

The AMF: the French securities regulator

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 polices France's financial markets in order to protect savings and investment.

Remit

The AMF has statutory responsibility for:

- safeguarding investment 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: the Commission Bancaire (banking), Comité des Établissements de Crédit et des Entreprises d'Investissement (investment firms and credit institutions), and the Commission de Contrôle des Assurances, des Mutuelles et des Institutions de Prévoyance (insurance and provident schemes).

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.

Responsibilities

The AMF has four areas of responsibility:

- regulation;
- approval of market participants and products (authorisations), and corporate financing (bid acceptability, filing reviews);
- supervision and monitoring of markets and market participants;
- punishment of regulatory infringements (AMF decisions can be appealed in the administrative or ordinary courts).

The AMF has jurisdiction over:

- financial disclosures and corporate financing;
- financial markets and their infrastructures;
- investment services providers, financial investment advisors and direct sellers (in association with other regulators⁽¹⁾);
- collective investment schemes.

Each year, the AMF prepares a report on rating agencies and on internal control at securities-issuing companies.

Resources and organisation

The AMF consists of a Board and a Sanction Commission. To carry out its duties, it relies on the expertise of five consultative commissions, a scientific advisory board and a staff of some 360. It has legal personality and is autonomous in terms of finance and management, although it is subject to oversight by the public accounting office, the Cour des Comptes.

2004 budget⁽²⁾ in € million:

Overall receipts: 54.3

Overall expenditure⁽³⁾: 53.6

Budgeted staff: 358 people

● The AMF: an independent multidisciplinary organisation with collective responsibility

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

- the Board;
- the Sanction Commission.

These two bodies, composed of law officers, 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⁽⁴⁾, the members of the Board and the Sanction Commission are appointed by different public authorities for five years. One-half of the members are renewed every thirty months, and terms of office are renewable once. The participants' independence is bolstered by a system to prevent cross-memberships and conflicts of interest⁽⁵⁾.

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 conducts institutional consultations with competent professional associations.

● The AMF: review of the first year's activity

The formation of the AMF in November 2003 was a landmark event for the French financial community. The institutional handover was smooth, and work continued uninterrupted. The new departmental organisation became operational less than three months after being put in place. The AMF quickly set about preparing its General Regulation by codifying existing legislation and incorporating provisions arising from transposition of the market abuse directives into French law and the enforcement of the Financial Security Act. During its first year of operations, the AMF adopted the measures necessary to discharge its new statutory responsibilities, such as the regulation of financial investment advisers and financial promotion ("cold calling"). These extended powers also encompass investment analysts, internal control reporting, and rating agencies.

The AMF carried on the work initiated by its predecessors to adapt the regulatory framework to accommodate a modernised asset management industry. This consisted, among other things, in implementing the provisions of the Financial Security Act concerning the exercise of voting rights by asset management companies, anti-money laundering, the reform of rules on debt securitisation funds, and pure alternative strategies.

The AMF provided regulatory backup when Euronext overhauled its listing arrangements, and has been closely monitoring the transition by listed companies to International Financial Reporting Standards (IFRS), as from 1 January 2005.

The AMF's role in international and European regulation has been framed as a "mission" in the Financial Security Act. Thus, acting as a single agency with broad representation, the AMF in 2004 was able to play a leading part in the activities of the International Organisation of Securities Commissions (IOSCO), the Committee of European Securities Regulators (CESR), the Financial Stability Forum (FSF) and the Institut Francophone de la Régulation Financière (IFREFI). Amid a loss of investor confidence triggered by recent crises, it also contributed actively to international discussions and work on matters such as rating agencies, corporate governance, offshore financial centres, anti-money laundering and market transparency.

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

² 24 November 2003 to 31 December 2004.

³ Overall expenditure = (operating expenses + capital expenditure) – depreciation and amortisation
 $53.6 = (52.2 + 4.9) - 3.5$.

⁴ Conseil National de la Comptabilité (CNC).

⁵ Last two paragraphs of Art. L. 624-1-I of the Financial and Monetary Code.

Board members



1

1 Michel Prada

Chairman,
appointed by the president of the French Republic



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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



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4 Philippe Adhémar

Appointed by auditor-general of the Cour des Comptes

5 Jean-Paul Redouin

Appointed by the governor of the Banque de France

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



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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 securities settlement systems and central depositories:

10 Monique Bourven

11 Bernard Field

12 Antoine Giscard d'Estaing

13 Dominique Hoenn

14 Yves Mansion

15 Jean-Pierre Pinatton

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, authorisations, filing reviews, 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 account, etc.



