

Initial Coin Offerings: From Hype to Reality

Feature



AMAFI has been taking action for its members for 30 years. Until 1996 it operated as Association Française des Sociétés de Bourse (AFSB), originating in 1988 from the splintering of the Chambre Syndicale des Agents de Change. In 1996 it became Association Française des Entreprises d'Investissement (AFEI) in response to the disruption caused by the introduction of the European passport under the Investment Services Directive. In 2008 it changed its name to Association Française des Marchés Financiers to more clearly reflect its work, which addresses a diverse range of players.

Throughout these three decades, AMAFI has continuously adapted its methods of action and broadened its purview in response to the deep-seated transformations experienced by its members. These changes were guided by my predecessors and the two Chief Executives who have led our Association. But they were also driven by all those who, alongside the permanent staff, have served on the Board and our Committees and Working Groups to reinforce the value and credibility of our collective discussions. All those involved should be thanked for helping to establish our current reputation. With corporate financing set to depend increasingly on the markets, and Brexit having shifted the paradigm in the European financial system, these collective discussions are more vital than ever. The Board and I are determined to pursue and enrich the path taken by our Association for the past 30 years.

Stéphane Giordano
Chairman

From Bitcoin and Ethereum to tokens backed by chilli peppers, cryptocurrencies are headline news right now. One of the most vexing issues is how to regulate initial coin offerings. As yet, there is no international consensus. But France may well be showing the way.

The press has been awash recently with stories about a new kind of fundraising method and the benefits or perils it entails. Initial coin offerings, or ICOs, used to finance mainly technology-driven projects at an early development stage, have dominated the headlines in recent months. There are many different reasons, ranging from the wild gyrations of Bitcoin, one of the first cryptocurrencies (and arguably the best-known) to huge, billion-dollar issues. Celebrity-backed ICOs have also been in the spotlight, particularly when regulators file a complaint against the initiators. And issuers

are vying to use the technique in increasingly inventive ways: witness Mexico's Agrocoin, which is offering tokens backed by habanero chilli peppers (the deal is billed as "a hot commodity").

So what exactly is an ICO? What are the risks and returns? How – if at all – are these offerings regulated? And what is France doing to address these issues?

From fiat to crypto

Digital representations of currencies, which are generated, stored and transferred electronically, have been gaining traction in a world dominated until now by fiat money (see box). ▶

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► Many start-ups and project initiators – particularly in Silicon Valley – have found a new way of raising funds. Rather than selling stock or seeking venture capital, they make an ICO in the hope of attracting investors willing to transfer a fiat currency or cryptocurrency to the issuer in return for digital tokens (hence the alternative term for an ICO, an initial token offering). Underpinned by blockchain technology, these tokens do not constitute an ownership stake or dividend entitlement, as would be the case with a securities offering, but they give investors various rights – for instance, to use a digital service (utility tokens) or contribute work to a Decentralised Autonomous Organisation against compensation (work token). The most common form of token is a cryptocurrency.

Unlike an initial public offering of stock, an ICO is not restricted to fiat money but also concerns cryptocurrencies. In many ways it is a form of crowdfunding. It is also unregulated. Which is why the intended investors need to understand the type of project and technology being funded, as well as the risks associated with it.

ICO activity has grown exponentially in a short space of time. What started as a way for tech entrepreneurs to get financial support for their ideas has burgeoned into a global phenomenon that has attracted – and continues to attract – not only issuers and investors but also law firms, advisers and banks active in traditional capital raising and asset management activities.

The global ICO market has snowballed, with overall volume exceeding \$200 billion at the end of January 2018 and a total of nearly \$5 billion in the first three months of the year, according to Coinschedule. Issuers are growing more ambitious: in February this year, the messaging app provider Telegram raised close to \$1 billion with an ICO and is reportedly on track to reach double that amount. Significantly, however, Telegram's offering document warned potential investors about the lack of visibility on how or whether ICO technologies would be regulated by government authorities.

Hands-on or hands-off?

The market's breakneck expansion has left regulators understandably uneasy. Already concerned about the danger of digital currencies being used to shift and store illicit funds beyond the reach of governments and law enforcers, supervisory authorities are homing in on ICOs. From an industry perspective, too, there is some concern. The reason is that the comparative ease with which token offerings can be launched, as well as the media ballyhoo over cybercurrencies in general, have created a speculative atmosphere that could ultimately have dire consequences, not just for unwary investors but for markets, too. A number of widely reported scams have already cast a pall over the market. One cryptocurrency project actually admitted openly that it was a Ponzi scheme but nonetheless managed to separate investors from thousands of dollars before being shut down. Nevertheless, although many proposed offerings never actually make it to market, blockchain technology and ICO projects are here to stay.

