

Autorité des Marchés Financiers
The French securities regulator



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In 2005, the Autorité des Marchés Financiers (AMF) consolidated the foundations laid since it was inaugurated on 24 November 2003. It reached operational momentum amid sustained activity in financial markets and the completion of the European Commission's action plan for building a unified market. Owing to the transposition of European directives and the ongoing drive for innovation and modernisation in France's financial markets, the AMF extensively amended its General Regulation, after having organised numerous industry-wide projects and consultations. It also policed the markets with a firm hand through inspections and investigations. As

a result, the Enforcement Committee completed 32 proceedings and handed down 51 sanctions.

Paris confirmed its position as the foremost financial centre in continental Europe, with its buoyant asset management industry and its ability to meet the needs of companies and investors alike.

However, competition among financial centres is intensifying as markets go global. And since the single market is nowhere near completion, investor confidence needs to be strengthened still further.

So 2006 will be a busy year for the AMF, with the transposition of the Markets in Financial Instruments Directive and the Takeover Directive, developments in trading and post-trade infrastructures, and fast-paced changes in the asset management industry.

In addition to its routine responsibilities, the AMF is determined to engage with these developments by pursuing a policy of "better regulation". This means striking a better balance between the need to protect investors' interests and market integrity and the need for our markets to develop and remain competitive. We will do this by systematically weighing up opportunities and risks, costs and benefits, and by forging ever closer relations with market participants, while avoiding complacency and paying close attention to competitiveness.

And since the AMF is closely involved in the organisations where European and international regulations are made, its approach will continue to be informed by a global perspective.

We need to further improve our internal management, which is now organised around a detailed work schedule combined with strict internal controls and a systematic approach to quality.

In this way, the AMF as a whole – the Board, the Enforcement Committee, the consultative commissions, the scientific advisory board and the workforce of some 350 men and women – will be ready and able to serve a fast-developing financial centre. Our aim is to ensure honesty, fairness and efficiency, the three values so vital to orderly financial markets.

A handwritten signature in black ink, appearing to read "Michel Prada". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michel Prada,
Chairman, Autorité des Marchés Financiers

Autorité des Marchés Financiers

The French securities regulator, the Autorité des Marchés Financiers (AMF), came into being on 24 November 2003 under the Financial Security Act of 1 August 2003. It was created from the merger of three regulatory authorities: the Commission des Opérations de Bourse (COB), the Conseil des Marchés Financiers (CMF) and the Conseil de Discipline de la Gestion Financière (CDGF). The Act thus simplified the design of France's financial regulation system, making it more efficient and raising its international profile. The AMF is an independent public authority that regulates and supervises France's financial markets in order to protect savings and investment.

Remit

The AMF has statutory responsibility for:

- safeguarding investments in financial products
- ensuring that investors receive material information
- maintaining orderly markets

The AMF cooperates with the other authorities responsible for overseeing financial and banking activities: Comité des Entreprises d'Assurance (insurance), Commission Bancaire (banking), Comité des Établissements de Crédit et des Entreprises d'Investissement (investment firms and credit institutions), and Autorité de Contrôle des Assurances et des Mutuelles (insurance and complementary health insurance). And, as financial markets become increasingly integrated, the AMF lends its support to worldwide and European regulation by participating in international bodies and cooperating with regulators in other countries.

Jurisdiction

The AMF has jurisdiction over:

- disclosures and fundraising by companies making public offerings of securities
- financial markets and their infrastructures
- investment services providers, financial investment advisers and direct marketers (jointly with other financial regulators⁽¹⁾)
- collective investment schemes

Responsibilities

The AMF has four areas of responsibility:

- regulating
- issuing authorisations and approvals
- supervising and monitoring markets and market participants
- punishing regulatory infringements

Resources and organisation

The AMF consists of a Board and an Enforcement Committee. It relies on the expertise of five consultative commissions, a scientific advisory board and a staff of 352. It has legal personality and is autonomous in terms of finance and management.

Accountability

The AMF's General Regulation is approved by the finance minister. Its decisions can be challenged in the courts or administrative tribunals.

Its financial and accounting management is subject to oversight by the public accounting office, the Cour des Comptes. The AMF reports annually to the Head of State and to Parliament.

2005 Budget

Income: €52.77 million
 Expenses: €55.15 million
 Average workforce for the year: 352

• The AMF: an independent multi-disciplinary organisation with collective responsibility

The AMF consists of two bodies with collective responsibility and separate memberships:

- the Board
- the Enforcement Committee

These two bodies, composed of senior judges from the highest French courts of appeal, representatives of public authorities, persons chosen for their expertise and industry professionals, have a broad range of multi-disciplinary skills. The AMF's Chairman is appointed for five years by the President of France. With the exception of the ex officio members, namely the representative of the Governor of the Banque de France and the Chairman of the National Accounting Board, the members of the Board and the Enforcement Committee are appointed by different public authorities for five years. One-half of the membership is changed every thirty months, and terms of office are renewable once.