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Appointed by the finance minister, after consultation with trade unions and representative bodies:

16 Jean-Claude Mothié



Government Commissioner
Xavier Musca

Members of the Sanction Commission



SECTION 1 ●
SECTION 2 ●

1

1 Jacques Ribs ●

Appointed by the vice-president of the Conseil d'État
Chair 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



5

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 securities settlement systems and central depositories:

6

5 Yves Brissy ●

6 Alain Ferri ●

7 Jean-Pierre Hellebuyck ●

8 Pierre Lasserre ●

9 Jean-Pierre Morin ●

10 Thierry Coste ●

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THE SANCTION COMMISSION

12 members

The Sanction Commission has the power to sanction legal or natural persons who could diminish investors' rights by acting in a manner that violates regulatory or legal requirements. It takes decisions on the complaints submitted to it by the Board of the AMF. It has total freedom of decision-making when carrying out its work.



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Appointed by the finance minister, after consultation with trade unions and representative bodies:

11 Joseph Thouvenel ●

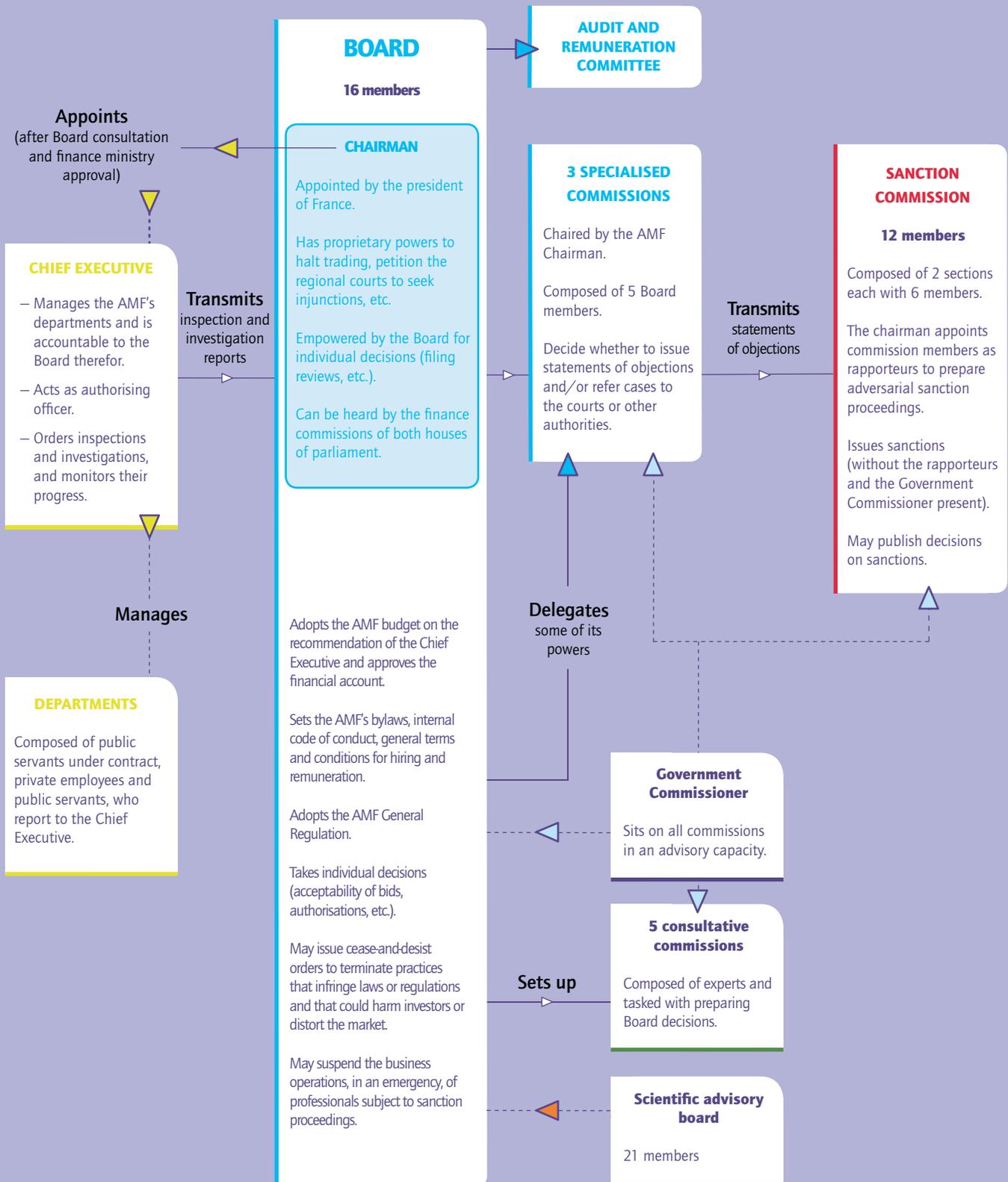
12 Jean-Jacques Surzur ●



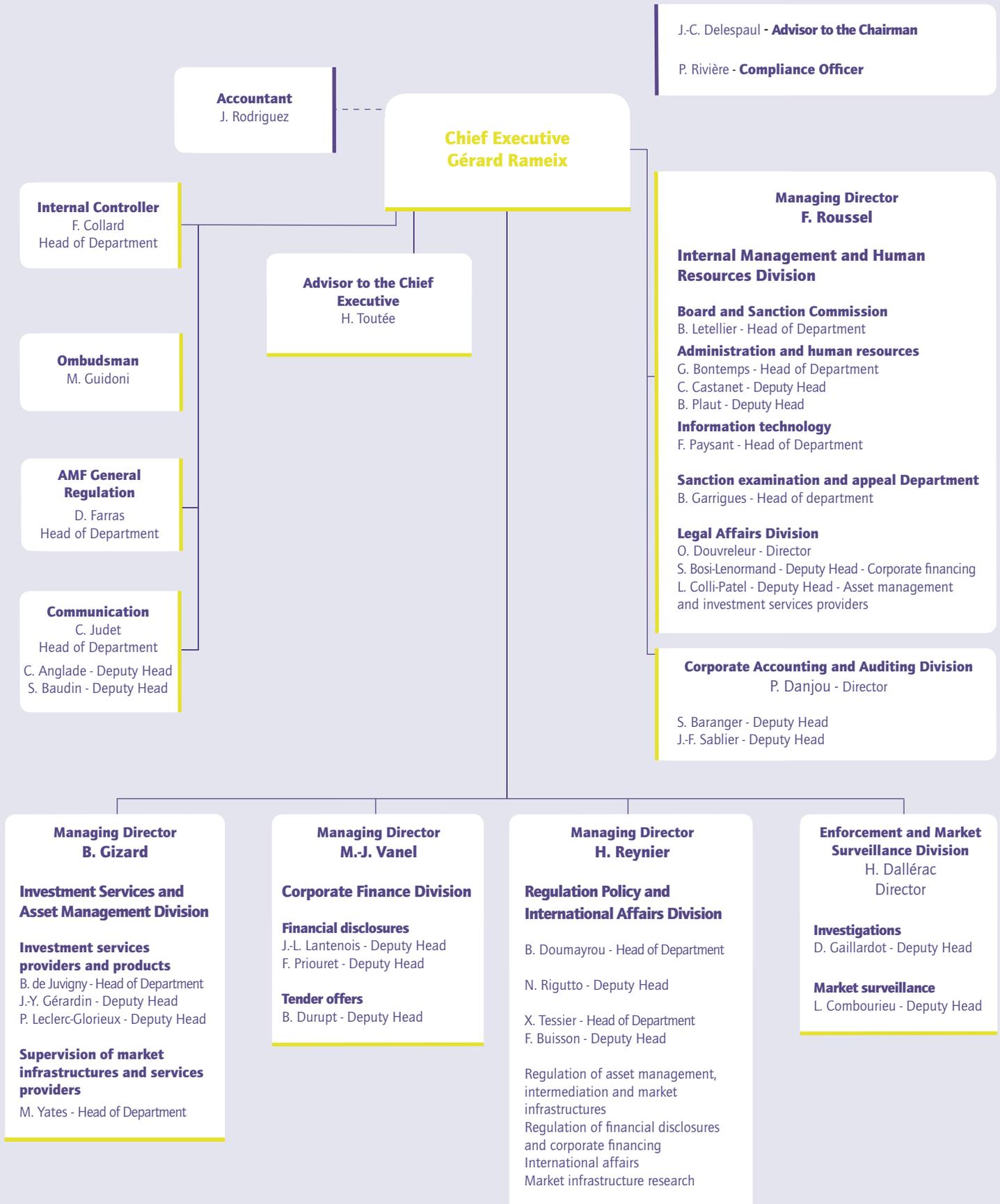
Government Commissioner

Xavier Musca

AMF organisation structure



Departmental organisation chart



Financial disclosures and corporate financing

The AMF regulates corporate financing activity 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, true, fair and timely and that it is disseminated to the entire financial community.

