

FACTS & FIGURES 2010



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EDITORIAL BY JEAN-PIERRE JOUYET

Chairman of the AMF

In 2010 the AMF returned to fundamentals.

– **Focussing on deterrence.** Our action is judged by the efficiency of our enforcement procedure. The Banking and Finance Regulation Act of 22 October 2010 corrected the imperfections in our enforcement system. We are now armed to enforce both the spirit and the letter of finance laws, with higher fines for infringements committed without profit motive, an AMF chairman empowered to appeal Enforcement Committee decisions, and Committee hearings and decisions made open to the public, a dissuasive factor for companies that often fear a stained reputation more than fines. Settlement procedures were also introduced for minor breaches of regulations, allowing the Enforcement Committee to concentrate on more serious affairs. Last but not least, our mandate has been extended to cover supervision of the CO₂ spot market.

– **Safeguarding investments and investors.** Our objective is unchanged: we mean to protect investors from placing their money in investment schemes that are beyond their comprehension or unsuitable for their risk profile. Our approach, however, has evolved radically: our priority is now focused on supervising financial-product distribution, where the risk really lies. This reasoning is applied all the way down the line, from product creation to the marketing phase. For instance, we decided to prevent the sale of complex products to retail investors, step up monitoring of marketing materials, introduce systematic alerts, and change our inspection strategy by directing our attention more towards marketing activities. Close cooperation between the AMF and the Autorité de contrôle prudentiel, working through our joint unit, now allows us to cover the entire range of financial products, regardless of the distribution channel.

– **Ensuring high-quality information disclosure on financial markets,** based on two imperatives: transparency and fairness. Actions taken to correct the most flagrant shortcomings on markets that are less organised, more fragmented and often subject to rising opacity meet the priorities set by the G20. All our efforts are focused on the MiFID review, to correct the directive's destabilising effects, including the explosion in high-frequency trading. At the national level, lowering the mandatory bid threshold to 30% contributes to this effort towards greater transparency, which must be finalised in 2011 by legislating that all financial instruments must be taken into account in notifications of major holdings.

This strategy has a cost. Parliament recognised this fact by allocating new, more lasting resources to the AMF in the Budget Act. We also decided to change our structure to reinforce operational oversight of market organisation as well as post-trade infrastructure and its participants. A new entity was created for this purpose, while activities involving investigating market abuse and auditing financial professionals have been combined in a single division.

The year 2011 will also see the first initiatives of the European Securities and Markets Authority. If it manages to prevent regulatory arbitrage between marketplaces, it will have proven its worth. The year was also marked by a shake-up in the world market picture, which did not spare the Paris financial community. The AMF will keep a close watch on industrial and regulatory issues surrounding NYSE Euronext projects.

Jean-Pierre Jouyet

THE AMF IN PROFILE

The French securities regulator, the Autorité des marchés financiers (AMF), is an independent public agency established by the Financial Security Act of 1 August 2003. It is tasked with safeguarding investments and maintaining orderly financial markets in France. The AMF has a Board and an Enforcement Committee. To carry out its duties, it calls on the expertise and support of five Consultative Commissions, a Scientific Advisory Board and a staff of 403. The AMF has extensive financial and management independence.

2010 KEY DATA

Operating income

€51.87

million

Operating expenses

€71.27

million

Average workforce for the year

403

Source: AMF

REMIT

The AMF is responsible for:

- safeguarding investments in financial products;
- ensuring that investors receive material information;
- maintaining orderly operation of financial markets and the regulated market for greenhouse gas emission allowances¹.

The AMF cooperates with the other authorities responsible for overseeing financial and banking activities, including the Banque de France, the Autorité de contrôle prudentiel (ACP) and the Commission de régulation de l'énergie (CRE).

The AMF also lends its support to worldwide and European regulation by participating in international bodies and cooperating with regulators in other countries.

POWERS

The AMF is empowered to:

- make rules (General Regulation, Instructions, Recommendations, etc.);
- issue authorisations (approvals, authorisations);
- supervise and monitor markets and market participants² and may conduct investigations;
- punish any breach of regulations;
- at the request of the parties, mediate between retail investors and investment services providers (ISPs) or issuers to settle disputes.

JURISDICTION

The AMF has jurisdiction over:

- fundraising and disclosures by listed companies;
- financial markets and market infrastructures;
- professionals authorised to provide investment services or financial investment advice and direct marketers (jointly with the ACP);
- collective investment schemes invested in financial instruments and all other investments offered to the public.

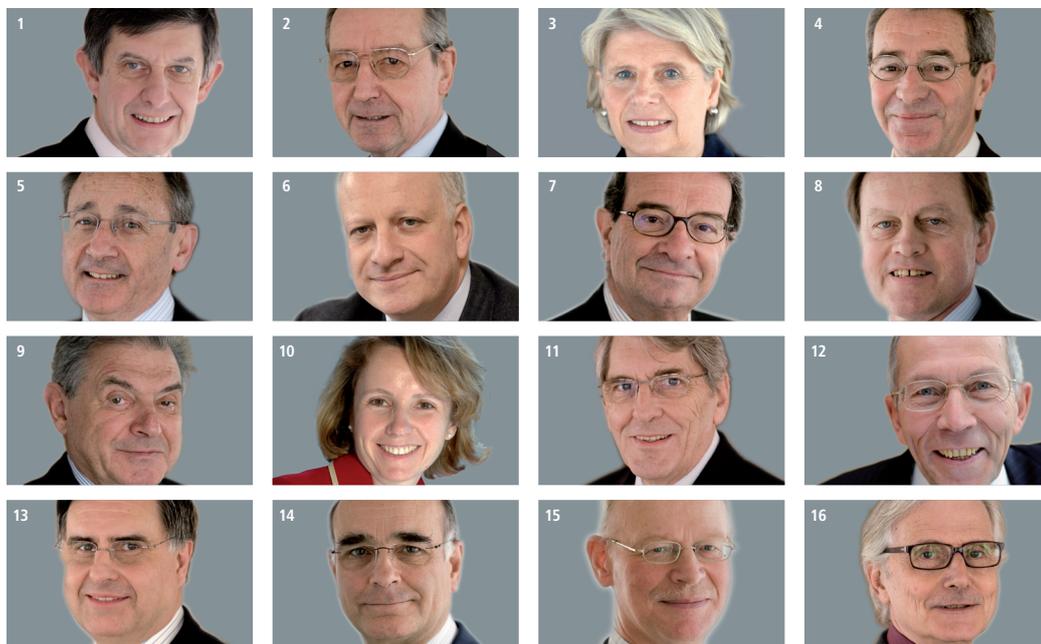
1. Powers to regulate the market for trading greenhouse gas emission allowances were granted to the AMF by the Banking and Financial Regulation Act No. 2010-1249 of 22 October 2010.