The participants' independence is bolstered by a system designed to prevent cross-memberships and conflicts of interest.⁽²⁾

The finance minister appoints a government commissioner who sits on all AMF commissions in an advisory capacity (decisions on sanctions are not taken in his or her presence). The commissioner can request a second discussion of all matters, except sanctions. Furthermore, in accordance with the constitutional principles governing the exercise of regulatory powers, the finance minister approves the AMF's General Regulation.

In accordance with law, the Board has set up consultative commissions, which have some fifteen members, and a scientific advisory board. Moreover, to prepare its decisions, it organises special working groups and institutional consultations with the relevant professional associations.

• 2005: the AMF on track for better regulation

The AMF amends and expands its General Regulation to keep pace with the modernisation of French financial markets. Two major sets of amendments were adopted in 2005. However, the task of overhauling the regulatory framework is far from complete and will require further efforts in future. Aware of the magnitude of the tasks facing the financial community, the AMF has based its work on the "better regulation" principle. This philosophy, which is being maintained in 2006, is predicated on a method that allows market participants and the regulator to take a practical approach to complex topics such as the trade-off between opportunities and risks, costs and benefits, objectives and resources. That concern, which extends to every level of the AMF, seeks to reconcile investor protection and the market ethic with an acknowledgment of the competitive forces facing firms in Europe and worldwide.

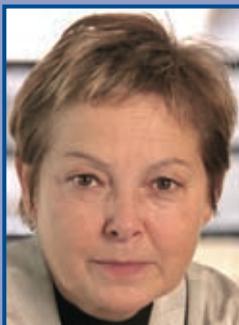
Work on transposing European directives intensified in 2005, leading to deep-seated changes in France's legal

and regulatory framework. Those reforms, together with purely domestic initiatives, prompted the AMF to consult more regularly with key market participants through working groups. These task forces addressed issues such as tender offers, financial valuation and fairness opinions, independent investment research, improving the exercise of voting rights in French companies, and UCITS depositories.

The AMF also put the finishing touches to a modern, innovative system of human resource management that will foster a sense of unity and purpose, and implemented an internal control mechanism that has been operational since early 2005. Furthermore, to cope with the increasing workload of the Enforcement Committee and the growing number of disputes related to its decisions, the AMF set up a special department in 2005 to deal with the preparation and handling of sanction cases and the resulting disputes.

① Comité des Entreprises d'Assurance (CEA) for the insurance sector and Comité des Établissements de Crédit et des Entreprises d'Investissement (CECEI) for credit institutions.

② Last two paragraphs of Article L. 621-4 of the Financial and Monetary Code.



1

1 Michel Prada

Chairman, appointed by Presidential decree

2

2 Jacques Delmas-Marsalet

Appointed by the Vice-President of the Conseil d'État

3

3 Claire Favre

Appointed by the Chief Justice of the Court of Cassation

4

4 Philippe Adhémar

Appointed by Auditor-General of the Cour des Comptes

5

5 Jean-Paul Redouin

Appointed by the Governor of the Banque de France

6

6 Antoine Bracchi

Chairman of the Conseil National de la Comptabilité

7 Jean de Demandolx Dedons

Appointed by the President of the Senate

8 Jean-Michel Naulot

Appointed by President of the National Assembly

9 Bernard Esambert

Appointed by the Chairman of the Conseil Économique et Social

**Xavier Musca**Government Commissioner
Director General
of the Treasury
and Economic Policy Department**THE AMF BOARD****16 members**

The Board is the decision-making body of the AMF. Its powers include:

- adopting new regulations
- taking individual decisions: acceptability of takeover bids, approval of prospectuses, authorisation, etc.
- scrutinising inspection and investigation reports
- ordering sanction or injunction proceedings
- suspending the business operations, in an emergency, of professionals subject to sanction proceedings
- adopting the budget and approving the AMF's financial accounts, etc.

members



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16

Appointed by the finance minister, after consultation with organisations representing industrial and commercial companies issuing securities to the public, firms managing collective investment schemes, other investors, investment services providers, market operators, clearing houses, managers of settlement systems and central securities depositories:

Appointed by the Finance Minister, after consultation with trade unions and representative bodies:

16 Jean-Claude Mothié

10 Monique Bourven

11 Bernard Field

12 Thierry Coste

13 Dominique Hoenn

14 Yves Mansion

15 Jean-Pierre Pinatton

Enforcement



1

1 Daniel Labetoulle ●

Appointed by the Vice-President
of the Conseil d'État
Chairman of the Enforcement
Committee
Chairman of the first section



2

2 Jacques Bonnot ●

Appointed by the Vice-President
of the Conseil d'État



3

3 Claude Nocquet-Borel ●

Appointed by the Chief Justice
of the Court of Cassation
Chair of the second section



4

4 Marielle Cohen-Branche ●

Appointed by the Chief Justice
of the Court of Cassation

ENFORCEMENT COMMITTEE

12 members

The Enforcement Committee has the power to sanction any legal entity or natural person having infringed laws and regulations on public offerings of securities and financial markets acting in a manner that impairs investor protection or interferes with the orderly operation of markets. It takes decisions on the statements of complaint submitted to it by the Board of the AMF. It has total freedom of decision-making when carrying out its work.

