



AUTORITÉ  
DES MARCHÉS FINANCIERS

Print from the website of the AMF

25 January 2019

## Speech by Robert Ophèle, AMF Chairman - 2019 New year wishes - Thursday 10 January - Palais Brongniart

Check against delivery

In many respects, 2018 proved to be a disappointing year in our sector. This was the case in terms of market performance, as well as for the financing of our economy; for European integration it was also the case.

Threats of an economic slowdown – and this is clearly pointed to by INSEE's IPI industrial production data published this morning - turned investors away from risky investments and those with cyclical valuations, and beckoned them back to safe-haven investments. The observed fall from grace of non-money market funds and their investments in equities is a powerful illustration of this, and the CAC 40, with reinvested dividends, fell 8.9% over the full year and dropped by 13.7% in the last quarter. Conversely, the 10-year Bund yield occasionally fell back below 0.20%, gold regained its attractiveness and, lastly, demand deposits saw the most significant net inflows: around €500bn for the Eurozone, including around €90bn for France.

Accordingly, although there were more initial public offerings in 2018 than in 2017 (35 versus 27 in Paris), they involved smaller stocks (with 10 IPOs on Euronext Access in 2018 versus 5 in 2017) and foreign stocks (10 versus 4), and raised less new capital (€1.1 billion versus €2 billion). Similarly, equity issuance was less substantial, with €2 billion raised compared to €14 billion in 2017. In contrast, debt financing remained very vigorous, not only market debt but also - and especially - bank debt, which increased by more than 6% year-on-year at end-November for both non-financial corporates and households.

None of this is positive for the financing of our economy, and more than ever before we need to find long-term financing channels that do not systematically favour debt over equity financing.

From this perspective, several of the reforms planned in the "Loi PACTE" legislation are now all the more urgent. It is also within this perspective that I view our struggle to maintain significant research capacity and appropriate liquidity contracts eligible as accepted market practice.

In terms of European capital markets integration, 2018 was a year of missed opportunities. As we start the year, none of the flagship projects presented by the Commission has yet to materialise and, although there are still a few weeks left to conclude before the renewal of the European Parliament and the College of Commissioners, unfortunately it seems unlikely that any decisive progress will be achieved. The planned reform of the European Supervisory Authorities (ESA) has stalled, and it is becoming less ambitious with each new version; at this stage, one might almost hope, despite efforts from the European Parliament, that it will be abandoned. Regarding post-market infrastructure, thanks to the EMIR reform, although progress has indeed been made for third-country CCPs, the result is very limited regarding EU CCPs; the same holds for the legislation on investment firms with the part of MiFIR which covers third-country firms. At a time when Brexit should make it even more obvious that the cohesion of the capital markets of the EU-27 must be (very) significantly reinforced, these results are worrying. In this season of New Year's wishes, we must therefore wish for a wake-up call in the coming weeks and for a strong message of greater integration on the occasion of the forthcoming European elections, failing which we would unfortunately have to envision giving priority to the national framework over the European framework in the future, as many of our neighbours already do.

Managing the United Kingdom's withdrawal from the EU will probably be the dominant issue in 2019. We were all focused on preparing for this in 2018 with growing intensity as the year went by and as the likelihood of a no-deal Brexit increased.

It was necessary to strike the right balance between measures of an operational nature, involving private operators, and those of a regulatory nature, involving the public authorities.

The AMF accordingly had to handle, often jointly with the ACPR, the numerous and very diverse applications to set up business in Paris, and, as far as possible, via ESMA, to ensure uniformity of handling of the applications to set up business received by other EU financial centres. This diversity of relocation plans confirms the view that Paris has the means to be a global financial centre covering the whole spectrum of financial services; it should also lead us to open our market organisations to these newcomers.

The regulatory aspect is equally necessary. The aim is above all to minimise the devastating effects that a no-deal Brexit would bring, and then to re-examine the conditions of cooperation with this future new third country. This part is well underway, at both a European level and a national level, in order to deal with hard Brexit; nevertheless the medium-term cooperation framework mostly remains to be determined. I assume that the United Kingdom, historically pragmatic and in future more agile from a regulatory standpoint outside the EU, will use its room for manoeuvre to assure London's role as a major financial centre. The European Union will therefore need to be cautious in its equivalence decisions. Substantial openness would clearly have the effect of increasing the European Union's dependence on London decision-making centres; while an over-restrictive policy would lead to an increase in the cost of financial intermediation at the expense of EU investors and firms and would run counter to our policy of openness. Equivalence decisions for market infrastructures in conjunction with trading and clearing obligations are obviously crucial. However, in the eyes of the AMF, it is clear that the challenge for the European Union goes beyond the application of the various third-country regimes to the specific case of the United Kingdom. Clearly, Brexit should lead us to rethink our own future by re-examining our financial regulations where appropriate, in order to foster the expansion of the capital markets of an independent, strong and competitive EU.

One of the main priorities of the AMF's strategic plan that I presented to you last year is to support market operators in implementing regulatory change, to promote innovation and to commit to enhancing the attractiveness of our markets and financial centre.

Regarding regulations, our staff was mobilised in 2018 by MiFID 2, PRIIPS, MMFR, CSDR and Prospectus 3. For MMFR, CSDR and Prospectus 3, implementation will continue in 2019; for MiFID 2 and PRIIPS, 2019 will be a year in which initial lessons will have to be learned and changes proposed. In particular I have in mind research and, in relation to Brexit, the MiFID transparency rules; I am also thinking of the extension of the PRIIPS framework to UCITS.