2. This Act reinforced the AMF's powers by introducing measures on registration, inspection, supervision and sanctioning of rating agencies. The European Securities and Markets Authority (ESMA, which replaced the CESR in January 2011) will take over registration and direct supervision of rating agencies from the AMF in mid 2011.

THE AMF BOARD

The AMF Board has 16 members.

The Board is the decision-making body of the AMF. Its powers include adopting new regulations, taking individual decisions (on the compliance of tender offers, authorisations, approvals and other matters), scrutinising inspection and investigation reports, ordering sanction or injunction proceedings, adopting the budget and approving the AMF's financial accounts.



1-Jean-Pierre Jouyet

Chairman, appointed by Presidential decree.

2-Jacques Delmas-Marsalet

Councillor of the Conseil d'État, appointed by the vice president of the Conseil d'État.

3-Martine Ract-Madoux

Court of Cassation trial judge, appointed by the chief justice of the Court of Cassation.

4-Philippe Adhémar

Conseiller maître of the Cour des comptes, appointed by the auditor general of the Cour des comptes.

5-Jean-Paul Redouin

Representative of the Banque de France, appointed by the governor of the Banque de France.

6-Jérôme Haas

Chairman of the Autorité des normes comptables.

7-Jean de Demandolx-Dedons

Appointed by the president of the Senate.

8-Jean-Michel Naulot

Appointed by the president of the National Assembly.

9-Bernard Esambert

Appointed by the chairman of the Conseil économique et social.

10-Marie-Ange Debon

11-Dominique Hoenn

12-Olivier Poupart-Lafarge

13-Yves Mansion

14-Jean-Pierre Pinatton

15-Jean-Pierre Hellebuyck

16-Jean-Claude Mothié

Representing employee shareholders, appointed by the finance minister.

Appointed by the finance minister, after consultation with organisations representing listed industrial and commercial companies, firms managing collective investment schemes, other investors, investment services providers, market operators, clearing houses, settlement system operators and central securities depositories (CSDs).



Ramon Fernandez

Director general of the Treasury and Economic Policy.

The government commissioner sits on all AMF commissions, including the full Board, the Enforcement Committee and the Specialised Commissions. The commissioner attends in an advisory capacity but may request a second deliberation.

1 Specialised Commission No. 1

2 Specialised Commission No. 2

3 Specialised Commission No. 3

THE ENFORCEMENT COMMITTEE

The Enforcement Committee has 12 members, none of whom sit on the Board.

It has the power to impose penalties and sanctions on any legal entity or natural person that infringes laws and regulations on public offerings of securities and financial markets or that acts in a manner that impairs investor protection or interferes with orderly market operation. The Enforcement Committee takes decisions pursuant to the notification of enforcement proceedings submitted to it by the Board of the AMF. It has total freedom of decision-making when carrying out its duties.



1-Daniel Labetoulle **1**

Chairman of the Enforcement Committee.

Chairman of the First Division
Councillor of the Conseil d'État, appointed by the vice president of the Conseil d'État.

2-Claude Nocquet **2**

Chair of the Second Division.
Court of Cassation trial judge, appointed by the chief justice of the Court of Cassation.

3-Jean-Claude Hassan **2**

Councillor of the Conseil d'État, appointed by the vice president of the Conseil d'État.

4-Marie-Hélène Tric **1**

Court of Cassation trial judge, appointed by the chief justice of the Court of Cassation.

Members appointed by the finance minister:

5-Alain Ferri **2**

6-Guillaume Jalenques de Labeau **1**

7-Pierre Lasserre **1**

8-Jean-Pierre Morin **2**

9-Antoine Courteault **2**

10-Jean-Claude Hanus **1**

Representatives of the employees of companies or institutions providing investment services or managing collective investment schemes, market operators, clearing houses, settlement system operators and CSDs, appointed by the finance minister:

11-Joseph Thouvenel **1**

12-Jean-Jacques Surzur **2**



Ramon Fernandez

Director general of the Treasury and Economic Policy.

The government commissioner sits on all AMF commissions, including the full Board, the Enforcement Committee and the Specialised Commissions. The commissioner attends in an advisory capacity but may request a second deliberation.

1 First Division

2 Second Division

CONSULTATIVE COMMISSIONS AND THE SCIENTIFIC ADVISORY BOARD

The AMF has set up five Consultative Commissions to foster dialogue and consultation. Furthermore, it regularly organises market-wide consultations through special working groups. It can also rely on input from members of its Scientific Advisory Board to help with its work.

THE FIVE CONSULTATIVE COMMISSIONS

The role of the five permanent Consultative Commissions is to assist the AMF in its deliberations and help it formulate its positions in the light of changes in techniques, products and market structures, as well as the evolving legal and financial environment, both domestic and international.

Composed of experts appointed by the AMF Board for a three-year term, the commissions are chaired by Board members, who coordinate the work programmes and report back to the Board.