SECTION 1 ●

SECTION 2 ●



Xavier Musca

Government Commissioner,
Director General of the Treasury
and Economic Policy Department

Committee members



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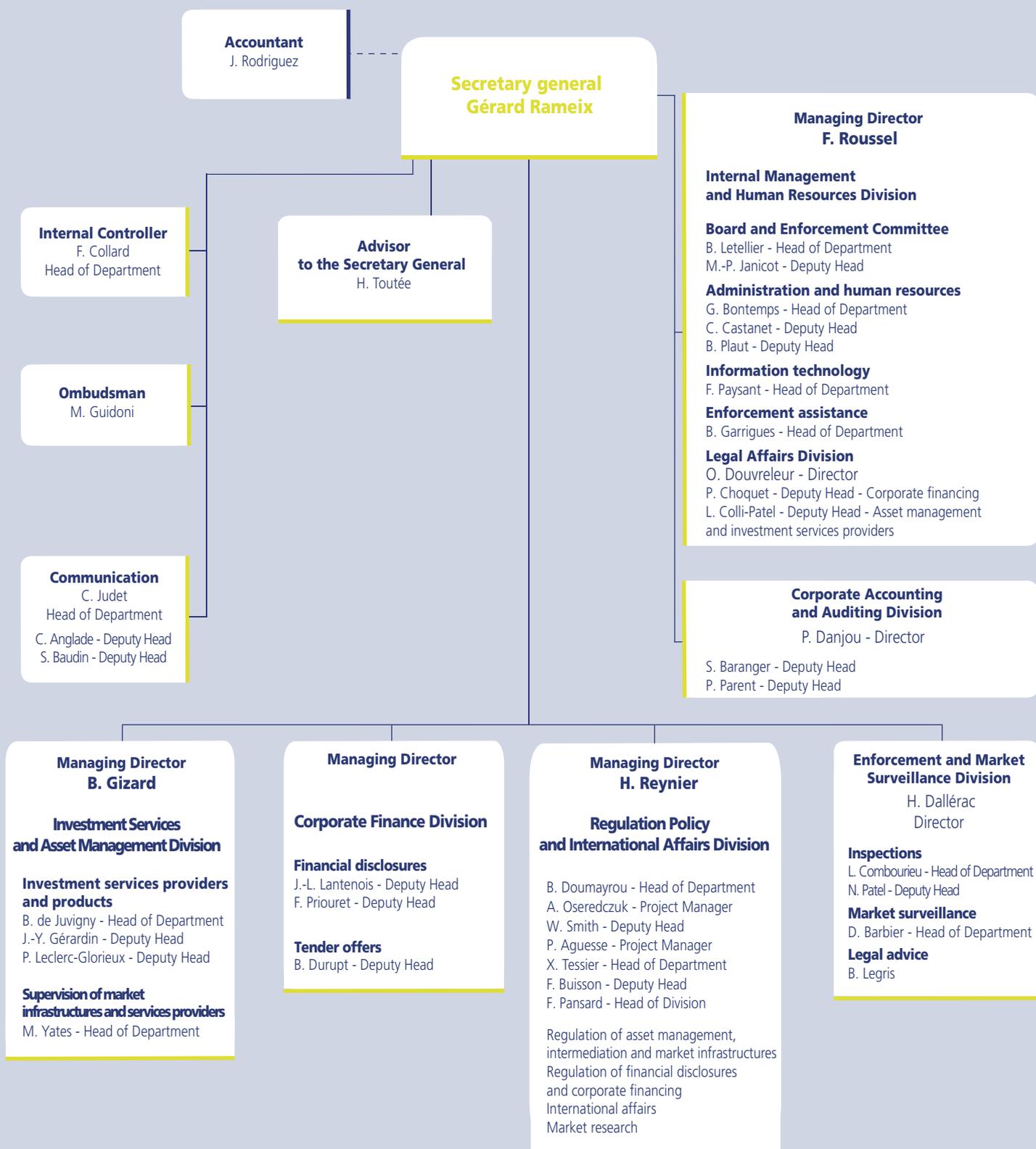
Appointed by the finance minister, after consultation with organisations representing industrial and commercial companies issuing securities to the public, firms managing collective investment schemes, other investors, investment services providers, market operators, clearing houses, managers of settlement systems and central securities depositories:

- 5 Jean-Claude Hanus ●
- 6 Alain Ferri ●
- 7 Jean-Pierre Hellebuyck ●
- 8 Pierre Lasserre ●
- 9 Jean-Pierre Morin ●
- 10 Antoine Courteault ●

Appointed by the Finance Minister, after consultation with trade unions and representative bodies:

- 11 Joseph Thouvenel ●
- 12 Jean-Jacques Surzur ●

Departmental organisation chart



Financial disclosures and corporate financing

Corporate financing

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

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

For each transaction, the AMF monitors companies to ensure that they provide comprehensive and reliable information on a timely basis and in an equitable manner to the public at large.

The AMF scrutinises the documents issued by listed companies, such as simplified and full prospectuses, offer documents, shelf registration documents and securities notes. These documents are reviewed before being distributed and receive an official “visa”. In some cases, however, they are simply filed with the AMF and examined after publication.