A one-size-fits-all approach to regulation is hard to envisage at the moment because not all the tokens issued through an ICO qualify as securities, depending on the jurisdiction, and notably the European Union. Some specific form of regulation or supervision is clearly necessary, however, and the issue has been under debate for some time. It was high on the agenda of last month's G20 meeting in Argentina, although no roadmap was adopted. Meanwhile governments and regulators have pursued different approaches. China, South Korea, Morocco and several other countries have banned ICOs outright. America's SEC has ruled that offers and sales of digital assets are subject to federal securities law and has instructed its enforcement division to continue policing them "vigorously". Australia has taken a neutral stance. And some European financial watchdogs, including the UK Financial Conduct Authority, have recognised that while certain ICOs should be governed by existing securities legislation, others fall outside of it. One of the key questions still begging an answer is whether tokens are indeed securities, in which case the issuer ought to publish a prospectus rather a "white paper", which tends to be a simple description of the project and the structure of the token.

France has taken a pragmatic and proactive stance to all these questions and, in doing so, positioned itself to potentially attract the lion's share of ICO business in Europe.

A concerted approach

The French authorities and the financial industry as a whole have long recognised the significance of cryptocurrencies and have pooled their efforts to create a comprehensive supervisory framework.

The Banque de France, the central bank, has taken the view adopted by many policymakers that "cryptocurrency" is a misnomer (it is neither legal tender nor a payment instrument) and that tokens should be classified as "crypto-assets". The distinction is not merely semantic: it opens the door much wider for regulatory measures to protect investors, particularly individuals who may not understand all the ramifications of this type of investment. The bank has also called for a new category of "crypto-asset service provider" to be adopted, possibly when the European AML/CFT directive on anti-money laundering and terrorism financing is revised in the near future.

For its part, the securities regulator, Autorité des Marchés Financiers, has concentrated on crafting a flexible framework specifically for ICOs. Keeping abreast of technological innovation, the AMF is determined to make France the most attractive country for companies seeking to raise funds with this game-changing technique. The regulator's dual aim is to encourage the development of ICOs while protecting investors who buy into them.

From consultation to action

After an initial groundwork study, the AMF had concluded that while some ICOs might indeed be covered by France's existing laws because they involve securities, most issues fell outside its regulatory bailiwick. So in late 2017, it organised a consultation focused on three options for future action: promoting best practices without changing existing legislation; extending the legislative scope to treat ICOs as public securities offerings; or adopting legislation applicable specifically to ICOs, either a regime applicable to all offerings or an optional regime.

Like the majority of regulators, the AMF also laid heavy emphasis on the potentially grave risks that token offerings may entail, particularly loss of capital, absence of a market, money laundering and scams.

The consultation attracted more than 80 respondents, most of whom agreed with the AMF's preliminary analysis – in ►

► synch with other countries' regulators – that a single legal classification would be hard to put in place because of the diversity of tokens issued through an ICO. More importantly, two-thirds of the respondents came out in favour of new legislation designed specifically for these new offerings. And all of them agreed that an information document giving full details of the project behind the token, the rights acquired by purchaser and the accounting treatment of the funds should be mandatory. There was also broad agreement on proposals to escrow the funds raised through an offering and to adopt an AML/CFT mechanism.

In light of the industry response and its own research, the AMF is now working on a system of optional approval of ICOs. In sum, project initiators contemplating an offering could, if they choose, submit their white paper to the regulator for scrutiny. In addition to a detailed description of the project and the risks involved, the document would identify the initiators and spell out the guarantees for potential investors. The AMF would also examine the maximum and minimum amounts to be raised and, where appropriate, ensure that an escrow account and AML/CFT procedures have been put in place. Offerings that pass muster would receive regulatory approval in the form of an AMF "visa". This would make them more attractive to potential investors, who would appreciate the security so often lacking in an ICO. Offerings not submitted for regulatory scrutiny would not necessarily be illegal, but an initiator that usurps the AMF visa without fulfilling the requisite conditions could be subject to penalties.

In the AMF's view, the new, flexible framework will protect investors and also discourage fraudulent offerings, which seem increasingly frequent internationally. Above all, it should attract innovative, high-quality projects to France, allowing it to overtake current leaders like Switzerland or Estonia. A dozen companies, including Multiven, Pingvalue ConnectJob and Naviaddress, have already tested the waters in Paris, and hopes are high that many more will follow suit.

