_QUESTION\_GLMT\_30>

**Q31 Do you have any comments the calibration of redemption fees?**

<ESMA\_QUESTION\_GLMT\_31>

|TYPE YOUR TEXT HERE |

<ESMA\_QUESTION\_GLMT\_31>



**Q32 Do you agree with the above criteria for the selection of swing pricing? Is there any other criteria that should be considered?**

<ESMA\_QUESTION\_GLMT\_32>

[TYPE YOUR TEXT HERE ]

<ESMA\_QUESTION\_GLMT\_32>

**Q33 Under which circumstances should the manager consider the activation of swing pricing?**

<ESMA\_QUESTION\_GLMT\_33>

[TYPE YOUR TEXT HERE ]

<ESMA\_QUESTION\_GLMT\_33>

**Q34 Do you agree with the above principles that a manager should follow in order to recalibrate the swing factor? Is there any other criteria that should be considered?**

<ESMA\_QUESTION\_GLMT\_34>

[TYPE YOUR TEXT HERE ]

<ESMA\_QUESTION\_GLMT\_34>

**Q35 Do you have any comments on the proposed guidance on the calibration of swing pricing?**

<ESMA\_QUESTION\_GLMT\_35>

[TYPE YOUR TEXT HERE ]

<ESMA\_QUESTION\_GLMT\_35>

**Q36 As dual pricing is a LMT which is not particularly used in most Member States, stakeholders' feedback on the selection, activation and calibration of this LMT is especially sought from those jurisdictions where this is used.**

<ESMA\_QUESTION\_GLMT\_36>

To the best of our knowledge, this tool is not offered by any large asset servicers in most Member States.

Before implementing this tool, Asset servicer (Fund Admin and TA) would call for a feasibility analysis in their respective tools (for both methods) and a large adaptation period for all stakeholders as developing this tool would require significant resources and additional costs, which will ultimately have an impact on the fees paid by the investors.

The mapping of tools presented on page 41 of the guidelines which describes a situation of the existence of LMTs in 2020 at EU level should be updated with current situation in 2024 (in particular by adding dual pricing into the list) to know the precise state of play of the existing, available and functional tools in order to measure the work necessary in each Member State to propose and process the tools provided for in the UCITS and AIFM directives. Indeed, if we want to be able to protect investors effectively, the possibilities must be the same in all countries. However, we know that not all Member States have the same maturity and preparation on the subject. It would seem preferable to us under these conditions to give priority to the use of tools that already exist or are currently being developed (swing pricing, and ADL currently under automation in France). |

<ESMA\_QUESTION\_GLMT\_36>

**Q37 Do you agree with the above criteria for the selection of ADL? Is there any other criteria that should be considered?**

<ESMA\_QUESTION\_GLMT\_37>

|TYPE YOUR TEXT HERE |

<ESMA\_QUESTION\_GLMT\_37>

**Q38 Do you agree with the above criteria for the activation of ADL? Is there any other criteria that should be considered?**

<ESMA\_QUESTION\_GLMT\_38>

|We agree with the above criteria.

However, in France, the use of ADL should be limited according to the following criteria: no ADL by share class but by fund/sub-fund, no ADL by order/investor but identical application for the entire fund inflows (same rate depending on the direction of the order).

Today, we are not able to manage fully-automated ADL which can be activated under the responsibility of the asset manager on every NAV. The automation of ADL processing, even if it is currently ongoing, will require manual work. It is a reality that numerous investors' custodians/financial intermediaries do not use STP processes and are still working with manual processes (orders by phone/fax). The French regulator (AMF) is aware of this issue. |

<ESMA\_QUESTION\_GLMT\_38>

**Q39 Do you agree that ADL should be calibrated based on the same factor used to calibrate swing factors?**

<ESMA\_QUESTION\_GLMT\_39>

|TYPE YOUR TEXT HERE |

<ESMA\_QUESTION\_GLMT\_39>

**Q40 Do you have any comments on the selection, activation and calibration of ADL?**

<ESMA\_QUESTION\_GLMT\_40>

|We do not have any comments. |

<ESMA\_QUESTION\_GLMT\_40>

**Q41 Do you agree with the above definition of “exceptional circumstances”? Can you provide examples of additional exceptional circumstances, not included under the above paragraph?**

<ESMA\_QUESTION\_GLMT\_41>

|We agree with the above definition. |

<ESMA\_QUESTION\_GLMT\_41>

**Q42 In your view, how the different types of side pockets (physical segregation vs. accounting segregation ) should be calibrated and in which circumstances one should be chosen over the other? Please provide examples including on whether the guidance should be different for UCITS and AIFs.**

<ESMA\_QUESTION\_GLMT\_42>

|In France, accounting segregation is not possible by regulation. There should therefore be no conditions that point further towards physical or accounting separation.

The process of physical segregation in France is functional and is described by an AMF 2011-25 doctrine.