The AMF also rules on the acceptability of proposed tender offers in order to safeguard shareholders’ interests.

Disclosure quality

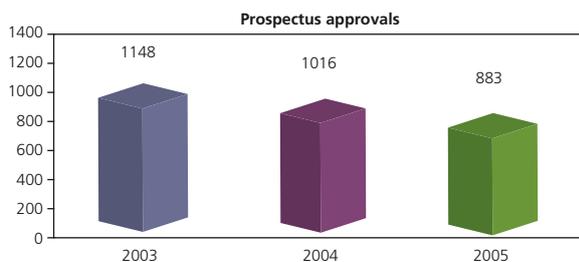
The AMF ensures that listed companies disclose price-sensitive information through news releases to the general public at the earliest possible opportunity.

The AMF also oversees compliance with the statutory publication of annual financial statements, half-yearly results, and quarterly revenue data. In the event of late filing, the AMF publishes the names of the companies in question on its website⁽¹⁾. In case of serious delay, it can also petition the courts to issue injunctions and penalties.

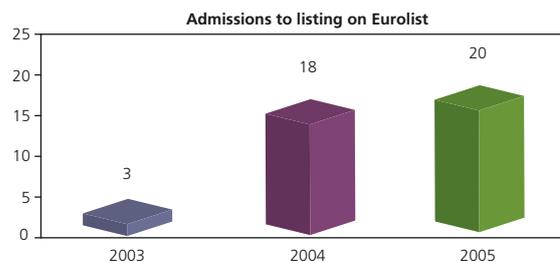
• 2005 key data

| | |
|---|-----|
| - Prospectus approvals | 883 |
| - Registration documents | 388 |
| - Admissions to listing on Eurolist | 20 |
| - Admissions to listing on Alternext | 20 |
| - Companies summoned before the court for failure to publish their financial statements | 23 |

The AMF regulates fundraising and disclosures by publicly traded companies. All listed firms are required to inform the public regularly about their business activities and results, and about major transactions such as takeovers and mergers. The AMF oversees and monitors this financial information, making sure it is accurate, fair and timely and that it is disseminated to the entire financial community.



Source: AMF



Source: Euronext - Paris.

• 2005 highlights

A number of projects that profoundly altered the regulatory framework for corporate finance transactions and disclosures were completed in 2005. In addition, the AMF pursued its campaign for greater market transparency and strict enforcement of accounting rules. None of the tender offers launched in 2005 led the AMF to issue a new interpretation of the principles governing takeovers, but it did have to clarify the scope of its General Regulation in certain cases.

Transposition of the Market Abuse Directive completed

The DDAC Act of 20 July 2005, which brought various aspects of French financial legislation into line with Community law, established a new regime for reporting directors' dealings in their company's securities. Directors, senior managers and persons closely linked to them are now required to file a report with the company as well as with the AMF, which publishes them.

The DDAC Act also requires issuers to prepare and update a list of persons having access to inside information. The content of these insider lists is spelled out in the AMF General Regulation.

Transposition of the prospectus and Transparency Directives

The Economic Confidence and Modernisation Act of 26 July 2005 has made French legislation clearer by conflating in a single section all the periodic disclosure requirements applicable to companies listed on Eurolist. In addition to amending the scope of public offerings of securities and introducing a European passport for prospectuses, the Act has established a new requirement for securities-issuing companies, which are now obliged to publish an annual statement listing their disclosures over the previous 12 months. Furthermore, four new thresholds for reporting major shareholdings – 15%, 25%, 90% and 95% – have been introduced.

Internal control and corporate governance

The AMF has published its second report on the corporate governance and internal control procedures of companies making public offers of securities. It noted that, despite marked differences in content, the information released by companies was of a much higher standard. The situation should improve considerably in future as the working group on establishing a French internal control standard completes its task in 2006.

Launch of Alternext

The AMF assisted Euronext with the reorganisation of its listing arrangements. It also amended its General Regulation to reflect the specific characteristics of Alternext, an exchange-regulated market launched in May 2005. A total of 20 companies had listed on Alternext at 31 December 2005.

The reform of takeover legislation

A new working group chaired by two AMF board-members, Claire Favre and Dominique Hoenn, was formed in October 2005 for the transposition of the Takeover Directive, since the AMF will have to amend its General Regulation to incorporate the implementing measures for the directive once the new legislation has been adopted. The working group focused on the issues that were the hardest to transpose, particularly where the directive offered several options or interpretations.



Source: AMF

Regulation of markets, professionals and collective investment schemes

The AMF establishes rules for financial markets, investment services and advice, as well as for a variety of investment products. In doing so, it establishes the organisational and operational principles for markets, sets conduct of business rules for the professionals under its supervision, and oversees the collective investment vehicles that are subject to its approval.

Oversight of markets

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

- market operators, such as Euronext Paris, which organises trading in equities, fixed income securities and derivatives
- securities settlement systems and the central securities depository, Euroclear France

The AMF also approves the rulebooks of clearing houses, such as LCH.Clearnet, and establishes the operating requirements for clearing members.