The future is now

Many of the regulatory initiatives mooted by the AMF for the French ICO market were set out in the response that AMAFI and its partner LabEx Refi submitted to the Authority's consultation, particularly the proposal to adopt a uniform set of regulations for all ICOs (*AMAFI / 18-02*). AMAFI nevertheless pointed out that if Paris wants to lead

A Brief Guide to Money in the Digital Age

The terminology used to discuss recent developments in currencies and payment systems can be confusing, since not all authorities agree on a standard definition. Here are some key terms:

A **currency**, according to the Oxford Dictionary, is the money or other commodity in circulation that is used as a medium of exchange.

A **fiat currency**, or **real currency**, is any money declared by a government to be legal tender.

Local and regional currencies, such as the Abeille in France and the Bristol pound in the UK, are mediums of exchange that can be used in a particular place or area and that act as complementary currencies to the national currency.

A **digital currency**, also known as an **electronic currency** or **e-currency**, is a method of payment that exists in electronic form only, without notes or coin. Users can transfer the currency using computers, smartphones and online platforms. A cryptocurrency is not an electronic currency. (*see below*)

A **virtual currency** is a digital representation of value that can be digitally traded and functions as (1) a medium of exchange; and/or (2) a unit of account; and/or (3) a store of value, but does not have legal tender status in any jurisdiction*. Controlled by its developers, it is used by members of a virtual community to buy goods and services.

A **cryptocurrency**, or **decentralised virtual currency**, is a distributed, open-source, math-based peer-to-peer virtual currenc[y] [having] no central administrating authority, and no central monitoring or oversight*. Its value varies according to supply and demand.

A **blockchain** is a decentralized public register of all transactions in a token (which can be a cryptocurrency) on which is based that blockchain. It is founded on **distributed ledger technology** (DLT), which permits computers in different locations to propose and validate transactions and update records in a synchronised way** across a network spanning multiple sites, institutions or countries.

* Financial Action Task Force, *Virtual Currencies: Key Definitions and Potential AML/CFT Risks*

** Bank for International Settlements, *BIS Quarterly Review*, Sept. 2017

the field, it needs to give further consideration to issues such as secondary trading of tokens, as well as the appropriate accounting treatment and tax rules. Equally important is the need to take full account of the new technologies and their increasingly interconnections with "traditional" issues like financial stability, transaction security and investor protection.

Obviously, while the work done by the French authorities and financial community is forward-looking, it is not an end in itself. The ICO phenomenon continues to gather momentum, and the underlying technologies, especially DLT and blockchain (*see box*), have plenty of potential in other areas such as payment, clearing and settlement. Authorities, regulators and market participants everywhere are staying abreast of developments and keeping an open mind on future action. For example, the AMF has set up a special research programme to interact with project initiators and other stakeholders. Dubbed UNICORN (Universal Node to ICO Research & Network), the programme will help the regulator to gain

a deeper understanding of token offerings and their implications for the traditional economy. It is also extending international cooperation on financial innovation, such as the Regulatory Sandbox Initiative organised by the Canadian Securities Administrators to test financial innovations. Britain's FCA has its own sandbox programme and published a discussion paper on DLT. And other regulators are getting firmly to grips with the deeper implications of these ultra-modern developments.

Given the speed with which financial technology evolves, all eyes are on the future implications of crypto-assets in general and ICOs in particular. Despite fears of speculative bubbles and malfeasance, this revolutionary method of fundraising is here to stay. Establishing a level regulatory playing field will make it more reliable and contribute to greater economic dynamism.

Anthony Bulger

International

➤ The marketing of CFDs and binary options

In mid-February the International Organization of Securities Commissions, IOSCO, launched a consultation report proposing policy measures to protect investors of over-the-counter leveraged products (CFDs and binary options). Seven proposals were selected, informed in particular by measures implemented in France as well as the new obligations set out by MiFID II in Europe.

Consistent with the observations submitted to ESMA on the same topic in January 2018 (*AMAFI / 18-07*), AMAFI endorses IOSCO's initiative to propose convergent solutions at an international level to protect retail investors. For AMAFI, this international dimension is the only truly effective solution, since the main issue is deterring entities that are not regulated in their home countries from marketing these products abroad to countries where they are unauthorised. Consequently, in addition to its observations on the questions submitted to IOSCO, AMAFI stressed in particular the importance of clearly defining the products affected by these measures to avoid the targeting of financial instruments not affected by the issue (*AMAFI / 18-17*).