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;
- 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 admissibility of proposed tender offers in order to safeguard shareholders' interests.

Disclosure quality

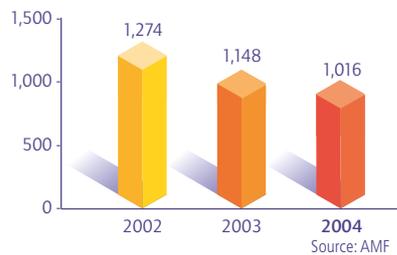
The AMF ensures that listed companies disclose price-sensitive information through news releases to the general public at the earliest possible time.

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 the event of a manifest delay, it can also petition the courts to issue injunctions and penalties.

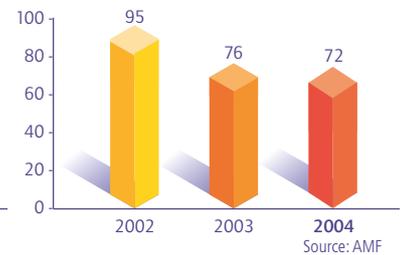
● 2004 key data

- Visas issued for prospectuses and offer documents: **1,016**.
- Shelf registration documents registered: **388**.
- Initial public offerings on French regulated markets: **29**.
- **40** companies summoned to appear before the Paris regional courts for late filing of financial statements.

➔ Review of prospectuses



➔ IPOs



● 2004 highlights

In 2004, the AMF pursued efforts to restore confidence in financial information and took assertive action to improve disclosure quality.

Internal control and corporate governance

In January 2004, the AMF published guidelines on internal control and corporate governance, together with recommendations for preparing registration documents. It released its first report on internal control and corporate governance in January 2005.

Share buybacks

The European regulation⁽²⁾ implementing the Market Abuse Directive (MAD)⁽³⁾, which took effect on 13 October 2004, altered the regulatory framework for share buyback programmes. Given that the MAD allows for the adoption of "accepted market practices", the AMF, after consulting with the industry, recognised two such practices, one on liquidity agreements and the other on buybacks of shares that are held and used subsequently for acquisition-led growth.

Transition to International Financial Reporting Standards (IFRS)

Throughout 2004, the AMF pursued efforts to educate listed companies and pass along the recommendations of the Committee of European Securities Regulators (CESR) regarding the transition to these new accounting standards. It was at particular pains to ensure that companies disclosed reliable information and gave transparent explanations of the IFRS options they adopted.

AMF recommendations on disclosures involving financial estimates

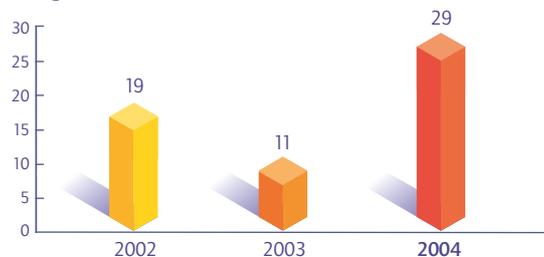
The AMF issued a reminder that estimated financial information should be not confused either with approved and audited financial statements – the only such documents that are legally mandated and standardised – or with objectives, forecasts or profit warnings.

Three working groups chaired by Board members

- A group on independent financial valuation, led by Jean-Michel Naulot, submitted 25 recommendations in April 2005 aimed at better informing and protecting minority shareholders during takeover bids and mergers⁽⁴⁾.
- Jean de Demandolx Dedons chairs a group tasked with defining and organising investment research.
- Yves Mansion coordinates the work of a group dealing with the exercise of voting rights at general meetings of shareholders.

These groups will submit their proposals to the Board before the end of 2005.

➔ Number of listings on French regulated markets (including transfers)



¹ AMF homepage
 > Decisions and disclosures
 > Late publication.

² 2273/2003 of 22
 December 2003.

³ 2003/6/EC of
 28 January 2003.

⁴ See AMF Annual Report
 2004 – Chapter VII.

Regulation of markets, professionals and collective investment schemes

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

Oversight of markets

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 products and derivatives;
- securities settlement systems and the central depository, Euroclear France.

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

Last but not least, it oversees financial markets and the transactions executed on them.

Oversight of professionals

As a gate-keeper, the AMF sets the rules of conduct and 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 service providers other than management companies.

It supervises financial investment advisers (FIAs). This is a new classification comprising professionals such as financial

experts and asset management advisers who offer financial advice to the public. A list of FIAs will be posted on the AMF's website in due course.

Furthermore, the AMF supervises direct marketers working for asset management firms. The names of all direct marketers are entered into a central database that went online in April 2005.