Innovation is key to the vitality of a financial centre. The AMF must therefore support these innovations so that they may be deployed in a framework that is reassuring for all stakeholders and for investors in particular.

We were extremely active in 2018 in proposing the supervision of operations on cryptoassets (issuance, platforms, marketing) to the French legislator; in 2019 we will see how this materialises within the framework of the "Loi PACTE" legislation. The bursting of the cryptocurrency bubble should not mask the legitimate factors which triggered the development of cryptoassets; I remain convinced that the "tokenisation" of finance and the use of blockchain technologies could be powerful factors for innovation and efficiency.

The AMF is also supporting developments in the area of sustainable finance. We recently published our roadmap in this respect, and it is clear that 2019 is set to be a year of growing momentum, with the completion of European work, the highlighting of our responsibility as a regulator in the "Loi PACTE", and the publication of new reports on socially responsible investment, CSR and extra-financial information, and so on.

The third priority of the AMF's strategic plan is to re-examine our supervision tools and our means of intervention.

In this respect, I must first note the successful achievements in the field of access to connection data. The "Loi sur la Fraude" (Fraud Act) gave us the legislative framework that we needed, the implementing decree has been published, the controller of applications for connection data and his deputy have been appointed and, regarding enquiries, we can start 2019 on a basis that tallies with what the Constitutional Council has requested.

More fundamentally, our approach to supervision is now organised around a number of clearly stated principles giving priority to the empowerment of market participants, and the monitoring and rapid detection of potential violations.

The move to change our procedures from systematic ex-ante inspection of certain marketing documentation to random ex-post inspection is now underway. Each year we now make our detailed supervision priorities public and, without prejudice to routine checks on market participants at a frequency which should be determined by a risk-based approach, we perform short thematic checks designed to pinpoint investment services providers' good and poor practices at the earliest juncture possible, and share them with the stock exchange. Seven themes were identified for 2018, corresponding to 35 checks; they have all been started. Three of the seven themes are fully completed and the findings have been shared with the stock exchange, while the other four will be completed in the first half of 2019.

This experience has been positive, and seven new themes have been identified for 2019. Regarding management companies: organisation in the field of cybersecurity, quality of AIFM reporting, valuation of complex products, and management of outside service providers in the area of property management. Turning to market intermediaries: the system for reporting transactions to the trade repositories and the data custody provided for by MiFID 2. Lastly with focus on marketing: discretionary management compliance with the new provisions of MiFID 2.

Special attention will also be paid to other topics, in particular the systems established by management companies to combat money laundering and the financing of terrorism, securities lending and short selling practices, as well as vote counting at general meetings. You will find details of our 2019 supervision priorities in the document posted on our website today.

Finally a word about the AMF itself, which is, just as yourselves, undergoing profound transformation: we are adapting our tools designed to detect potentially abnormal behaviour, adapting our operating procedures, adapting our expertise and adapting our financial resources.

The AMF has made the strategic choice to develop detection tools based on intensive use of the very large quantity of data available to us, which is considerably enriched as new regulations emerge (with SFTR adding a further layer). We should also mention, in this context, the tools deployed for scanning social media, blogs and forums in order to detect possible fraudulent investment offers even ahead of receiving the accompanying influx of complaints.

More generally speaking, the AMF's digital transformation is well underway; the BIO3 project concerning exchanges with management companies, with a first key milestone next September, is an illustration of this. Just as in all organisations, the digitisation of documents and decision-making process, along with the development of collaborative work tools and knowledge-sharing tools only make sense when they are backed up by reflection on the methods for organising each person's activities and responsibilities. This is therefore a medium-term objective.

Adapting our expertise is also of fundamental importance. We must grow our expertise on data processing, cyber risk management, analysis of the effects of various activities on climate change, etc. This requires an appropriate training programme and targeted recruitment.

I would like to conclude with a word on our financial resources and how these are to evolve, since it is you who provide us with such resources. The government has been extremely inconsistent in recent years, adding to our duties, authorising - perfectly legitimately - the launch of vast IT projects, but drastically limiting our resources. The approach changed in 2018. The AMF's resources were increased by €6m in 2018 and then an additional €2.5m in 2019 without, on the whole, increasing contributions from the stock exchange but simplifying the conditions for 2019. This does not enable us to significantly increase our staff – which, I hasten to add, is still well below the levels enjoyed by our neighbouring peers' respective headcounts- or to launch new large-scale IT projects, but it does allow us to carry out our work in a calmer context. This may be seen as an expression of confidence

in the AMF, and for which the government and parliament should be thanked. Of course the question of resources is not over. In particular, it should be re-examined in light of the actual consequences of Brexit and the changes in duties resulting from the "Loi PACTE" which is to be enacted.

I wish you all an excellent New Year.

---

## ON THE SAME TOPIC

---

 Subscribe to our alerts and RSS feeds

ARTICLE

AMF ACTIVITY

18 May 2022

Our Social  
Responsibility



ARTICLE

AMF ACTIVITY

28 April 2022

Our Governance



AMF NEWS RELEASE

APPOINTMENT

28 April 2022

Appointments in the  
Investigations  
Directorate and the  
Asset Management  
Directorate



Legal information:

Head of publications: The Executive Director of AMF Communication Directorate. Contact:  
Communication Directorate – Autorité des marchés financiers 17 place de la Bourse – 75082 Paris  
cedex 02