Last but not least, it 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 professionals authorised to provide investment services. It approves investment management companies at the formation stage, after ensuring that they have sufficient resources and assessing the qualifications and integrity of their managers. It also sets rules governing the custody and administration of financial instruments.

The AMF issues an opinion on the programmes of operations of investment services providers other than investment management companies.

It supervises financial investment advisers (FIAs) and approves the professional associations responsible for protecting their rights and interests.

Furthermore, the AMF supervises direct marketers working for investment management companies.

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, futures funds and company savings schemes. It ascertains compliance with all legal and regulatory requirements before schemes come to market.

The AMF first examines the information – operating procedures, track record, fees and commissions, product features, product-specific risks – set out in the prospectus given to all potential investors. Scheme prospectuses are accessible on the AMF website.

The AMF subsequently monitors each scheme throughout its lifetime, paying particular attention to the clarity of its disclosures to investors (annual reports, newsletters, etc.).

Other, special-purpose collective vehicles, such as securitisation funds, real-estate investment trusts, film financing funds, and schemes specialising in areas such as film production, fisheries and forestry development, also come under AMF supervision.

• 2005 key data

| Entities reporting to the AMF at 31/12/2005 | |
|---|----------------------------|
| Investment management companies | 484 |
| Investment services providers ⁽¹⁾ | 463 |
| Authorisations and opinions issued in 2005 | |
| Authorisations to management companies | 26 |
| Opinions on programmes of operations | 61* |
| Opinions on programmes of operations for investment services other than for asset management and/or for custody account keeping | 25 |
| Approvals of programmes of operations for asset management (investment services providers other than management companies) | 11 |
| Approvals of programmes of operations for asset management (investment services providers other than management companies) | 2 |
| General purpose collective investment schemes | |
| Schemes operating as at 31/12/2005 | 7758 |
| Authorisations issued in 2005 | 816 |
| Growth in assets under management in 2005 | 14% to €1,066.5 billion |

* 61, submitted by 52 management companies (incl. 53 special programmes of operations)

• 2005 highlights

Transition to simplified prospectuses for collective investment schemes

An AMF proposal for a phased procedure for collective investment schemes adopting a simplified prospectus helped to ensure a smooth transition to this new system of disclosure. By end 2005, more than 50% of French schemes had adopted the simplified prospectus.

Introduction of a framework for financial investment advisers

The AMF approved six professional associations representing financial investment advisers (FIAs) in 2005. Furthermore, in November 2005, it opened a section of its website giving details of FIAs and approved associations.

Database of direct marketers

In association with CEA and CECEI⁽²⁾, the AMF finalised the introduction of a central database of direct marketers. This information was made publicly available on the website in April 2005.

New investment vehicles

The Financial Security Act established two new vehicles – funds with streamlined investment rules and contractual funds – that allow for direct alternative investment management. The specific characteristics of these new funds are set out in the AMF General Regulation and two instructions. Another development that encouraged the growth of alternative investment management in France came with the transposition of the Collateral

Directive, making it possible for funds to use the services of a prime broker in order to finance their leverage by borrowing cash or securities.

Standardisation of internal control and compliance regulations

The AMF amended its General Regulation in an effort to standardise the regulation of internal control and compliance. As a result, investment management companies are now required to appoint a Head of Internal Control and Compliance, while other investment services providers appoint a Head of Investment Services Compliance.

Preparing the regulatory framework for financial intermediaries ahead of MiFID

The AMF has been especially active in this policy area. It has initiated several projects that closely involve the financial community in the transposition of the Markets in Financial Instruments Directive (MiFID), due for completion by January 2007.

Introduction of real-estate investment schemes

This new investment vehicle, known as the OPCI (organisation for collective investment in real-estate) was established by the Act of 26 July 2005 and the executive order of 13 October 2005. It expands and modernises the range of products available for investing in property. OPCIs will not come into being until after the publication of a decree and an amended version of the AMF General Regulation, which will be preceded by extensive public consultation throughout 2006.

¹ Investment services providers other than investment management companies.

² CEA: Comité des Entreprises d'Assurances (committee on insurance companies); CECEI: Comité des Établissements de Crédit et des Entreprises d'Investissement (committee on credit institutions and investment firms).

Market supervision: inspections, investigations and sanctions

The AMF supervises French markets
in financial instruments
on a daily basis.
It is empowered
to conduct inspections
and investigations.
It can also sanction behaviour
that violates established rules
and regulations.
It is appropriately resourced
to carry out that mission,
with electronic tools
to supervise daily trading
and an 80-person team
that oversees markets
and authorised professionals
and investigates possible cases
of market abuse.

A supervisory remit

The AMF's supervisory responsibilities cover:

- financial instruments admitted to listing on Euronext Paris: equities, fixed-income, derivatives
- professionals operating in financial instrument markets (credit institutions, investment firms, investment management companies, financial investment advisers, direct marketers employed by investment management companies)
- market infrastructures

Inspection powers

The department responsible for inspecting investment firms and market infrastructures conducts on-site and off-site audits of:

- all firms licensed for investment services, together with their employees, i.e. 467 investment services providers and 484 investment management companies
- Euronext Paris
- the settlement system and the central securities depository
- clearing houses
- financial investment advisers and direct marketers employed by investment management companies

Where necessary, the AMF can call on other supervisory bodies, such as the market operator, the central securities depository, the Banking Commission and audit firms.