Each commission addresses a specific topic:

- Retail Investors, chaired by Jacques Delmas-Marsalet;
- Markets and Exchanges, chaired by Jean-Michel Naulot;
- Clearing, Custody and Securities Settlement, chaired by Dominique Hoenn;
- Individual and Collective Asset Management, chaired by Jean-Pierre Hellebuyck;
- Disclosures and Corporate Finance, chaired by Yves Mansion.

THE SCIENTIFIC ADVISORY BOARD

The AMF has set up a Scientific Advisory Board composed of prominent personalities from the academic and financial worlds. Its members include several world-renowned foreign researchers, which gives it a broad international perspective. The Scientific Advisory Board has a three-fold remit:

- to provide the AMF with more comprehensive information about ongoing academic research in the financial field;
- to identify developments that might have an impact on the AMF's areas of activity;
- to research issues of concern to the regulator.

To reach a broader audience for this work, the AMF holds an annual Academic Conference. The sixth conference was held in Paris on 6 May 2011, organised in partnership with the energy regulator, the CRE. The subject focused on "The Financialisation of Commodity Markets: What are the Challenges for Regulators?".

AMF SCIENTIFIC ADVISORY BOARD

Michel Aglietta (CEPII)

Michel Albouy (Grenoble University PMF-ESA)

Noël Amenc (EDHEC)

Patrick Artus (Natixis)

Christian de Boissieu (Conseil d'analyse économique)

François Champarnaud (Agence des participations de l'État)

Patricia Charlety (ESSEC)

Jean-Philippe Cotis (INSEE)

Olivier Davanne (DPA Invest)

Thierry Foucault (HEC)

Olivier Garnier (Société Générale Asset Management)

Édith Ginglinger (Paris-Dauphine University)

Christian Gourieroux (Paris IX University, ENSAE)

Carole Gresse (Paris-Dauphine University, CEREG)

Pierre Jaillet (Banque de France)

Ruben Lee (Oxford Finance Group)

François-Serge Lhabitant (EDHEC Business School et Kedge Capital Fund Management Ltd)

Albert Menkveld (Vrije Universiteit Amsterdam)

André Orléan (CNRS)

Olivier Pastré (Paris VIII University, GP Banque)

Jean-Charles Rochet (Toulouse University - Institut d'économie industrielle)

Benn Steil (Council on Foreign Relations)

Xavier Vives (IESE Business School)

INVESTOR PROTECTION: A FOCAL POINT OF AMF ACTIVITY

Emphasising the importance of investor protection, the AMF created the Retail Investor Relations Division (DREP) in 2010, combining all AMF activities involving individual investors, such as enquiries and mediation. Better investor protection also drove the decision to create a joint unit between the AMF and the ACP, formed in spring 2010. Tasked with reinforcing oversight of financial-product marketing, this unit reflects the increasing overlap between different savings products and the development of market participants capable of distributing insurance, banking and savings products.

2010 KEY DATA

AMF Investors' Helpline, Épargne Info Service

Number of cases handled:

4,563

with

95%

handled directly by the investors' helpline

42%

of queries submitted by individual investors.

Caseload

1,397

including

1,001

enquiries and

396

mediation requests.

Mediation requests

Number of cases closed: in 2010, the AMF responded to

1,041

enquiries and

520

mediation requests, of which

40%

led to an adversarial procedure that culminated in a settlement.

Source: AMF

INFORMING THE PUBLIC

The AMF investors' helpline Épargne Info Service, available at www.amf-france.org or by calling +33 (0)1 5345 6200, answers any questions involving the AMF, financial markets or market operation.

A single gateway to information on banking, insurance and financial markets is now available as well through Assurance Banque Épargne Info Service, providing guidance and information to the public via a website (www.abefinfoservice.fr), a helpline (+33 (0)8 1190 1801), or by mail (ABE Info Service, 61 rue Taitbout, 75436 Paris Cedex 09, France).

EDUCATING INVESTORS

The AMF's website (www.amf-france.org) features:

- educational guides explaining how markets work, giving details on financial products and setting out the basic rules for managing investments wisely;
- AMF warnings about products and investment services not authorised in France.

The AMF also participates in the actions of the Institute for Public Financial Education by helping to finance its budget and sitting on its board of directors.

MEDIATION AND THE OMBUDSMAN

The Mediation Department¹ responds to queries and seeks out-of-court settlements to disputes arising between investors and financial intermediaries or issuers. Although its services are usually solicited by individual investors, the department also responds to queries from financial professionals such as intermediaries and listed companies. Disputes can touch on any of the various areas covered by the AMF's activity: the marketing of financial products, market operation, the content of disclosures, order execution (timeliness and content), portfolio management and custody account keeping.

The mediation procedure is laid out in a charter. Mediation is confidential, free of charge, adversarial and nonbinding, each party having the right to terminate the procedure at any time.

QUESTION / ANSWER

Q I am in a dispute with my financial intermediary or with a company whose shares I own. What should I do?

A First, you should try to settle the dispute by writing to the intermediary or company in question. If you are still in dispute, you may contact the AMF Ombudsman¹ who intervenes to find out-of-court settlements to disputes coming within the AMF's jurisdiction. The mediation procedure is free, confidential, adversarial and nonbinding.

1. The ombudsman can be reached by calling +33 (0)1 5345 6464 on Tuesday or Thursday from 14.00 to 16.00, or via the Internet at www.amf-france.org. Mediation forms are available in the ombudsman section of the AMF website (www.amf-france.org) or by writing to Madeleine Guidoni, Autorité des marchés financiers, 17 place de la Bourse, 75082 Paris Cedex 02, France.

REGULATION OF MARKETS, PROFESSIONALS AND INVESTMENT PRODUCTS

The AMF oversees the orderly operation of the market and establishes rules of conduct for the professionals it supervises. It regulates the asset management industry by authorising the creation of collective investment vehicles, approving investment management companies and clearing their programmes of operations.

OVERSIGHT OF MARKETS

The AMF sets the principles of market organisation and operation. These apply to:

- market operators, such as NYSE Euronext, which organise trading in equities, fixed income securities and derivatives;
- securities settlement systems and the central securities depository, Euroclear France.

