

# ANNUAL REPORT 2018



## **IMPORTANT NOTE**

This annual report covers 2018 and the first months of 2019. It was prepared by departments at the AMF and the draft version was completed on 2 April 2019.

Report to the  
President  
of the Republic and  
Parliament  
**2018**

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## Foreword

Implementation of new, highly formative European regulations (in particular MiFID 2), preparation for the United Kingdom's exit from the European Union, completion – before the end of the European Parliament and Commission's current term of office – of projects designed to give substance to the Capital Markets Union, drafting and discussion in Parliament of the PACTE Law... the number of new institutional developments for the financial markets – and for the *Autorité des Marchés Financiers* – was significant in 2018 and at the beginning of 2019.

■ In terms of performance and contribution to financing the economy, the financial markets had made a positive start to 2018, but took a downturn in Q4 and failed to recover fully in the Q1 2019. Overall, disappointment and anxiety are the dominant themes.

■ After encouraging results in 2017 and despite exceptionally high corporate profits in 2018, the markets were affected by uncertainty about global growth, which, beyond a typical turnaround in the economic cycle, appears threatened by the fading out of the effects of US tax reform, trade tensions and geopolitical risks. Recent reversals in monetary policies have partially allayed these fears but have reinforced the feeling of unease.

■ The market downturns, which were sometimes sharp, occurred particularly during the final months of 2018, and market indices everywhere ended 2018 with a marked decline, to a greater or lesser extent, to values that had not been seen for about ten years. Without really reflecting corporate results, the equity markets therefore lost ground: even though its fall was half that of the German DAX, the CAC 40, with dividends reinvested, fell 8% over the full year and dropped by 13.6% in the last quarter. In the same vein, the bond markets also experienced a decline, which intensified at the end of the year and in the first quarter for non-investment grade issuers, while the

best issuers, particularly government-backed, were playing their traditional role as safe havens. Along the same lines, gold is attractive once again and demand deposits saw the most significant net inflows: around €500 billion for the Eurozone, including around €90 billion for France. At the end of 2018, French households held €450 billion in their current accounts alone, a record figure.

■ In fact, initial public offerings (IPOs) were disappointing everywhere, even falling sharply. Although in Paris there were more IPOs than in 2017 (34 versus 28), they involved smaller values and raised less new capital (€1.1 billion versus €2 billion in 2017). Similarly, equity security issues were also down, with only €2 billion raised versus €14 billion in 2017. Once again, it was therefore through market debt and especially bank debt that non-financial corporations financed their needs: the total debt of French companies exceeded €1,600 billion, equivalent to 75% of gross domestic product (compared with 57% ten years ago). This level of debt is a cause for concern and, although linked to low rates, is nevertheless a vulnerability. There was no reversal of this trend at the beginning of 2019. On the contrary, IPOs in Paris in the first quarter were anecdotal and involved small foreign companies. The same phenomenon was observed in other markets.

■ From this perspective, the bill on business growth and transformation (the PACTE Law) as proposed by the Government and enhanced by Parliament, is welcome in terms of its timing and content insofar as it promotes long-term savings (company savings and retirement savings), simplifies companies' access to markets and enhances the appeal of the Paris financial market.

Of course, it was European news that marked 2018 in relation to financial markets, first and foremost with Brexit and the prospect of a no-deal exit, which has become increasingly more likely. This has required specific planning for financial institutions, supported by their supervisory authorities, and for their clients and the regulators keen to be involved, both at the national and European levels, to ensure a smooth transition.

Overall, the financial sector is reasonably prepared for this type of disruption: business relocations have started or are ready to be started, contracts have been transferred or are ready to be transferred, and temporary equivalences have been granted to the most sensitive UK market infrastructures.

With regard to the Paris financial market place, some 20 management companies have relocated to the city or have increased their scope of activity in preparation for Brexit, around 20 investment firms have done the same and are developing trading platforms, and the LCH group has relocated all its central clearing activity for euro repo transactions to Paris. This reaffirms Paris's objective to once again become a major financial centre with a particular focus on market activities.

Beyond the immediate consequences, it is clear that Brexit, with the EU's main financial centre moving outside its boundaries, is a major challenge for Europe with regard to its project for a Capital Markets Union.

What would it take to have a true Capital Markets Union? First and foremost, a set of fundamental principles: a common accounting framework, partially achieved through IFRS but which is scaring off SMEs and intermediate-sized enterprises; a common bankruptcy law, which is at a standstill; a coherent policy towards third countries, and in this respect the implementation of national schemes that have developed in the run-up to Brexit show that this is still a long way off; and finally a body of common rules and

a single system of supervision. However, while progress has undoubtedly been made in relation to the first point, there is a clear lack of consistency in its implementation. And from this perspective, the end of the European Parliament and Commission's term of office will be considered disappointing.

