
H2O AM challenges the decision of the Autorité des Marchés Financiers' (AMF) Enforcement Committee. The company will lodge an appeal with the Conseil d'État and adapts its governance

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Yesterday, the Autorité des Marchés Financiers' (AMF) Enforcement Committee (EC) issued its ruling on the charges brought by the AMF Board against H2O AM LLP and two of its directors, Bruno Crastes and Vincent Chailley.

After a detailed analysis of the ruling with its counsels, H2O AM vigorously contests the decision of the AMF EC, of which the sanction is disproportionate to the case. Based on the legal and factual elements of the case, H2O AM has therefore decided to lodge an appeal with the Conseil d'État.

Indeed:

- in light of a case involving three essentially technical grievances on non-compliance with investment rules, two of which are contested by H2O AM;
- in the absence of any intentional error committed by H2O AM, Bruno Crastes and Vincent Chailley;

the sanctions appear disproportionate and completely unprecedented.

Pending the forthcoming procedure before the Conseil d'État, H2O AM is adapting its governance ad interim.

- The UCITS fund managed by Bruno Crastes (H2O MultiBonds FCP) is now co-managed by Thomas Delabre and Philippine Watteaux, both of whom have extensive experience as fund managers (including 8 years with H2O AM). Philippine Watteaux has been co-managing H2O MultiBonds since October 2019. Bruno Crastes remains within the company as Group Corporate & Market Strategy Director;
- Loïc Guilloux, until now Co-CEO of the Group, is appointed CEO of H2O AM Group;
- The company recalls that it has considerably strengthened its governance bodies, notably with the creation of a Supervisory Board composed of a majority of independent members.

The company has built up reserves of almost €200m, originally for the benefit of its clients invested in the side-pocketed funds, but now reduced by the fine imposed by the AMF. The financial sanctions will not affect the conduct of the company's business.

Finally, the company wishes to note that:

- There will be no change to the management team's historical investment process, which is based on a collegial approach;

- These sanctions relate to events prior to February 2020. Therefore, they do not concern the current FCP funds, created in October 2020, which continue to evolve;
- H2O AM has already committed to no longer invest in private securities.

With regards to the substance of the case, H2O AM also intends to underline several elements that it believes are essential to its proper understanding. As a reminder, three grievances were notified to H2O AM during these proceedings:

- Non-compliance with investment rules in the context of purchases of unlisted securities;
- Non-compliance with investment rules in the context of buy and sell back transactions involving non-eligible securities;
- Exceeding an investment ratio.

Beyond the question of the international jurisdiction of the AMF Enforcement Committee to rule on complaints notified in November 2021 to a then British management company, H2O AM is contesting the first two complaints and will again vigorously contest them before the Conseil d'Etat.

With regard to the last grievance, the facts alleged by the AMF concerned four securities on four dates and have not been contested by H2O.

Lastly, H2O AM is surprised to note that the AMF EC, which has been consistent in its interpretation of Articles L.621-15 and L.621-9 of the Monetary and Financial Code until now, has decided to depart from its previous interpretations in this case.

In summary, H2O AM would like to remind that:

- 1. H2O AM will lodge an appeal with the Conseil d'État.**
- 2. No intentional error has been committed.**
- 3. The EC did not examine the question of liquidity at the date of acquisition of the unlisted securities, but at a much later date. This does not make sense from a legal or financial point of view.**
- 4. The Rapporteur of the EC considered that the breaches of which H2O AM was accused were not attributable to the directors Bruno Crastes and Vincent Chailley. Despite the applicable laws and case law, the EC decided not to follow the rapporteur's position.**
- 5. H2O AM had built up almost €200 million in reserves, originally for the benefit of clients invested in side-pocketed funds. Specific details of these reserves were presented to the EC at the (public) hearing on 25 November, and the regulators had been informed of these details for more than a year. H2O AM regrets that the EC did not consider that the imposition of such a financial penalty would penalise H2O AM's ability to manage the exit of its clients from the side-pocketed funds.**
- 6. H2O AM will start the reimbursement phase of the side-pocketed funds in the next few days following a partial reimbursement of the FSSSN end of December 2022.**

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