The AMF approves the rulebooks of clearing houses, such as LCH.Clearnet, and establishes the operating requirements for clearing members. The AMF also oversees financial markets and the transactions executed on them.

OVERSIGHT OF PROFESSIONALS

The AMF sets the conduct of business rules and other requirements applicable to ISPs. It approves asset management companies at the formation stage, after ensuring that they have sufficient resources and assessing the qualifications and integrity of their managers. The AMF also sets rules for the custody and administration of financial instruments. The AMF issues opinions to the ACP regarding the programmes of operations of investment services providers other than investment management companies.

QUESTION / ANSWER

Q How do I check whether a professional or product has been authorised?

A If you are contacted by a professional and want to check that the entity in question has been authorised, you can go to the AMF website and look under "Check for an authorisation". You can verify the authorisations of investment services providers (ISPs), asset management companies, financial investment advisers (FIAs), management companies of real-estate investment trusts, as well as direct marketers of banking and financial services. You can also check the authorisations of products that are offered to you, including CIS (open-end and closed-end funds, etc.), foreign CIS and schemes specialising in areas such as film production and fisheries.

The AMF supervises financial investment advisers (FIAs) and approves the professional associations to which they are required to belong. These associations are responsible for upholding FIAs' rights and interests, implementing and ensuring compliance with conduct of business rules, and providing training for FIAs.

The AMF also supervises direct marketers acting on behalf of investment management companies.

Furthermore, it issues professional licenses for compliance officers in the investment departments of ISPs other than investment management companies and compliance officers in charge of management companies' internal control.

OVERSIGHT OF COLLECTIVE INVESTMENT SCHEMES

The AMF authorises the formation of collective investment schemes, including open-end and closed-end funds, venture funds, innovation funds, company savings schemes, futures funds and local investment funds. Among other things, it examines the information set out in the prospectus given to all potential investors. Prospectuses contain key information such as operating procedures, track record, fees and commissions, product features, product-specific risks, etc. The AMF monitors each product throughout its lifetime, paying particular attention to the clarity of disclosures to investors, including annual reports, newsletters and advertising materials. Other, special-purpose collective vehicles, such as securitisation funds, real-estate investment trusts and funds, and schemes specialising in areas such as film production, fisheries and forestry development, also come under AMF supervision.

OVERSIGHT OF FINANCIAL-PRODUCT MARKETING

In spring 2010 the AMF and the ACP set up a joint unit to improve customer protection by acknowledging the increasing overlap between different types of savings products and the development of market participants capable of distributing a comprehensive range of financial products. The unit is tasked with coordinating oversight of financial-product marketing, intelligence-gathering on new developments in financial products and joint monitoring of advertising for these products. It also provides a single point of contact for customer queries.

2010 KEY DATA

Entities reporting to the AMF at 31 December 2010

Investment management companies:

590

Investment services providers (other than investment management companies):

361

Collective investment schemes (CIS):

12,182

Assets under management:

€1,364.6

billion

Personal Investment Management

Percentage of companies receiving authorisation in under 75 days:

65%

Source: AMF

REGULATION OF CORPORATE FINANCING AND DISCLOSURES

The AMF regulates fundraising and disclosures by listed companies. All such companies are required to inform the public regularly about their business activities and results, and about transactions such as takeovers and mergers. The AMF makes sure that disclosures are accurate, precise, fair and disseminated to the public at large.

2010 KEY DATA

Approvals for corporate financing transactions

444

Registration documents filed and recorded

370

Financial offerings and disclosures

Filing rate for registration documents:

59%

Source: AMF

CORPORATE FINANCING

The AMF oversees and regulates transactions involving the securities of listed companies:

- initial public offerings;
- capital increases and rights issues;
- public cash offers, exchange offers, buyout offers, etc.;
- mergers, demergers, etc.

The AMF ensures that for each operation, companies offering securities to the public provide comprehensive and reliable information on a timely basis and in an equitable manner to all.

The AMF scrutinises the documents prepared by listed companies, such as simplified and full prospectuses, offer documents, shelf-registration documents, base documents and securities notes. Depending on the case, these documents are either approved by the AMF prior to publication or are filed with the AMF and examined ex-post.

The AMF also rules on whether proposed tender offers are regulation-compliant.

In addition, the AMF makes sure that promotional materials related to a corporate financing transaction are clearly recognisable as such and contain no potentially misleading statements.

DISCLOSURE QUALITY

The AMF ensures that listed companies disclose price-sensitive information to the general public at the earliest possible opportunity. It also checks that companies comply with quarterly, half-yearly and annual disclosure requirements.

In the event of late filing, the AMF publishes the names of the companies in question on its website. In the event of a serious delay, it can also petition the courts to issue injunctions and penalties.

To improve the standard of information supplied to the market, the AMF publishes an annual report and recommendations on corporate governance and internal control in listed companies.

QUESTION / ANSWER

Q What is the scope of an AMF approval?

A Before approving a prospectus, the AMF makes sure that the information it contains is comprehensive, understandable and consistent. An approval does not mean that the AMF is endorsing the investment or assessing the situation of the issuer.

DEVELOPING FINANCIAL REGULATION IN FRANCE AND INTERNATIONALLY

Alongside other public and private-sector bodies, the AMF is helping to rebuild confidence in markets and playing an active part in consolidating France's position in an integrated Europe-wide financial sector. It also plays a major role in international financial standard-setting bodies in an effort to foster the integrity and efficiency of financial markets in a globalised world.

THE AMF AND THE FRENCH FINANCIAL COMMUNITY

The AMF is actively working for the Paris financial market by affording a much clearer view of how France's financial regulation system is organised amid intensifying international competition and heightened investor concerns about market shortcomings. It maintains regular dialogue with market professionals by holding consultations, organising special events and having industry representatives sit on its Consultative Commissions.