The review of the European Supervisory Authorities (ESAs), aimed at making supervision more uniform and efficient and moving towards a single system of supervision, which would have considerably strengthened Europe's voice vis-à-vis third countries, resulted in a very lean document with far too limited ambitions. Positions that are often overly national have largely wiped out the initial vision of the intended, and welcome, reform.

Similarly, during the review process of the European Market Infrastructure Regulation (EMIR), concerns about a more integrated European model also prevailed, pushing back the convergence objective that would have brought about equal treatment of EU players and overall regulatory robustness.

In the end, European legislative initiatives have done little to move the Capital Markets Union forward, and for the AMF, which has sought to be a force for proposals and movement in this direction, this is a major disappointment. These subjects will have to be taken up post-Brexit under the new term of office of the European Parliament and Commission, because the freedom to provide financial services cannot be maintained without a single, merged supervisory mechanism.

In the meantime, in 2019, the AMF is engaged in, and will be engaged in, many other activities.

Firstly, of course, the supervision of a financial sector which, whatever the outcome of Brexit, will change in size. Most of the institutions, often leading global players, that have relocated part of their business to Paris will be expanding. The AMF must adapt its resources to support this expansion. This financial sector will also need to fully integrate ongoing reforms: strengthening shareholder rights,

prospectus reform, the new regulation of money market funds and transparency of financing transactions on securities (a regulation that will improve our ability to monitor the lending and borrowing of securities that we know could allow tax avoidance and fuel the short selling of securities). At the same time, the AMF will implement the measures aimed at removing “gold-plating” that have been identified and are penalising the financial market.

— The implementation of the many PACTE Law provisions affecting the AMF will evidently mobilise the Authority. In particular, after playing an active part in the creation of the new legal framework for regulating digital assets, one of the AMF’s tasks now includes the implementation of the French regime for initial coin offerings (ICOs), via optional approval, and the regime for digital asset service providers. With the PACTE Law, France has shown its willingness to be at the forefront in supporting the digitalisation of finance, and it is clear that this is only one step, as the field of the “tokenisation” of traditional financial securities appears promising.

— The AMF also sees its role strengthened in the area of sustainable finance. For example, the PACTE Law tasks it with ensuring the quality of the information provided by investment management companies on their strategy in this area. This is a strong commitment for the AMF. It has just published a guide on carbon footprint offsetting through collective investment undertakings and will, this year, publish its reports on socially responsible investment in collective management (SRI report) and on social, societal and environmental information published by listed companies on a regulated market (CSR report). The regulator can play an important role in encouraging and accelerating transformations in the financial industry, raising awareness to promote best practices, and securing financing for the energy transition. Beyond this, the development of credible sustainable finance is an outstanding opportunity to rebuild trust in finance with the widest audience possible.

In such a context, with areas of work that are so crucial, the AMF will continue to listen to issuers, retail investors and the finance industry. It must accelerate its digital transformation, strengthen its communications, absorb its new skills, continue its fight against “scams” and its work in support of financial education, develop its controls and therefore consolidate its expertise and increase its human resources. Good regulation is not possible without the ability to act.

**Robert Ophèle**

Chairman, Autorité des Marchés Financiers



# 1 The AMF in profile

The Autorité des Marchés Financiers (AMF) regulates the French financial market, its operators and the investment products sold thereon; it also ensures that investors are properly informed; and it supports investors, if required, via its Ombudsman. It is an independent public authority, with regulatory powers and significant financial and management autonomy.

## The AMF's remit: regulate, inform and protect

— The Autorité des Marchés Financiers (AMF) has a remit to ensure:

- the protection of savings invested in financial products
- that investors are properly informed
- the orderly operation of the financial markets.

## Areas of intervention

— The AMF regulates participants and products on French financial markets, including:

- the financial markets and market infrastructures
- companies issuing listed securities
- financial intermediaries authorised to provide investment services and financial investment advice (credit institutions authorised to provide investment services, investment firms, investment management companies, financial investment advisers)
- collective investment products invested in financial instruments.

## Powers and jurisdiction

— To fulfil its remit, the AMF:

- sets out rules in its General Regulation, which it supplements with instructions and recommendations
- grants authorisation to market participants, endorses documents providing information on financial transactions, and approves collective investment products
- monitors market participants and investment products under its supervision
- carries out investigations and inspections
- has the power to impose sanctions
- keeps investors informed and offers the services of an Ombudsman.

