Press Release
For immediate release
Wednesday 19 July 2017

EFAMA AND AMIC publish joint report on the use of leverage in investment funds in Europe

The European Fund and Asset Management Association (EFAMA) and the International Capital Market Association's (ICMA) Asset Management and Investors Council (AMIC) have published today [19 July] a joint paper analysing how and why leverage is used in investment funds in Europe, how firms address in practice related risks and the technical tools used to measure leverage and improve the efficient management of their portfolio.

Today's report addresses the theme of leverage as it forms a significant part of the international regulatory concern about systemic risk in investment funds. The FSB and IOSCO seek to identify consistent measures of leverage to facilitate more meaningful monitoring for financial stability purposes.

The report explores and describes how the European legislative regime, notably the UCITS and AIFMD legislative frameworks, but also other rules in EMIR, for instance, offers a robust framework to address the risks related to leverage in investment funds.

Recent years show that the EU regulatory framework is sound and efficient as it allows European regulators to assess levels of leverage in funds and take appropriate supervisory actions. Furthermore, levels of leverage have remained constant and there has been no systemic risk related to the use of leverage in EU-domiciled funds.

Peter de Proft, EFAMA Director General, commented: *"EFAMA and ICMA consider that the existing EU regulatory framework is regulating in a consistent way the use of leverage in investment funds, along with key related topics, such as: the mandatory disclosures to investors, the reporting requirements to the regulators and the monitoring of leverage by regulators for systemic risk purposes. We firmly believe European regulation is a cutting-edge framework at global level, and hope that IOSCO and FSB regulators use it as the benchmark and starting point for their work. This will allow them to deliver their mandate and propose a consistent matrix of different measures that can capture the broad universe of fund vehicles and investment strategies".*

Martin Scheck, ICMA Chief Executive, commented: *"This study complements last year's work*[1] *by AMIC and EFAMA on liquidity risk management and is designed to highlight the advanced technical framework already in place in Europe regulating the use of leverage in investment funds. We believe this work should help the on-going debate on systemic risk in investment funds and should promote sensible solutions based on existing rules and practices".*

[1] http://www.efama.org/Publications/EFAMA_AMIC_Report_Managing_Fund_Liquidity_Risk_Europe.pdf

rue Montoyer 47 • B-1000 Bruxelles
☎ +32 2 513 39 69 • Fax +32 2 513 26 43 • e-mail : info@efama.org • www.efama.org

The report also puts forward a number of recommendations to improve monitoring and analysis of leverage risk:

1. The existing regulatory standards at the EU level can be the basis for developing, at global level, leverage and risk measurements through a matrix of different measures. This would allow a meaningful representation of a fund's exposures, given that there is no single measure that can capture all the risks in nature, size and characteristics associated with a fund's underlying assets and strategies.
2. Further streamlining of global calculation methodologies for leverage and risk. Regulators should in that respect rely upon the existing EU regulatory regime.
3. Adjustments and updates of these methods, particularly the 2010 CESR Guidelines, based on the best practices at EU level, could be envisaged if necessary.
4. Data sharing among regulators of already reported data is key and should be improved at both EU and global level. This would enable regulators to better assess the overall risks related to funds in Europe and globally.

EFAMA and AMIC look forward to contributing further to this debate and assisting global regulators in their discussions.

Notes for editors

EFAMA
EFAMA is the representative association for the European investment management industry. EFAMA represents through its 28 member associations and 62 corporate members close to EUR 23 trillion in assets under management of which EUR 14.1 trillion managed by 58,400 investment funds at end 2016. Just over 30,600 of these funds were UCITS (Undertakings for Collective Investments in Transferable Securities) funds, with the remaining 27,800 funds composed of AIFs (Alternative Investment Funds).

International Capital Market Association (ICMA) / Asset Management and Investors Council (AMIC)
ICMA represents institutions active in the international capital market worldwide and has over 500 members located in 60 countries. ICMA's market conventions and standards have been the pillars of the international debt market for almost 50 years, providing the framework of rules governing market practice which facilitate the orderly functioning of the market.

The International Capital Market Association's (ICMA) Asset Management and Investors Council (AMIC) was established in March 2008 to represent the buy-side members of the ICMA membership.

- Ends –

For media enquiries, please contact:

Peter De Proft, EFAMA Director General
Telephone: +32 (0) 2 513 39 69
info@efama.org
www.efama.org

Patrik Karlsson, ICMA

Telephone: +44 20 7213 0339
Patrik.karlsson@icmagroup.org
www.icmagroup.org