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, past performance, 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⁽¹⁾.

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.

● 2004 key data

▶ Entities reporting to the AMF at 31/12/2004	
Management companies	501
Investment services providers*	482
▶ Authorisations and opinions issued in 2004	
Authorisations to management companies	68
Opinions on programmes of operations other than for asset management	32
▶ Collective investment schemes	
Schemes in existence at 31/12/2004	7,908
Authorisations issued in 2004	702
Increase in gross amounts under management ** in 2004	+11% to € 1,006 billion

* o/w 132 investment firms, 345 credit institutions, 2 custody account keepers, 3 market infrastructures.
 ** including feeder funds.

● 2004 highlights

Online information on collective investment schemes

Launched in March 2004, GECO is an online database containing the prospectuses of AMF-approved collective investment schemes, together with their net asset values. GECO can also be used to check whether investment management companies are approved and to find monthly data on assets under management, given in aggregate form according to the AMF classification.

Transition to the new prospectus

To help collective investment schemes formed before 13 February 2004 – the effective date of the amended UCITS Directive – to make the transition to the new prospectus, the AMF postponed the deadline from June to September 2005. It also introduced a declaration procedure whereby management companies with more than 25 prospectus for approval can benefit from an ex post review of these documents, provided the AMF has approved:

- the company's internal organisational procedures;
- the standard format for a family of schemes;
- two prospectuses from the same family, with no material observations.

Recommendations on late trading and market timing

Following the problems experienced in the USA, the AMF carried out an initial offsite audit of 34 management

companies by means of a questionnaire about subscription and redemption orders. Although no major shortcomings were detected, the AMF noted that certain procedures ought to be further improved to forestall potential problems. Accordingly, the Board decided to issue a set of recommendations in July 2004, without waiting for the results of an on-site inspection of a sample group of firms.

Financial investment advisers

A wide-ranging public consultation exercise was held on the status of financial investment advisers (FIAs) and on the procedure for approving the professional associations responsible for registering FIAs and enforcing the industry's code of professional conduct. Moreover, constructive talks were held with the associations in question before the provisions of the AMF General Regulation were adopted⁽²⁾.

Alternative investment management

The Financial Security Act provides for the creation of new investment vehicles implementing direct alternative management techniques. A cross-market group set up in March 2004 quickly drafted and submitted to the Board a set of principles and procedures for organising alternative management safely and securely. The first programmes of operations filed by management companies wishing to apply these techniques via onshore collective investment schemes were approved at end 2004.

① www.amf-france.org
 > Investor area > Check
 the authorisation of a CIS
 > CIS database.

② Approval order published
 in the Official Journal of
 the French Republic on
 22 April 2005.

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, asset management companies, financial investment advisers, sales agents employed by management companies);
- market infrastructures.

Inspection powers

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

- all firms licensed for investment services, together with their employees, i.e. 482 investment services providers and 501 investment management companies;
- financial instrument markets;
- the securities settlement system and the central depository;
- clearing houses;
- financial investment advisers and direct sellers.

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

Investigative powers

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

By nature, it is impossible to predict if an investigation will be launched. Investigations are ordered only where there is the risk that the AMF General Regulation will be 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.

Sanction powers

The AMF Board can initiate sanction proceedings against legal or natural persons that infringe its regulations or that fail to fulfil their professional obligations. A rapporteur prepares the case for hearing before the Sanction Commission.

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.	Injunction.	No further action.

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

International cooperation

With investigations becoming 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 and CESR or in connection with 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⁽¹⁾ since this organisation was founded 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.

● 2004 key data

Market surveillance and discipline	
Market situations examined	1,560
On-site inspections of investment services providers	125
Investigations opened	83

Source: AMF

Activity of the Sanction Commission	
Cases forwarded by the Board to the Sanction Commission in 2004	52
Sanction proceedings completed by the Commission in 2004	24 ⁽²⁾
20 proceedings gave rise to sanctions against 44 persons and entities	

Source: AMF

¹ CESR-Pol is a permanent operational group with in CESR. It is composed of senior officials responsible for enforcement and market surveillance with 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