Investigative powers

If it suspects impropriety, the AMF can launch an investigation into possible securities violations, such as insider dealing, price manipulation, and the release of false information.

By nature, it is impossible to say in advance whether an investigation will be launched. Investigations are ordered only where the AMF General Regulation may have been breached, whether by a company, a private or institutional investor, a market professional or any other person or entity.

Reports are prepared upon completion of all inspections and investigations. Depending on the contents of these reports, several outcomes are possible.

Possible outcomes of AMF investigations or inspections

| | | | | |
|---|--|---|--|-------------------|
| The AMF initiates sanction proceedings (**) | The report is referred to the public prosecutor if it indicates a possible criminal offence(*) | The case is referred to other authorities(*) if it comes under their jurisdiction(**) | The AMF sends its observations to interested parties. Observations may be made public. | No further action |
|---|--|---|--|-------------------|

(*) French or foreign administrative authorities.

(**) An investigation or inspection can have more than one outcome.

Sanction powers

The AMF Board can initiate sanction proceedings against regulated professionals or any legal entity or natural persons that infringe financial regulations. Following an adversarial procedure, the Enforcement Committee makes a decision on matters of fact and may issue a fine and/or a disciplinary sanction.

International cooperation

With investigations becoming ever more international in scope, the AMF has to cooperate more closely with its fellow regulators in the world's leading financial centres. It also plays an increasingly active role in the international work done by IOSCO⁽¹⁾ and CESR⁽²⁾ or in relation to Euronext.

For example, the AMF plays an active part in IOSCO's work on unregulated entities in offshore financial centres. It is also party to the multilateral memorandum of understanding between securities regulators, which aims to facilitate the exchange of information during investigations into market abuse.

The AMF has also contributed to the work of CESR-Pol⁽³⁾ since its creation in 1999. The purpose of CESR-Pol is to facilitate effective, efficient and proactive sharing of information with a view to enhancing the cooperation and the coordination of surveillance and enforcement activities.

• 2005 key data

Market surveillance and discipline

| | |
|--|-------|
| Market situations examined | 1 700 |
| On-site inspections of investment services providers | 107 |
| Investigations opened | 88 |

Source: AMF

Activity of the Enforcement Committee

| | |
|--------------------------------|-------------------------------|
| Sanction proceedings completed | 32 |
| Sanctions handed out in 2005 | 51 (o/w 27 to legal entities) |

Source: AMF

¹ International Organisation of Securities Commissions.

² Committee of European Securities Regulators.

³ CESR-Pol is a permanent operational group of CESR. It is composed of senior officials responsible for enforcement and market surveillance within CESR's 27 Member-Commissions. CESR-Pol was formed in 1999 following the signature, under the auspices of the Forum of European Securities Commissions (FESCO), of a Memorandum of Understanding on the Exchange of Information and Surveillance of Securities Activities.

From surveillance to sanction

OVERVIEW OF THE ENFORCEMENT FUNCTION

Inspection and investigation phase

When performing market oversight and surveillance duties, monitoring routine corporate activity or acting on a complaint, the AMF observes behaviours that might disrupt orderly markets.

The AMF's Secretary General decides to order an inspection of a regulated entity or to open an investigation.

The Secretary General appoints investigators and sets their mission objectives.

The results of the investigation or inspection are presented in a report that indicates whether the evidence points to an infringement of the AMF General Regulation, a breach of other professional obligations, or a criminal offence.

The inspection report is sent to the inspected entity for comment.

Commencement of proceedings

The Secretary General sends the report to one of the Board's specialised commissions.

The specialised commission examines the inspection or investigation report and decides what action should be taken.

If the report identifies the possibility of:
– a breach by professionals of statutory obligations, regulations or AMF approved professional rules
– practices undertaken by any other person or entity that infringe financial regulations

The specialised commission decides to commence sanction proceedings.

If the report shows no fundamental breach,

the case is closed, with or without observations.

If the report points to a possible criminal offense,

the inspection or investigation report is forwarded to the public prosecutor.

If the report shows that the matter does not come within the AMF's jurisdiction,

the inspection or investigation report is forwarded to the competent national or international authorities.

An inspection or investigation report may give rise to more than one enforcement action.

In an emergency, the Board may suspend the business operations of professionals subject to sanction proceedings.

Sanction proceedings

The Board Chairman sends the statement of complaint to the accused party, together with the inspection or investigation report.

The Board Chairman sends the statement of complaint to the Chairman of the Enforcement Committee.

The Chairman of the Enforcement Committee appoints one of its members as rapporteur and assigns the case to the Enforcement Committee or one of its sections.

The rapporteur takes all necessary action, with the assistance of the AMF's departments if necessary.

The rapporteur presents his or her findings in a written report that is sent to the accused party.

The accused party is called before the Enforcement Committee (or one of its sections).