## Organisation of the AMF

— The AMF has a Board and an Enforcement Committee empowered to impose disciplinary sanctions and fines. It also includes five consultative commissions whose principal role is to clarify decisions of the Board that are likely to have an impact on professionals or on the protection of investors' interests.

— It relies on the expertise of some 470 employees and collects income from fees and contributions paid by the market participants under its supervision. The AMF coordinates its activities with other French regulators, especially in the banking and insurance sectors, and cooperates actively with its European and international counterparts. It consults regularly with professionals, investors and universities in an effort to take financial regulation forward.



## 2 The Board of the Autorité des Marchés Financiers

The Board of the Autorité des Marchés Financiers is the decision-making body of the AMF.

It adopts new regulations, takes individual decisions (compliance of tender offers, authorisation of asset management companies and collective investment schemes, approvals, etc.) and reviews inspection and investigation reports. As an enforcing body, it can decide to instigate sanction or injunction proceedings. It may also propose the use of the settlement procedure (or transaction arrangement) and approves any resulting agreements obtained in this regard. It signs off the AMF budget and approves its financial statement accounts.

The composition of the Board set by decree of 17 January 2019 is as follows:



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1. **Robert Ophèle**, Chairman
2. **Jean-Claude Hassan**, appointed by the Vice President of the Conseil d'État (French Council of State)
3. **Claude Nocquet**, appointed by the Chief Justice of the Court of Cassation
4. **Jean de Gaulle**, appointed by the Chief Justice of the Cour des Comptes (French Court of Auditors)
5. **Denis Beau**, appointed by the governor of the Banque de France
6. **Patrick de Cambourg**, Chairman of the Autorité des normes comptables (French national accounting standards body)
7. **Patrick Suet**, appointed by the president of the Senate
8. **Marie-Christine Caffet**, appointed by the president of the National Assembly
9. **Delphine Lautier**, appointed by the Chairman of the Conseil économique et social (French Economic and Social Council)
10. **Jacqueline Eli-Namer**, appointed by the Minister for the Economy and Finance
11. **Muriel Faure**, appointed by the Minister for the Economy and Finance
12. **Anne Gobert**, appointed by the Minister for the Economy and Finance
13. **Sophie Langlois**, appointed by the Minister for the Economy and Finance
14. **Helman le Pas de Sécheval** appointed by the Minister for the Economy and Finance
15. **Thierry Philipponnat**, appointed by the Minister for the Economy and Finance
16. **Charles Keller**, appointed by the Minister for the Economy and Finance

The representative of the Director General of the Treasury sits on the Board without voting rights. During 2018, the Board met 24 times in plenary session, and its three specialised commissions met 10 times.

The overall average annual attendance rate at Board meetings was 90%.

### Attendance rate at Board meetings held in 2018 (%)

Robert Ophèle	100%
Jean-Claude Hassan	91.66%
Claude Nocquet	100%
Michel Camoin	91.66%
Denis Beau	91.66%
Patrick de Cambourg	75%
Bernard Coupez	95.83%
Thierry Philipponnat	87.50%
Christian de Boissieu	87.50%
Helman le Pas de Sécheval	87.50%
Jean-Pierre Hellebuyck	83.33%
Jean-Claude Hanus	95.83%
Christian Schricke	79.17%
Sophie Langlois	87.50%
Muriel Faure	100%
Sylvie Lucot	95.83%



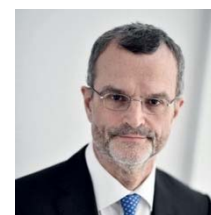
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# 3 AMF Enforcement Committee

The Enforcement Committee is the judicial body of the Autorité des Marchés Financiers. It has full autonomy to make decisions. It may impose a penalty on any person whose practices are not compliant with the laws and regulations that fall within the AMF’s area of authority and are likely to jeopardise the protection of investors or the orderly operation of the market. It rules on disputes that are brought before it by the Board of the AMF. It approves agreements for administrative settlement submitted to it by the Board. Finally, it contributes to the AMF’s educational purpose by specifying the relevant financial regulations when explaining its decisions and, since the beginning of 2019, by issuing a press release when its decisions are published. The composition of the of the Enforcement Committee set by decree of 17 January 2019 is as follows:



The Enforcement Committee did not meet in plenary session. The first section met nine times and the second, 10 times.