Pauline Laurent, Blandine Julé

Europe

➤ Prudential framework for investment firms

In late 2017 the European Commission published its proposals on the prudential rules and supervision applying to investment firms, which it divides into three categories. As part of Europe's "Have your Say" procedure, and before specific amendments are discussed by the co-legislators, AMAFI formulated a number of observations on the general architecture of the proposed system (*AMAFI / 18-13*).

While the remarks are positive on the whole, major reservations were expressed on certain points, particularly the classification of Class 1 investment firms as credit institutions and the lack of exemption from supervision on an individual basis for Class 2 investment firms only.

AMAFI also paid particularly close attention to the Commission's provisions on remuneration policies:

- Systemic Class 1 investment firms: application of CRR/CRD IV provisions.
- Class 2 investment firms: some principles have been relaxed and waivers for the smallest IFs are planned.

- Class 3 investment firms: no specific provisions, with MiFID II rules on remuneration and governance considered as affording sufficient protection.

For Class 2 investment firms, the general principles on remuneration policies (material scope, staff concerned, control rules, etc.) are almost identical to those of CRD IV. More significantly, the investment firms themselves are responsible for determining the relevant ratio of variable and fixed remuneration components according to business risks and the risk profiles of the staff concerned. For variable remuneration, the rule on a minimum 40% deferred payment over a three- to five-year period has been maintained and made considerably more flexible. An exemption from the application of what are considered as the most restrictive provisions (deferred and payment of instruments) is to be introduced for the smallest investment firms and staff with low variable remuneration rates. Lastly, a remuneration committee must be implemented at companies considered

by the competent authorities of the Member States as significant on the basis of certain criteria.

AMAFI fully supports this proportionate approach. However, it stressed the following:

- For the sake of consistency, EU remuneration rules should be applied on an individual basis to entities belonging to a group, except as concerns the remuneration committee.
- With respect to instruments for the payment of variable remuneration, greater flexibility could be envisioned where companies are able to demonstrate that they have met the objective of alignment with the risk profile, in which case it would be irrelevant to draft a list of the various instruments to be used to this end.
- The transitional arrangements also need to be clarified to ensure the uniform chronological application of legislation (CRD V/CRR 2 and investment firms).

Véronique Donnadieu, Emmanuel de Fournoux, Faustine Fleuret

Europe

➤ MiFID II

Algorithmic trading

AMAFI has resumed its work on issues in the implementation of obligations relative to algorithmic trading and direct electronic access (DEA) set out notably in Commission Delegated Regulation 2017/589. The aim is to identify the obligations applying to the market players in question, where they are DEA customers, DEA suppliers, users or algorithm designers. The findings of these discussions will be published at a later date in an AMAFI Q&A.

Best selection

In response to a request made by several of its members, AMAFI organised a working meeting in early February on the implementation of the “best selection” mechanism following the entry into force of MiFID II. Discussions were subsequently held between AMAFI and the AMF, notably to clarify the application of obligations in respect of Delegated Regulation 2017/576 (RTS 28). The discussions notably focused on mandatory reporting on best execution venues to be published by entities subject to the best selection system. Some of the points addressed at this meeting may be included in a new upcoming version of ESMA's Q&A.

Customer relations

In early February AMAFI published a document on key points to watch in relations with customers under new French regulations arising from MiFID II of 15 May 2014 and its implementing measures (*AMAFI / 18-08*). The document is an update similar to that published by the association in 2007 following the application of MiFID I. It assesses the new mechanism introduced by MiFID II, characterised by substantial changes and an increase in legal sources. Divided into ten topics,

the document surveys discussions led on the basis of MiFID II texts applicable in French law by a special working group, rounded out by wide-ranging assessments from several AMAFI Committees and Groups.

Market structure

The AMF and AMAFI have agreed to make quarterly reviews of issues relating to the organisation of markets under MiFID II. With the new system set to generate considerable changes to the market structure, some of them already largely under way, discussing these matters is vital. The main issue is providing essentially operational input to inform the work in which the AMF is involved as part of ESMA.

As such, the Market Structure Committee met with the AMF in late March. The Committee presented AMAFI's study on the consequences of the new system of tick sizes on the microstructure of the market (*AMAFI / 18-16*). More technical questions were also discussed, including best execution reports, transaction reporting and trading obligations.