THE AMF ON THE INTERNATIONAL SCENE

The AMF plays an important role in international regulatory organisations. This action is particularly crucial at a time when financial markets are becoming closely integrated.

WORLDWIDE

International Organization of Securities Commissions (IOSCO)

Founded in 1983, the IOSCO brings together financial regulators at the world level. It has 196 members. Its main purpose is to establish international standards to:

- improve efficiency and transparency of securities markets;
- protect investors;
- facilitate cooperation between regulators in the combat against financial crime.

The IOSCO is organised in committees (Presidents, Technical, Executive, Emerging Markets and Regional) and has set up several working committees, standing committees and task forces composed of IOSCO members.

Financial Stability Board

The FSB is composed of the financial regulators, central banks and finance ministries of significant international financial centres, together with international institutions (International Monetary Fund, World Bank, European Commission, European Central Bank, Bank for International Settlements, Organisation for Economic Cooperation and Development) and international regulators (IOSCO, Basel Committee). The FSB has 64 members.

Joint Forum

Members of the Joint Forum consist of senior supervisors from the banking, insurance and securities sectors, working together to deal with issues common to all three sectors to achieve a globally coherent regulatory system.

EUROPE-WIDE

To step up efficiency of financial supervision, the European Commission set up a new European financial supervision arrangement based on a body responsible for macro-supervision of the financial system, the European Systemic Risk Board; three new authorities consisting of:

- the European Banking Authority;
- the European Insurance and Occupational Pensions Authority;
- and the European Securities and Markets Authority (ESMA); and lastly, the national financial supervisory authorities of EU Member States.

European Systemic Risk Board (ESRB)

The ESRB is tasked with detecting and preventing risks that could interfere with financial stability in the European Union.

European Securities and Markets Authority (ESMA)

ESMA is the European supervisory authority for financial markets. Created at the beginning of 2011, it is the successor to the Committee of European Securities Regulators (CESR). ESMA is responsible for harmonising regulation and supervision of EU financial markets and has received binding powers to accomplish this task. It has 30 members consisting of the 27 financial market regulators from the EU Member States, the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Commission.

College of Euronext Regulators

The College of Euronext Regulators comprises the five regulatory agencies of the countries in which Euronext is present: AMF (France), AFM (Netherlands), CBFA (Belgium), CMVM (Portugal) and FSA (UK).

Bilateral and multilateral relations between the AMF and regulators in other countries

The AMF has signed 47 cooperation agreements with other authorities on matters such as the exchange of information, conduct of investigations and technical cooperation. These bilateral relations are reinforced by two multilateral Memorandums of Understanding between the members of ESMA (29 signatories) and IOSCO (75 signatories) and a charter establishing a partnership between Mediterranean securities regulators. The AMF is also a member of the *Institut francophone de la régulation financière* (IFREFI), which brings together financial regulators that use French as their working language.

MARKET SUPERVISION: INSPECTIONS, INVESTIGATIONS AND SANCTIONS

The AMF supervises the orderly operation of the French financial markets on a daily basis. Vested with investigatory and inspection powers, it works with other domestic and foreign authorities responsible for overseeing the banking and financial industries. The AMF can sanction any legal entity or natural person that infringes prevailing rules and regulations.

2010 KEY DATA

Investigations opened in 2010:

73

Sanctions handed out:

50

Inspections

Percentage of inspections completed in under 6 months:

33%

Investigations

Percentage of domestic investigations completed in under 12 months:

61%

Sanctions

Percentage of cases referred to the Enforcement Committee and resulting in a sanction:

89%

Percentage of cases referred to the Enforcement Committee and closed in under 13 months:

78%

Source: AMF

A SUPERVISORY REMIT

The AMF oversees:

- the financial instruments admitted to listing on Euronext Paris: equities, fixed income, derivatives, greenhouse gas emission allowances;
- the professionals operating in financial instrument markets (credit institutions, investment firms, investment management companies, financial investment advisers, direct marketers acting for investment management companies);
- market infrastructures;
- rating agencies¹.

The AMF also monitors all trading of instruments listed on Euronext Paris, regardless of the trading venue, including over-the-counter trades and those on multilateral trading facilities.

INSPECTION POWERS

The AMF conducts on-site and off-site audits of:

- all firms licensed for investment services, together with their employees;
- NYSE Euronext Paris SA;
- the settlement system and the CSD (Euroclear France SA);
- clearing houses (LCH.Clearnet SA);
- financial investment advisers (FIAs).

The AMF may also rely on outside auditors to carry out inspections (NYSE Euronext Paris SA, Euroclear France SA, the Autorité de contrôle prudentiel, the Banque de France and audit firms).

INVESTIGATIVE POWERS

If misconduct is suspected, the AMF's secretary general can order an investigation to identify those who may have committed market abuse, such as insider dealing, price manipulation, or releasing false information, be it a company, a private or institutional investor, a market professional or any other person or entity.

INTERNATIONAL COOPERATION

To enhance the oversight of Europe's financial markets, the members of the Committee of European Securities Regulators (CESR) set up CESR-Pol, which has become ESMA-Pol, a group responsible for facilitating effective and efficient sharing of information. The AMF has also signed the multilateral cooperation agreement of the International Organization of Securities Commissions, which aims to facilitate the exchange of information during international investigations.

SANCTION POWERS

An investigation report is sent to the AMF Board, which decides whether to issue a statement of objections against the persons or entities in question and to refer the matter to the Enforcement Committee or another competent authority. Following an adversarial procedure, the Enforcement Committee makes a decision on matters of fact and may issue a fine and/or a disciplinary sanction for infringement of market rules or market intermediaries' professional duties. The AMF chairman can appeal Enforcement Committee rulings with prior consent from the AMF Board.

QUESTION / ANSWER

Q How does the AMF supervise markets?