1. **Marie-Hélène Tric**, 1 appointed by the Chief Justice of the Court of Cassation, Chairwoman of the Enforcement Committee and its first section
2. **Jean Gaeremynck**, 2, appointed by the vice-president of the Conseil d’État (French Council of State), Chairman of the second section
3. **Edwige Belliard**, 1, appointed by the vice-president of the Conseil d’État (French Council of State)
4. **Didier Guérin**, 2, appointed by the Chief Justice of the Court of Cassation
5. **Bruno Gizard**, 1, appointed by the Minister for Finance and Public Accounts
6. **Sophie Schiller**, 2, appointed by the Minister for Finance and Public Accounts
7. **Christophe Lepitre**, 2, appointed by the Minister for Finance and Public Accounts
8. **Anne Le Lorier**, 1, appointed by the Minister for the Economy and Finance
9. **Sandrine Elbaz-Rouso**, 2, appointed by the Minister for the Economy and Finance
10. **Bernard Field**, 1, appointed by the Minister for Finance and Public Accounts
11. **Ute Meyenberg**, 1, appointed by the Minister for the Economy and Finance
12. **Lucien Millou**, 2, appointed by the Minister for the Economy and Finance

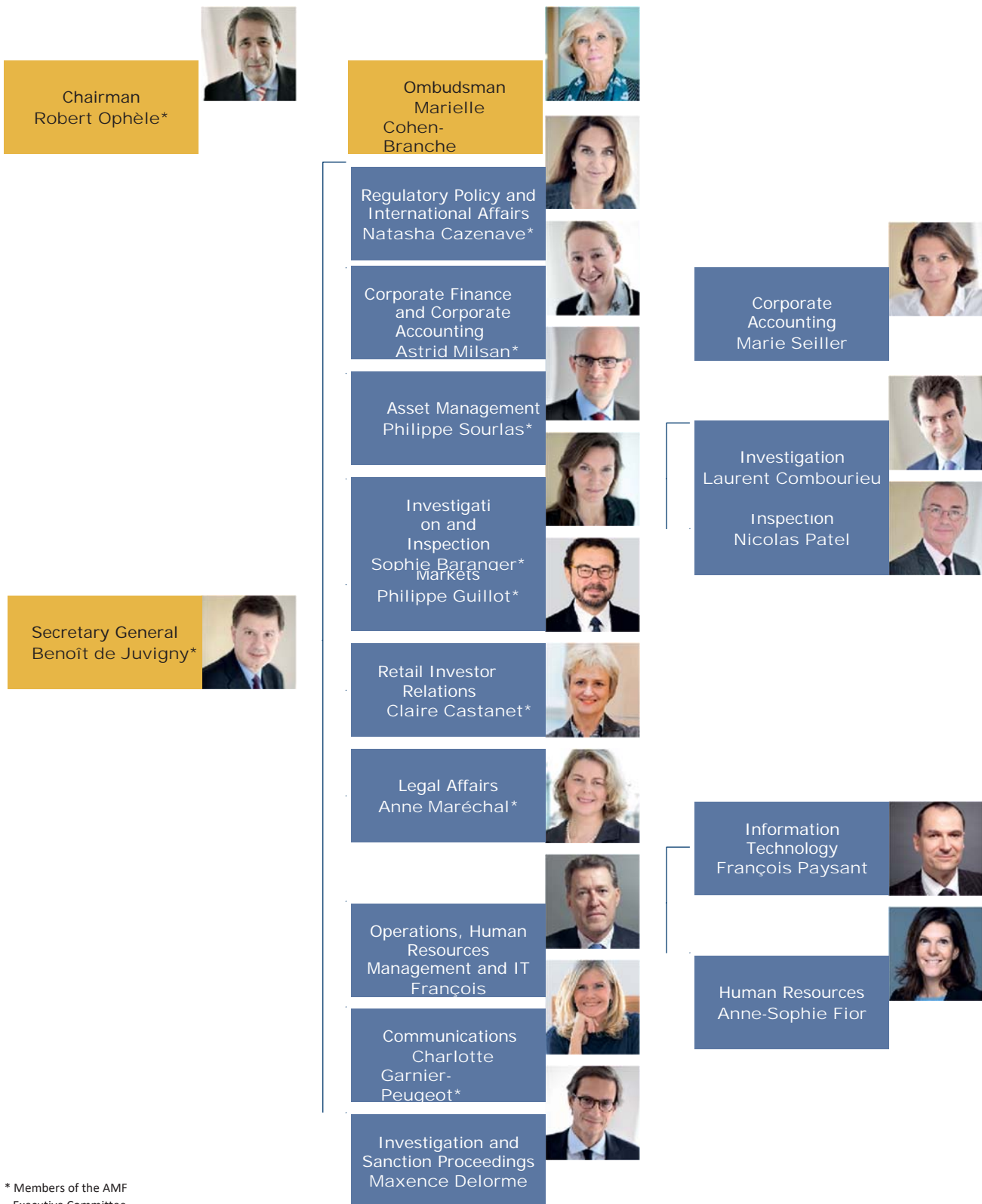
1 First section  
2 Second section

### Attendance rate at meetings of the Enforcement Committee held in 2018 (%)

Marie-Hélène Tric	100%
Jean Gaeremynck	100%
Edwige Belliard	100%
Didier Guérin	90%
Bernard Field	100%
Anne-José Fulgeras	50%
Bruno Gizard	100%
Patricia Lazard Kodyra	100%
Christophe Lepitre	100%
Sophie Schiller	78%
Lucien Millou	100%
Miriasi Thouch	100%

The overall average annual attendance rate at Enforcement Committee meetings was 93%.

# 4 AMF Departments



\* Members of the AMF Executive Committee (COMEX)

## 5 The AMF's relationship with Parliament

In general, the AMF maintains regular contact with parliamentarians, reporting on its activities and sharing its expertise and vision in the field of regulation and financial practices.

Once again this year, the AMF was heard several times by Parliament (nearly fifteen hearings). In addition to the Chairman's presentation of the 2017 Annual Report to the Finance Committees of the National Assembly and the Senate, the AMF was also heard on topical issues or in relation to draft legislation. For example, the Chairman was questioned by the rapporteurs of the special committees set up in both chambers on the impact of the PACTE Bill on the AMF. The AMF was asked to contribute to the 2019 Finance Bill in terms of its budgetary aspects (income ceiling and employment ceilings) and to the bill on the fight against fraud, particularly in relation to the creation of a system for authorising access to connection data for its investigators, with the involvement of a controller of requests for such connection data.

The Chairman and the Secretary General were also heard on numerous occasions in relation to fact-finding missions or topical issues. European issues, in particular Brexit and its consequences on financial regulation and financial services and the reform of the European Supervisory Authorities, are topics on which the Chairman and Secretary General of the AMF have spoken.