MiFIDVision platform

AFG, AMAFI, Euronext, Paris Europlace and SFAF recently launched the MiFID-Vision platform. AMAFI has been working together with other participants in the Paris financial centre for a number of months on the consequences of the new rules governing the acquisition of financial analyses by management companies. And unfortunately, the initial findings show that the regularly voiced concerns are entirely founded, with research budgets having already been cut substantially. The direct and logical consequence is a reduction in the number of assets monitored. This mainly affects SMEs and mid-tier

companies with their traditionally fragile business models for financial analysis. Meanwhile, the OFEM corporate capital market observatory recently published a study led by several researchers on the “role of analysts in the attractiveness and liquidity of SMEs and mid-tier companies”. The study confirms the positive role played by the financial analysis of securities in drawing the attention of investors, based on the reduction of spreads and volatility as well as increases in liquidity.

The MiFIDVision initiative addresses this issue. The aim, with the assistance of the EDHEC Risk Institute, is to publish a barometer not simply reflecting the trend in the financial analysis market following the entry into force of MiFID II but also identifying, in respect of the attractiveness of the Paris financial centre, solutions likely to develop the production of financial analyses.

Product governance

The work of the European Working Group (EWG) bringing together a panel of financial players in Europe, including AMAFI, resumed in early 2018. After several months' use of the standardised European MiFID Template (EMT) developed in 2017 for the exchange of information between manufacturers and distributors, the EWG aims to pinpoint useful changes to the template and its accompanying Q&A document. It will also be working on a set of standardised exchanges for sales outside the target market, which distributors must report to manufacturers. AMAFI continues to actively contribute to these efforts so as to facilitate convergence with its own recommendations (*AMAFI / 17-87*).

**S. Dariosecq, E. de Fournoux,
P. Laurent, F. Fleuret,
C. Gonzalez, B. Julé**

Europe

↗ Public listing for SMEs

In late 2017 the European Commission launched a consultation on the creation of a proportionate regulatory environment to support SME IPOs. AMAFI stressed the importance of removing certain obstacles to the listing of SMEs, stemming primarily from administrative constraints. It also insisted on the importance of letting national markets set the applicable rules in the various areas concerned as opposed to a single European regulation. This often proves counter-productive in an environment where it is particularly useful to take into account what are often significant specificities and differences between the markets in question (*AMAFI / 18-12*).

This applies in particular to liquidity contracts. In this respect, AMAFI was pleased to note that the Commission appears to be shifting towards the Europe-wide acknowledgement of the usefulness of these contracts. With the practices of Member States differing substantially, AMAFI stressed that liquidity contract regulation must absolutely be left in the hands of national regulators. It would be extremely harmful for French practices – by far the most extensive and oldest in the EU, and which works in a highly satisfactory manner as part of a regulatory framework established jointly by the AMF and market players – to be impacted by a single regulation failing to take stock of the experience and benefits of the existing practices of the French SME market.

In another area, central to the concerns of players dealing in Euro Private Placement transactions, AMAFI applauds the Commission for perceiving the need to exclude these transactions from the regulation on market soundings as provided for in the Market Abuse framework. Applying this regulation makes no sense for transactions in which investors are involved in the negotiation of the terms and conditions of the issue. Given its importance to the development of this market, AMAFI has focused emphatically on this issue in the last few months. As observed in a recent report on private debt placement in the EU, the Commission appears to have fully realised the importance of this issue, one that is not reserved purely to SMEs.

Concerning the definition of SMEs, AMAFI once again argued that the current threshold of €00 million in capital was inappropriate and that it should be raised to at least €1 billion. However, mindful that the diversity of the markets in the Union makes a single approach difficult from a political standpoint, AMAFI proposed giving each Member State, in cooperation with its local growth SME markets, the flexibility to determine the SME threshold, in line with the option provided for in the Prospectus Regulation whereby each country is free to define the prospectus threshold at national level.

Lastly, and while this aspect was curiously absent from the discussions, AMAFI reiterated that financial analysis is vital to enabling SMEs to effectively access market financing.

**Sylvie Dariosecq,
Chloé Gonzalez**

↗ Prospectus

Fully involved in all the phases of the revision of the 2003 Prospectus Directive and the adoption of the Prospectus Regulation of 14 June 2017, AMAFI responded to the two recent consultations launched by the AMF and ESMA on the topic.