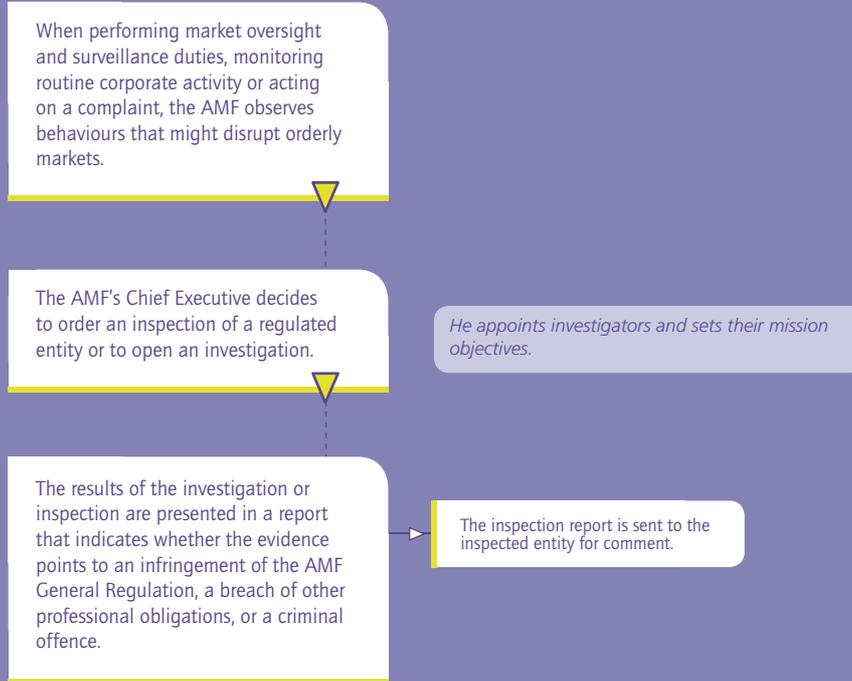
Exchange of Information and Surveillance of Securities Activities.

² Only three of these decisions were announced and published in the official gazette in 2005. Of the other 21, 2 decisions without sanctions were not published.

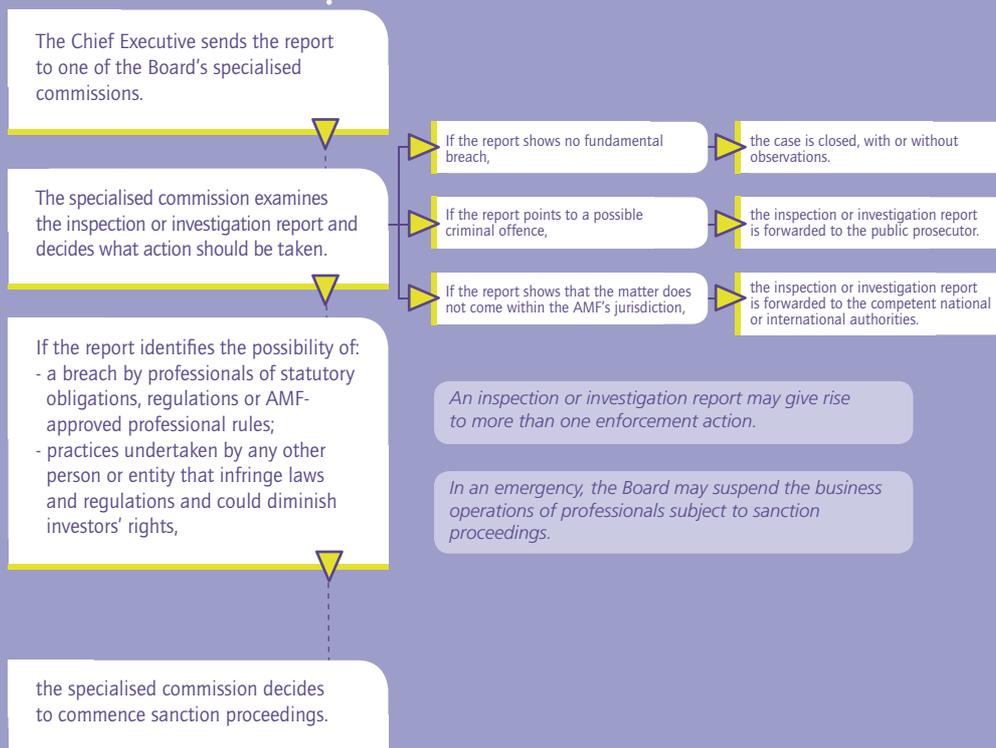
From surveillance to sanction

OVERVIEW OF THE ENFORCEMENT FUNCTION

Inspection and investigation phase



Commencement of proceedings



Sanction proceedings



Sanction hearing

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

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

Affected 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 Sanction Commission. They can apply to the Sanction Commission to examine and copy other documents in the case file and may choose a counsel to assist them if they wish.

Sanction decision

The Sanction Commission (or one of its sections) reaches its decision without the presence of the affected party or parties, the rapporteur and the Government Commissioner.