→ Sanction hearing

Accused parties have 1 month (or 2 months if they are based outside the EEA) in which to send their observations to the chairman of the Enforcement Committee. They can apply to the Enforcement Committee to examine and copy other documents in the case file and may choose a counsel to assist them if they wish.

The sanction hearing begins with the rapporteur setting out the case. The accused party or its counsel presents the case for the defence. The defence always has the last word.

Any of the accused parties can ask for the hearing to be held in public.

→ Sanction decision

*Adversarial preparation
Accused parties can request a hearing. The rapporteur may also hear accused parties, or any other person he or she deems necessary, and may request additional documents.*

The Enforcement Committee (or one of its sections) reaches its decision without the presence of the accused party or parties, the rapporteur and the Government Commissioner.

If the Enforcement Committee requires further information, it may ask the rapporteur to continue the investigation.

If the rapporteur considers that supplementary complaints should be filed or that a notice of complaint should be served on another party or parties, he or she refers the matter to the Board.

The minutes of the hearing are signed by the Chairman of the Enforcement Committee (or the Chairman of the section making the decision), the rapporteur and the hearing secretary; and they are then sent to the members of the Enforcement Committee and to the Government Commissioner.

The accused party has fifteen clear days in which to submit written observations on the report.

The accused parties are informed of the sanction decision, which is communicated to the Government Commissioner and the AMF Chairman, who reports back to the Board. If the sanction decision concerns an investment services provider other than an investment management company, it is passed on to the CECEI and the Commission Bancaire.

Any sanction decision can be appealed within two months before the Paris Appeals Court. In the case of professionals, appeals are brought before the supreme administrative court, the Conseil d'État.

The Enforcement Committee can decide to publish the sanction decision in the medium of its choosing, notably the official gazette (BALO) and the AMF's monthly review and website.

Education and mediation

Informing the public

For the purposes of investor protection, the AMF's website features:

- personal investment guides explaining how markets work, giving details of financial products, and setting out the basic rules for managing investments wisely
- a database containing all disclosure documents distributed under AMF supervision
- a list of AMF approved collective investment schemes, together with their prospectuses and net asset values
- all rules and regulations applicable to the areas for which the regulator is responsible: directives, codes, laws, decrees and AMF regulations.

Investors have access to files containing lists of financial investment advisers and direct marketers working for banks or investment management company firms.

To answer questions from private individuals, the AMF attends investor forums and operates hotlines at its Documentation Centre and the Ombudsman Service.

The AMF also has a regional network that operates through the provincial offices of the Banque de France.

In view of the numerous EU directives transposed in 2005, the AMF stepped up its industry information campaigns, organising a series of educational activities that included:

- briefings for the transposition of the Prospectus Directive
- a guide, updated every six months, to EU directives entitled "French Regulation in Europe's Future Financial Landscape"
- a quarterly newsletter devoted to financial regulation
- close cooperation with the industry to anticipate and provide for the market-shaping changes arising from the Markets in Financial Instruments Directive

Another protective measure taken by the AMF is to caution investors, by means of alerts and warnings, whenever it uncovers financial products and services that are not authorised for marketing in France. It also publishes examples of the most common scams and swindles on its website and explains to investors how to protect themselves.

In addition to its regulatory, authorisation, oversight and disciplinary activities, the AMF protects investors by educating consumers and intervening should a dispute arise. Its aim is not to gauge the advisability of an investment or to certify a financial product but to ensure that investors have all the information needed to reach an informed decision. The AMF also plays an active role in informing interested parties, particularly professionals, about new regulatory developments.

• Mediation and the Ombudsman

The AMF Ombudsman provides assistance to non-professional investors, such as consumers, non-financial firms, and non-profit associations.

In addition to promoting understanding of financial markets, the Ombudsman Service handles complaints about financial markets and instruments. It also seeks out-of-court settlements in the event of disputes between individual investors and professionals.

Complaints to the Ombudsman are treated in strict confidence. The mediation procedure is governed by a charter and requires the prior agreement of both parties. It generally leads to a proposal for a negotiated settlement.

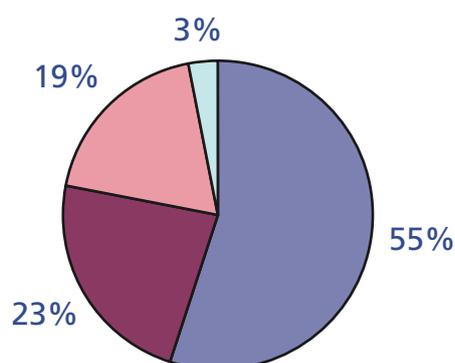
Such proposals are not binding, and the parties can decide at any time to go to court.

If an AMF investigation is underway or if legal action is taken, the Ombudsman cannot accept a complaint or pursue an ongoing mediation procedure.

Mediation in 2005: key figures

Number of cases opened: 1,391 involving consultation and 535 involving mediation
Number of cases closed: 1,452 involving consultation and 591 involving mediation

Theme-based analysis of mediation and consultations



| | |
|--|-----|
| Issuers + general market operation + financial instruments | 55% |
| Collective investments and portfolio management | 23% |
| Order reception/transmission + custody account keeping | 19% |
| Other | 3% |

Source: AMF

• AMF databases and website www.amf-france.org

Collective investment database

Homepage > Collective investment schemes

Authorised schemes, authorised investment management companies, net asset values, documentation, etc.