It must be able to apply indiscriminately to UCITS and AIFs as long as it is justified (i) by the exceptional conditions described in paragraph 105 and (ii) in the interest of investors. |

<ESMA\_QUESTION\_GLMT\_42>

**Q43 Do you have any comments on the calibration of side pockets?**

<ESMA\_QUESTION\_GLMT\_43>

|TYPE YOUR TEXT HERE |

<ESMA\_QUESTION\_GLMT\_43>

**Q44 Do you have any comment on the proposed guidance on disclosure to investors?**

<ESMA\_QUESTION\_GLMT\_44>

|We do not have any comment. |

<ESMA\_QUESTION\_GLMT\_44>

**Q45 Do you agree that investors should be informed of the fact that the manager can activate selected and available LMTs and that this information should be included in the fund's rules and instruments of incorporation?**

<ESMA\_QUESTION\_GLMT\_45>

|We agree on the fact that information should be incorporated in the regulatory documentation (prospectus, regulation or by-laws) to ensure that investors are properly informed. |

<ESMA\_QUESTION\_GLMT\_45>

**Q46 Which parts of the LMT policy, if any, should be disclosed to investors?**

<ESMA\_QUESTION\_GLMT\_46>

|On the elements of the LMT policy listed in paragraph 28 of section 6.5.2, we believe that only elements h and p should be brought to the attention of investors.

The other points are part of the detailed internal procedure for LMTs (included in the risk management framework) set up by the asset manager. Those elements are not useful to the investor in the context of the investment decision and are even likely to blur his analysis of the elements that are important for his decision-making. The information provided to investors must remain simple, understandable and not misleading. |

<ESMA\_QUESTION\_GLMT\_46>

**Q47 In your view, how much time would managers need for adaptation before they apply the guidelines, in particular for existing funds?**

<ESMA\_QUESTION\_GLMT\_47>

We should not see the adaptation times necessary only for asset managers. In the event that all LMTs should be implemented (in particular dual pricing for France), a significant transition period should be provided to ensure their implementation by all stakeholders in the value chain (asset managers, depositaries/custodians, asset servicers - fund administrator, transfer agent/centralizing agent -, market data provider, distributor, regulator, etc.).

Transition periods will be necessary to allow all stakeholders in all Member States to carry out the necessary developments to be able to deal with all the tools, thus guaranteeing a level playing field within the EU. |

<ESMA\_QUESTION\_GLMT\_47>

**Q48 Do you agree with the above-mentioned reasoning in relation to the possible costs and benefits of the technical proposal develop by ESMA as regards the policy objecting of achieving a set of minimum standards by which all managers across Member States should select, activate and calibrate LMTs? Which other types of costs or benefits would you consider in that context?**

<ESMA\_QUESTION\_GLMT\_48>

We agree with the general approach, but from our point of view, ESMA has to take into account the operational reality that will generate additional costs.

As depositary and asset servicers, we fully support LMTs to protect investors but we must be in a position to deal with all LMT with sufficient time to allow for their industrialization and efficient processing, if necessary.

For example, in France the gates were initially processed manually and to be able to process with a larger volume of gates in case of crisis period, it required long developments by the centralizing agents to industrialize their process. There is also a challenge for their processing in a timeframe that can be very short, in particular for funds with daily NAV.

In France, work has been done concerning automation of gates bringing together the centralizing agents of subscription and redemption orders (TA), the CSD Euroclear France, and more broadly all the investors' custodians. It is the entire chain that is involved in the orders from their centralization to the positions with the custodians of the end investor and that must be able to reflect the processing of the gate in its tools. The work also involved of course asset managers who are concerned from the moment the gate is activated. Developments are also on progress on ADLs to deal with them in a more industrial way and in the meantime, the use of swing pricing is preferred. |

<ESMA\_QUESTION\_GLMT\_48>

**Q49 Do you agree with the above-mentioned reasoning in relation to the possible costs and benefits of the technical proposal develop by ESMA as regards the policy objecting of achieving a set of minimum standards by which all managers across Member States should provide disclosure to investors on the selection, activation and calibration of LMTs? Which other types of costs or benefits would you consider in that context?**

<ESMA\_QUESTION\_GLMT\_49>

|We agree with the general approach and with the fact of homogenizing the disclosure provided to investors on selection, activation and calibration and obtaining a level playing field. |

<ESMA\_QUESTION\_GLMT\_49>

**Q50 Do you agree with the above-mentioned reasoning in relation to the possible costs and benefits of the technical proposal develop by ESMA as regards the policy objecting of achieving a set of minimum standards by which all managers across Member States arrange their governance for the selection, activation and calibration of LMTs? Which other types of costs or benefits would you consider in that context?**

<ESMA\_QUESTION\_GLMT\_50>

|We agree with the general approach and with the fact of homogenizing with a set of minimum standards on selection, activation and calibration of LMTs and thus obtaining a level playing field. As said previously, ESMA has to take into account the operational capacity of all stakeholders to provide functional tools therefore allowing a sufficient compliance period to achieve this. |

<ESMA\_QUESTION\_GLMT\_50>