The minutes of the hearing are signed by the chairman of the Sanction Commission (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 Sanction Commission and to the Government Commissioner.

The affected 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'Etat.

The Commission 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.

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

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

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

Education and mediation

One of the ways the AMF protects investors is by educating consumers and intervening if a problem arises. 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. Alongside this educational role, the AMF also mediates in the event of disputes.

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 golden rules for managing investments wisely;
- a database containing all disclosure documents distributed under AMF supervision⁽¹⁾ ;
- a list of AMF-approved collective investment schemes, together with their prospectuses and net asset values⁽²⁾ ;
- all rules and regulations applicable to the areas for which the regulator is responsible: directives, codes, laws, decrees and other regulations (AMF, COB and CMF).

The Documentation Centre and the Ombudsman both operate a hotline to deal with queries from personal investors. The AMF also has a regional network that operates through the provincial offices of the Banque de France.

A working group chaired by two Board members, Jean-Claude Mothié and Claire Favre, and composed of representatives of the financial community, has been set up to prepare a programme of investor education and training activities for 2005 and thereafter.

Mediation and the Ombudsman

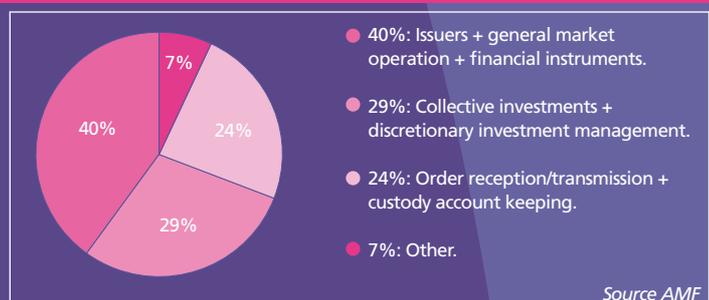
The AMF Ombudsman provides assistance to non-professional investors, such as consumers, non-financial firms, and associations.

In addition to promoting understanding of financial markets, the Ombudsman's office 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.