Listed companies database

Homepage > Decisions and disclosures

News releases, prospectuses, registration documents, offering circulars, information on IPOs, etc.

Financial investment advisers and direct marketers

Homepage > FIAs and direct marketers.

FIAs and direct marketers registered with the regulatory authorities.

① This document can be viewed and downloaded from the AMF website at www.amf-france.org.

② Homepage > Investor area > Warnings!

Developments in financial regulation in France and internationally

For the French financial community, the creation of the AMF was a watershed. Amid intensifying international competition and heightened investor concerns about market shortcomings, it afforded a much clearer view of how France's financial regulation system is organised. Alongside public and private-sector bodies, the prudential regulators of the banking and insurance industries and the High Council for Statutory Audit, the AMF is helping to restore confidence in markets and to consolidate France's position in an integrated Europe-wide financial sector. At the same time, the AMF is playing an active role both at European level, through its involvement with CESR, and internationally through its participation in IOSCO, the Financial Stability Forum and the French-speaking regulators' body, IFREFI⁽¹⁾.

The AMF and the French financial community

As part of constant efforts to foster dialogue and consultation, the AMF set up five consultative commissions in February 2004. Furthermore, it regularly organises market-wide consultations through special working groups. And it can rely on input from members of its scientific advisory board to help with its work.

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.

The commissions' work areas are:

- Markets and Exchanges
- Clearing, Custody and Settlement
- Individual and Collective investment Schemes
- Disclosures and Corporate Finance
- Retail Investors and Minority Shareholders

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.

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, and to research issues of concern to the regulator.

To find a broader audience for this work, the AMF holds an annual conference of the scientific advisory board. The first conference, which took place in Paris in May 2006, dealt with households' exposure to financial risk.

• Finalising the findings of the working groups set up by the AMF

In 2005, the AMF launched projects in four policy areas requiring closer analysis of work already underway at domestic and international levels. Having examined the findings of four working groups, the AMF will propose amendments to its General Regulation in order to implement some of their recommendations.

Independent investment research

The working group set up to address this issue recommended that the criteria for “independence” be established with a view to creating a specific status for this profession. It proposed various ways of promoting independent financial research in future and ensuring that funding for this activity is viable in the long term.

Fairness opinions

This working group’s remit was to clarify the concept of fairness opinions and spell out the scope and methodology of these independent appraisals. The group made 25 recommendations aimed at regulating the activities of outside experts, ensuring their independence and the standard of their work, and informing and protecting minority shareholders more effectively. Measures arising from the group’s findings will shortly be incorporated into the AMF General Regulation.

Investor education

This working group concluded that France needed an overarching policy aimed at developing individuals’ economic and financial knowledge, so as to give them the basic information needed to make informed investment decisions. The group recommended that an independent institute be set up to that end. In March 2006, Philippe Herzog, a former Member of the European Parliament and an economic advisor to the prime minister⁽²⁾, agreed to become chairman of the Institute.

Exercise of voting rights

This working group made a series of recommendations based on four high-level principles: improve access to information, make the vote processing system smoother, establish a framework for investor accountability and ensure that general meetings take place in the best possible conditions.

• The AMF plays an active international role

The AMF is heir to a long tradition of stock market regulation and has always played an important role in the international arena. That role is particularly important at a time when financial markets are becoming closely integrated.

World

The International Organisation of Securities Commissions (IOSCO), formed in 1983, brings together financial regulators at world level. The AMF sits on IOSCO’s technical and executive committees.

IOSCO has 178 members.

The Financial Stability Forum (FSF) is composed of the financial regulators, central banks and finance ministers in significant international financial centres, together with the International Monetary Fund, the World Bank, international regulators and the European Central Bank.

The FSF has 42 members.

European

The Committee of European Securities Regulators (CESR) comprises the regulatory authorities of the financial markets in the European Economic Area.

CESR has 27 member-countries.

Bilateral

The AMF has signed 36 cooperation agreements with other authorities on matters such as the exchange of information, conduct of investigations and technical cooperation. These bilateral relations are underpinned by two multilateral Memorandums of Understanding between the members of CESR (27 signatories) and IOSCO (30 signatories).

French speaking countries

Formed in June 2002, **the Institut Francophone de la Régulation Financière (IFREFI)** comprises the financial regulators that use French as their working language. IFREFI has a flexible structure that promotes dialogue and cooperation. The AMF provides the secretariat for the organisation.

IFREFI has 14 signatories representing 26 countries.

¹ Institut Francophone de la Régulation Financière.

² Mr Herzog is a member of the CAE, the prime minister’s Economic Advisory Committee.

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Postal mail: Letters should be addressed to "Service de la Médiation"

Web

www.amf-france.org

- Collective investment database (AMF homepage > Collective investment schemes):
list of authorised schemes and investment management companies, net asset values, documentation, etc.
- Listed companies database (AMF homepage > Decisions and disclosures):
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FIAs and direct marketers registered with the regulatory authorities.



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