A The AMF has powerful resources to monitor price fluctuations and detect any infringement of applicable laws and regulations. It examines numerous alerts every day, devoting in-depth analysis to an average of 500 "anomalies" per year. In 2010 the AMF invested in new supervisory tools. This extended the scope of systematic testing to include trading in listed derivatives and automatic searches for sophisticated scenarios signalling potential infringements, calling into play several orders or transactions. It also developed tools to monitor order books on Euronext Paris. Analyses conducted by the AMF now also cover most transactions executed in Europe on OTC derivatives whose underlying asset is quoted on the Paris market.

1. This Act reinforced the AMF's powers by introducing measures on registration, inspection, supervision and sanctioning of credit rating agencies. The European Securities and Markets Authority (ESMA, which replaced the CESR in January 2011) will take over registration and direct supervision of rating agencies from the AMF in mid 2011.

STEP-BY-STEP: AN INVESTIGATION RELATING TO MARKET SUPERVISION OR DISCLOSURES BY LISTED CORPORATES

The AMF observes behaviour that may constitute an anomaly.

While performing market supervision duties, or acting on a request by another AMF department or foreign authority based on a suspicious transaction report; when responding to a request from judicial authorities or acting on a complaint, the AMF may observe behaviour that appears to constitute a breach of the AMF General Regulation.



The AMF's secretary general decides to open an investigation.

In this case, the AMF's secretary general decides to open an investigation. He can delegate the power to open investigations to the managing director. The secretary general (or the managing director) appoints investigators. The investigation may also be carried out by external auditors appointed by the AMF. Investigators may request any document, interview anyone they choose, and enter business premises. Information may not be withheld from investigators on the grounds of professional secrecy, except by representatives of the law.



At the end of the investigation, a detailed letter is sent to the potential respondent.

Once the investigation has been completed, a detailed letter is sent to the person likely to be charged subsequently by the AMF Board. This person has one month to submit his observations, which are forwarded to the Board when it reviews the investigation report.



The investigation report is submitted to the AMF Board.

The investigation report indicates whether the evidence points to a breach of the AMF General Regulation. It is forwarded to one of the Board's specialised commissions and is not made public.



The Board decides what action to take. It can close the case, refer it to other authorities and/or refer it to the Enforcement Committee.

The specialised commission of the Board or the full Board examines the report and decides what action should be taken. The same report may give rise to several enforcement actions.

- If the commission or Board finds no material breach, the case is closed. However, a letter of observations may be sent to the person under investigation to recall current regulations.
- If the report points to a possible criminal offence, it is forwarded to the public prosecutor.
- If the Board decides to initiate sanction proceedings, it serves a statement of objections to the respondent and forwards the case to the chairman of the AMF Enforcement Committee.
- If the report shows that the matter does not come within the AMF's jurisdiction, it is forwarded to the competent national or international authorities.



WHO IS INVOLVED IN SUPERVISION, INVESTIGATION AND ENFORCEMENT?

- Market Surveillance Department
- Investigations Department
- AMF secretary general or managing director
- AMF Board

STEP-BY-STEP: AN INSPECTION OF INVESTMENT SERVICES PROVIDERS AND PROFESSIONALS

A list of proposed inspections is presented to the scheduling committee.

The list of proposed inspections includes systematic and recurring inspections (particular themes or groups, etc.). It is established using a risk-based approach which refers to evidence, behaviour or incidents that may constitute misconduct of persons subject to the authority of the AMF, particularly investment services providers and FIAs. Incidents are analysed and centralised in a database developed by the CPIM department. A list of proposed inspections is presented to the scheduling committee. The committee decides on the resources to be devoted to each inspection.

Once the scheduling committee has met, an inspection order issued by the AMF's secretary general marks the start of the inspection.

Acting upon the advice of the committee, the AMF's secretary general defines the objectives for each inspection. To conduct its investigations, the AMF may make use of external auditors (ACP, particularly within the joint unit, as well as the Central Security Depository – CSD –, outside firms, etc.).

The findings of the inspection are covered in a report.

An inspection report is always prepared after an on-site inspection. It is sent to the inspected entity, which submits its response.

The secretary general sends a follow-up letter to the respondent or, if necessary, forwards the case to the Board.

The AMF secretary general decides whether or not to submit the report to the Board so that it can decide what action to take. If the report is not sent to the Board, the secretary general addresses a follow-up letter to the audited entity, specifying the measures it must take, if necessary, to remedy any identified misconduct.

The Board decides what action to take. It can initiate sanction proceedings, identify the respondent or refer the case to another authority. The secretary general sends a follow-up letter to the audited entity.

The Board then decides what action to take:

- if the report uncovers material breaches, the Board opens sanction proceedings by issuing a statement of objections;
- if the report points to a possible criminal offence, it is forwarded to the Public prosecutor;
- if the report shows that the matter comes within the jurisdiction of another national or international authority, it is forwarded to the competent authority. The case may also be submitted to Tracfin;
- notwithstanding the statement of objections, the secretary general sends a follow-up letter to the audited entity;
- if the report does not reveal any material breaches or criminal offences, the secretary general sends a follow-up letter to the audited entity advising it of corrective measures that need to be taken to remedy any identified misconduct.

WHO IS INVOLVED IN THE INSPECTION PROCEDURE?

- Supervision of Services Providers and Market Infrastructures Department (CPIM)
- AMF secretary general
- AMF Board

ENFORCEMENT COMMITTEE SANCTION PROCEEDINGS

If the AMF Board decides to initiate sanction proceedings, the chairman of the Board serves a statement of objections to the respondent and also sends this statement to the chairman of the AMF Enforcement Committee. The statement of objections constitutes the indictment. It sets out the allegations against the respondent. The respondent then has two months to submit comments to the chairman of the Enforcement Committee. These written comments are forwarded to the prosecuting authority, which may reply in writing¹.

The statement of objections is sent to the respondent and to the chairman of the AMF Enforcement Committee.