Prospectus threshold

The AMF consultation concerned the setting of a new national threshold for the requirement to publish a prospectus and the disclosure regime applicable below that threshold. Regarding the first point, AMAFI approved the proposal to raise the prospectus threshold to € million for public offerings and the elimination of the current condition of 50% of capital. However, it was concerned about the proposals relative to the disclosure regime that could be implemented nationally below this threshold, and which could distort competition to the detriment of the players subject to the regime (*AMAFI / 18-10*). AMAFI is also firmly opposed to the introduction of a systematic control and visa mechanism before the information document is filed or after filing. Besides the fact that these controls, which can only verify compliance and coherence, will be of limited use in the protection of investors, they will also lead to greater constraints on issuers. Such constraints are especially inappropriate since the issuer may then be encouraged to use other alternative forms of financing, these last being more varied and easier to access the lower the amounts at stake. The implementation of these controls, especially pre-filing, would run counter to the easing of constraints as set out in the Prospectus Regulation to help companies tap the market.

Regulatory technical standards

The ESMA consultation concerned draft regulatory technical standards (RTS) to supplement the new Prospectus Regulation in five specific areas, including the key financial information to be included in the summary, the readability of data, advertisements and supplements. AMAFI mainly recommended that in a certain number of areas flexibility should be granted to issuers to help them adapt in an appropriate manner the requirements imposed by the regulation on the specifics of their business activity and company (*AMAFI / 18-14*).

Sylvie Dariosecq, Chloé Gonzalez

Europe

↗ PRIIPs

The entry into force of PRIIPs on 1 January 2018 has generated worrying issues for AMAFI's members, manufacturers and distributors alike. The methodology used to draft KIDs (key information documents) in accordance with the regulation frequently leads to overly optimistic and even unrealistic results, both in terms of performance scenarios and the presentation of costs. Besides generating litigation risks with investors that may believe they have received misleading information, the situation is far from ideal for institutions from a business viewpoint. AMAFI is working to disseminate these concerns on a well-argued basis to the various parties concerned.

Pauline Laurent, Blandine Julé

↗ ESMA consultation on interaction with stakeholders

ESMA has launched a consultation area on its website to gather input and possible avenues for improvement from stakeholders on the resources available to them for interacting with the authority.

Though AMAFI observes improvements (*AMAFI / 18-19*), it also notes persistent limits. These last mainly stem from a lack of transparency and structure in the consultation and work methods of the authority's consultation groups, and also from the inaccessibility of teams at a technical level.

Véronique Donnadieu

Taxation

↗ Transactions in foreign securities DSS

Several institutions have received complaints from customers having acquired in the dividend distribution month securities from foreign companies via the deferred settlement service (DSS). The complaints were based on the fact that the withholding tax practised by the state or the distributing company at its headquarters was deducted from the dividend payment received from the DSS intermediary. Noting that divergences in market practices resulting from the ambiguity of the texts in question are the source of disputes, AFTI and AMAFI, in coordination with Euronext, have drafted recommendations for operators (*AMAFI / 18-09*).

Eric Vacher

↗ VAT - Financial analysis

The operational organisation of intermediation and management activities has been impacted by the implementation of MiFID II on 3 January 2018. Regarding related research services, previously financed by the managed portfolios, several financing arrangements now coexist under MiFID II:

- The payment for research by portfolio management companies using their own resources.
- The payment for research by the managed portfolios via a separate research payment account (RPA) provisioned using one of two models:
 - Simple RPA, the so-called "Swedish" model: levies made by the depositary on behalf of the portfolio management company managing the portfolio.
 - CCP/CSA RPA: levies made by the ISP on behalf of the portfolio management company (financing for research withdrawn on orders under CCP/CSA contracts, in contrast to simple orders processed on an execution-only basis not including the financing of related services).

These different methods for financing research correspond to different operational systems and generate VAT issues. In response to the questions expressed by operators, AMAFI has initiated legal analysis work with the assistance of member legal firms. The initial aim is to specify the VAT system applicable to research services and, regarding the interpretation of European law, to improve the legal security of the players involved while contributing where applicable to the establishment of fair rules. Discussions will subsequently be pursued with AFG, which is also working on this question.

Eric Vacher



New Members

D2R Conseil, a consultancy firm directed by Jean-Marie Castagnes (Chairman), Christophe Posty (Chief Executive) and Franc Agossou (Chief Executive).

Redburn (Europe) Limited, Paris branch, an investment firm working mainly in investment advice and headed by Jeremy Evans (Chief Executive) and Charlie Bridge (Managing Partner).

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AMAFI documents quoted in this Newsletter and flagged with a reference number are on our website at

www.amafi.fr

Most of them, notably AMAFI's responses to public consultations, are freely available, but some are restricted to members only.

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