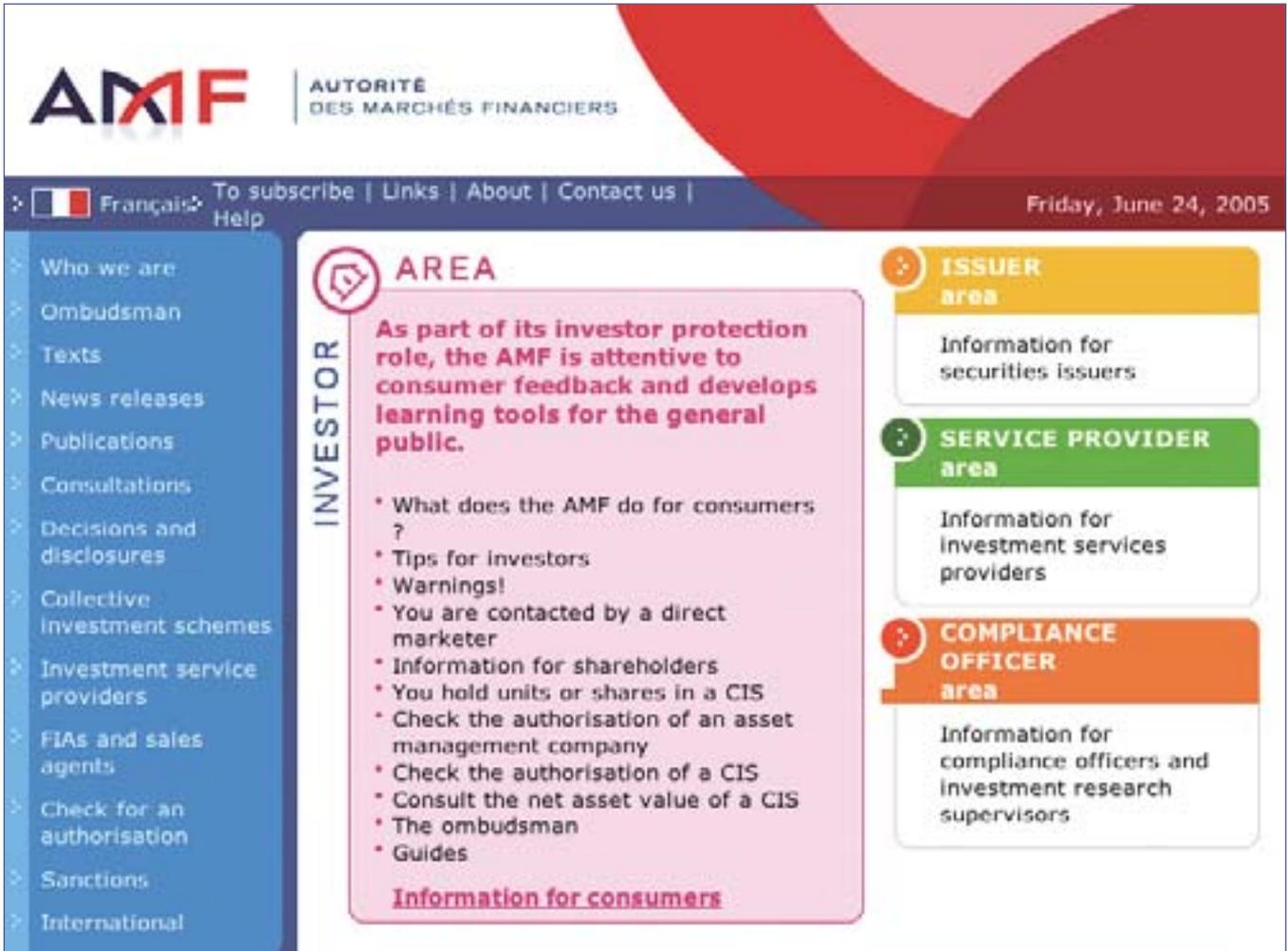
Mediation in 2004: key figures

1,861 cases opened, of which 1,426 involved consultation and 485 mediation.

THEME-BASED ANALYSIS OF MEDIATIONS AND CONSULTATIONS IN 2004



Source AMF



Key figures for web traffic in 2004

- 1,361,846 visitors, a daily average of 3,720;
- 29,736,068 pages downloaded;
- 11 minutes per visit on average.

1 AMF homepage > Decisions and disclosures.

2 AMF homepage > Collective investment schemes.

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 committee of auditors⁽¹⁾, 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⁽²⁾.

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⁽³⁾.

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 Board.

The five consultative commissions⁽⁴⁾

- Market organisation and operation;
- Clearing, custody and settlement;
- Individual and collective investment schemes;
- Disclosures and corporate financing;
- Protection of small investors and minority shareholders.

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.

Preparation of the General Regulation

The Financial Security Act of 1 August 2003 charged the AMF with establishing a General Regulation. The finance minister approved the first full version of these regulations by decree on 12 October and 12 November 2004⁽⁵⁾.

That the AMF was able to publish its General Regulation one year to the day after being inaugurated is highly symbolic and epitomises the success of the COB – CMF merger. This major undertaking was made possible only by marshalling the combined skills of the newly formed regulator: the Board, the consultative commissions and the AMF's department.

The publication was a milestone, not only for the regulator but also for the French financial community, which had been heavily involved in drafting the regulations from the initial stages, which consisted in making key decisions on the work schedule, the level of codification and the frequency and scope of consultations.

A first set of amendments to the General Regulation was published in April 2005⁽⁶⁾.

IMF assessment of the French financial sector

As part of its Financial Sector Assessment Program, the International Monetary Fund (IMF) carried out a mission to evaluate the strengths and weaknesses of France's financial sector. It also examined compliance with international standards applicable to the supervision of the banking, insurance and securities industries. The AMF was more directly concerned with two aspects of the IMF mission, namely the assessment of the implementation of IOSCO standards and the anti-money laundering standards of the FATF⁽⁷⁾.

The assessment, which began in October 2003, concluded on 18 October 2004 with the adoption of the final reports by the Executive Board of the IMF. The full reports are available on the IMF website at www.imf.org > Country Info > France > (Country Reports 04/344 and 04/345).

Throughout the mission, the AMF maintained an ongoing and highly constructive dialogue with the IMF's experts, who were thus able to provide input for the preparation of the General Regulation. The mission's main findings salute the quality of supervision of the French financial sector.

The AMF plays an active international role

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.

▶ World

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 174 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

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

CESR has 27 member countries.

▶ Bilateral

The AMF has signed 35 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 (22 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 25 countries.

¹ Haut Conseil du Commissariat aux Comptes (H3C).

² Institut Francophone de la Régulation Financière.

³ See AMF Annual Report 2004 - Chapter VII.

⁴ For membership details, see AMF Annual Report 2004 - Chapter VII.

⁵ Published in the Official Journal on 29 October and 24 November 2004, respectively.

⁶ Approval order published in the Official Journal on 22 April 2005.

⁷ Financial Action Task Force on Money Laundering.

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