The chairman of the Enforcement Committee appoints one of its members to act as a rapporteur who appraises the case for sanctions. The rapporteur may hear the respondent and the representative of the prosecuting authority. He may also hear testimony from other persons. He is assisted throughout the appraisal procedure by a member of the AMF's Enforcement Assistance Department. Once case appraisal has been completed, the rapporteur draws up a report on the results and sends it to the respondent. The respondent is convened to a hearing before the Enforcement Committee. He has 15 days to submit his comments on the report. The representative of the prosecuting authority may also present its comments, with a copy forwarded to the respondent¹.

The chairman of the Enforcement Committee appoints a rapporteur who appraises the case for sanctions.

The hearing is open to the public, unless exceptional circumstances determine otherwise. The rapporteur's oral report is followed by a debate with the respondent and the representative of the prosecuting authority. The respondent (or his adviser) has the last word.

The respondent is heard by the Enforcement Committee.

At the end of the hearing, the rapporteur, the Board representative and the director general of the Treasury or his representative leave the chamber and the deliberation takes place. The respondent is informed of the Enforcement Committee's decision. The decision is publicly disclosed, unless such disclosure would seriously jeopardise the financial markets or cause disproportionate damage to the parties involved. The Enforcement Committee may also decide not to disclose the identity of the parties involved.

The Enforcement Committee renders its decision.

The respondent can appeal the Enforcement Committee's decision within two months following notification of the sanction. The appellate court is the Cour d'appel de Paris. If the sanction involves a professional, such as an investment services provider or FIA, the appeal is sent before the Conseil d'État. The AMF chairman can also appeal the decision, with prior consent from the Board.

The respondent has two months to appeal. The AMF's chairman can also appeal the decision.

WHO IS INVOLVED IN SANCTION PROCEEDINGS?

- AMF Board = prosecuting authority
- Chairman of the Enforcement Committee
- Rapporteur
- Enforcement Committee

1. Applies to proceedings initiated subsequent to a statement of objections issued after 1 January 2011.

2010 HIGHLIGHTS

Implementing G20 recommendations

Roll-out of solutions to the financial crisis defined at the G20 summit meeting began in 2010.

Several measures have already been taken in Europe:

- A new European System of Financial Supervision has been set up, built around the new European Systemic Risk Board, in which the AMF participates, and three agencies in charge of markets (with ESMA replacing CESR), banking and insurance.
- A system to oversee short selling was defined in 2010, setting new rules on transparency, reinforcing discipline in securities settlement and granting emergency powers to regulators. It will become effective throughout the European Union in 2012.
- Rating agencies are now regulated at the European level, which will soon be controlled directly by ESMA.
- In November 2010, after six official versions of the text and eighteen months of negotiation, a final agreement was reached on the AIFM Directive which will oversee hedge fund managers within the EU.
- Lastly, progress is being made in Europe on regulation of derivative markets. Work in this area aims to encourage standardisation and clearing of OTC derivatives, reinforce supervisory rules on clearing house operation, and support systematic recording of transactions in centralised databases.

At the national level, part of these measures were incorporated in the Banking and Finance Regulation Act of 22 October 2010, which reinforced and extended the mandate of the AMF, which has been temporarily empowered to oversee and supervise credit rating agencies until ESMA becomes operational. The Authority is endowed with rapid-response capability to restrict the terms of negotiation of financial instruments when circumstances threaten to destabilise the financial system. The scope of the AMF mandate has been extended to cover market abuse in derivatives trading on a regulated market or Alternext. The legal framework for declaring suspicious transactions conducted by investment services providers, previously applicable only on regulated markets, has also been extended to cover Alternext. New rules to make short selling completely transparent to the AMF and the market will come into force on 1 February 2011. In line with the G20 decisions on compensation issues, the AMF approved the professional rules laid out in a joint proposal by the Association française de la gestion financière (AFG), the Association française des investisseurs en capital (AFIC) and the Association française des sociétés de placement immobilier (ASPIM) regarding remuneration policies in asset management companies.

Long-lasting financial resources

As the AMF confronts new responsibilities and acquires powerful tools to keep pace with fast-moving technology, government has extended its resources by initiating two new contributions. The first involves financial institutions dealing on own account and the second listed corporates. These new contributions, more proportionate to the regulator's supervisory action in these two areas, will provide more steady long-term financing for the AMF.

SAFEGUARDING INVESTMENTS

Consistent with strategy proposals adopted in July 2009, the AMF pursued action to safeguard investments in 2010.

Retail Investor Relations up and running

The Retail Investor Relations Division (DREP) is now operational. The AMF investors' helpline, Épargne Info Service, which takes calls from individual and professional investors, is building momentum by upgrading mediation information technology and setting up knowledge banks and supervisory instruments, such as "mystery investors", monitoring of sales literature and mailings to be distributed in the near future.

Advancing oversight of financial-product marketing

The AMF has clearly concentrated its supervisory action on marketing methods used to promote financial products. Of the 69 on-site audits conducted in 2010, nearly half were devoted to this issue. Efforts to monitor sales literature were also intensified and in nearly half of the 157 follow-up files opened, the AMF requested that documents be changed or that specific information be provided to investors. The AMF spelled out its policy on advertising for complex products aimed at retail investors by clearly indicating which products are so sophisticated that it becomes difficult for financial product distributors to fulfil their professional obligations when addressing retail investors.

Joint unit with the ACP and launching the Insurance and Banking Helpline

The unit for coordinated action between the ACP and AMF was set up to improve customer protection by acknowledging the increasing overlap between different types of savings products and the development of market participants capable of distributing a comprehensive range of financial products. Since it began operating in June 2010, the joint unit has successfully accomplished several tasks: joint inspections were conducted

and, with help from the Banque de France, a common website and helpline were set up to improve handling of queries from financial institution customers. The AMF and ACP also worked together to prepare a policy document on financial-product marketing methods aimed at retail investors.

Investor compensation

One of the stated aims of the AMF was to improve the terms of compensation granted to individual investors who had incurred losses. A working group devoted to this topic was created in April 2010.

Co-chaired by AMF Board members Jacques Delmas-Marsalet and Martine Ract-Madoux, the group published its recommendations for consultation purposes in January 2011. It recommends giving precedence to out-of-court settlement of disputes, incorporating the objective of investor compensation into the AMF's internal procedures, and organising the AMF's contribution to solving the problems raised by judicial compensation in the investment and financial sectors.

OVERHAULING THE REGULATORY FRAMEWORK AND ENHANCING THE ATTRACTIVENESS OF THE PARIS FINANCIAL CENTRE

New rules on takeover bids

The Banking and Finance Regulation Act changed the rules on takeover bids, lowering the mandatory bid threshold to 30% on regulated markets and widening the range of securities taken into account to calculate this threshold. The mandatory bid was also introduced on organised multilateral trading facilities such as Alternext.

Transposition of the UCITS IV Directive

The AMF took the opportunity of transposing this directive to review the regulatory framework of asset management in France. In addition to UCITS funds, the scope of the key investor information document (KIID) was extended to cover collective investment schemes offered to retail investors, with provisions made for specific formats to cover special funds, such as employee savings funds (FCPE) or real estate collective investment schemes (OPCI). The purpose is to give investors access to a clearer, more legible document that allows them to effectively compare products. The AMF will also be revising its policy on documentation, seeking simplification to avoid distorting competition in a way that would penalise French management companies.

AMF regulation of greenhouse gas emission allowances

The Banking and Finance Regulation Act grants powers to the AMF to supervise the CO₂ spot market. This extends the AMF mandate to include the protection of investments in emissions allowances and monitoring information provided to investors. The AMF also has the power to sanction any market abuse observed in CO₂ emissions trading. The AMF and the energy regulator, the CRE, signed a memorandum of understanding on exchanging information, monitoring and supervising trading of greenhouse gas emission allowances, electricity, natural gas and their derivatives.

Response to the MiFID review

The working group chaired by AMF Board members Jean-Pierre Pinatton and Olivier Poupart-Lafarge, set up in December 2009, published a report on the review of the Markets in Financial Instruments Directive (MiFID). The document, which will serve as a basis for discussions at both the national and European level, addresses three main themes:

- improving pre- and post-trade transparency,
- ensuring fair competition among trading venues,
- identifying technological developments in markets involving high-frequency trading, colocation, sponsored market access, fee structures and indications of interest, mainly by giving broad regulatory powers to the future European Securities and Markets Authority.

Encouraging access to markets for SMEs and mid-tier enterprises

For the first time a seminar was organised for small and mid-caps by the AMF and NYSE Euronext. The theme, "Facilitating access to financial markets for SMEs and mid-tier enterprises", has been scheduled for a second edition to be held in Lyon in the second half of 2011. The AMF also co-founded an observatory on financing SMEs and mid-tier enterprises through the stock market.

Results from working group on audit committees

Launched in October 2009, the working group chaired by AMF Board member Olivier Poupart-Lafarge, composed of representatives of listed companies, experts and members of professional associations, prepared a report specifying the characteristics and scope of action of an audit committee, giving a precise meaning to the task of "monitoring", and proposed a practical method for implementation. It also addressed specific features relating to small and mid caps (compartments B and C).



2010 HIGHLIGHTS

Professional certification system operational

On 1 July 2010, the professional certification system came into effect. The AMF certified eight examinations offered by training institutions and professional associations and some 900 applicants have since passed the AMF-certified examination.

DATA TRANSPARENCY

First report on social and environmental responsibility

The AMF drew up a report on the environmental and social information published by listed companies in their 2009 shelf-registration documents. The AMF analysed the information provided by companies in terms of transparency and recommended using a specified standard and stable indicators. It also suggested ways to improve the presentation of social and environmental risks.

AMF recommendations on disclosure of financial indicators

This position/recommendation reminded issuers of the main principles to be observed and recommended good practice in financial disclosures, emphasising the importance of defining indicators, using them consistently and explaining their significance in the disclosed information.

MARKET INTEGRITY

More efficient investigation and sanction proceedings

The AMF began work in a certain number of areas to improve efficiency in its enforcement process. These new measures involve both the investigation process and sanction proceedings.

An Investigation Charter was drawn up, specifying the legal framework of investigations, principles of good conduct for investigators and the behaviour expected of individuals inter-

viewed. The procedure stipulates that before the final investigation report is prepared, a "detailed letter" should be submitted to the persons likely to be charged subsequently by the AMF Board. The letter relates the points of fact and law noted by the investigators and the recipients may submit their written observations within a period of one month.

The enforcement powers of the AMF were also reinforced by the Banking and Finance Regulation Act. The deterrent aspect of the Act was reinforced by significantly increasing the maximum fine prescribed by law, raised to 100 million euros. Sanction proceedings are now public, the AMF Board is represented during the entire adversarial procedure and the AMF chairman has been empowered to appeal Enforcement Committee decisions. The new Act also gives the AMF settlement powers, which means it will be able to process "small cases" more quickly, in a totally transparent manner.

Improving market supervision

The AMF's supervisory mandate is gradually being extended to new sections of the market, subsequent to the Banking and Financial Regulation Act and significant investments made by the AMF. The regulator has tailored its alert system and investigations to the specific features of the bond market. Supervision of investment services providers has been tightened up by programming new automatic alerts. The AMF has extended its internal alerts system to detect any abnormal activity involving any security listed in Paris, regardless of the trading venue of European intermediaries (NYSE Euronext, MTF, dark pools or pure OTC transactions). The AMF has invested in market supervisory tools that place special emphasis on agricultural and OTC derivatives.

Guide to preventing insider misconduct by senior executives of listed companies

This guide stems from the work of a task force led by AMF Board member Bernard Esambert, tasked with developing proposals for preventing insider misconduct and regulating more effectively the way that senior executives manage their companies' securities. The AMF will review the guide regularly.

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