The use of new technologies in the field of finance is the other topic that has given rise to several AMF hearings. For example, after a speech in the National Assembly on the "Productive Investment Big Event", the Chairman took part in the fact-finding mission on virtual currencies set up by the National Assembly's Finance Committee. He was also heard by the Senate Finance Committee in a round table discussion with local stakeholders on the new uses of blockchain. The Secretary General was heard as part of the fact-finding mission on the question of the use of blockchains and other registry certification technologies set up by the same Finance Committee jointly with the Law and Economic Affairs Committees.



Finally, the Chairman presented the AMF's law enforcement efforts to the assessment mission to combat financial crime set up by the National Assembly's Public Policy Evaluation and Control Committee. The Secretary General presented the AMF's view on the tax treatment of dividends paid to non-residents as part of the Monitoring Group on Combating Tax Evasion and Avoidance, set up within the Senate Finance Committee.

## 6 The AMF – a European regulator with international reach

Most of the regulatory framework is now being set at the European level, with an increasingly precise level of detail. Other key measures are being negotiated in international bodies, particularly in the area of financial stability. European and international efforts have therefore been at the heart of the AMF's strategy for many years. As an influential player in international bodies, the AMF prioritises its activities at the European level and in particular within the framework of the European Securities and Markets Authority (ESMA).

With a long-standing commitment to a harmonised body of common supervisory rules and practices for the EU, the AMF seeks to ensure that the voice of a disciplined and constructive European regulator is heard. On a daily basis, the AMF contributes to ESMA's work through its participation in the European Authority's many working groups and committees. It is also actively involved in ESMA's efforts to strengthen supervisory convergence in Europe, by participating, for example, in peer review groups or in dedicated fora such as the Supervisory Coordination Network and ESMA's Enforcement Network. The Chairman and Secretary General of the AMF also chair two standing committees, one on post-trade services and the other on corporate finance. The AMF Chairman also currently sits on ESMA's Management Board.

The international level is also essential to ensure convergence in the implementation of reforms and to maintain dialogue with our counterparts in the different regions of the world. The AMF is a member of the International Organization of Securities Commissions (IOSCO). The AMF Chairman is a member of the board and the AMF serves as Vice Chairman of the Standing Committee on Investment Management. As a member of the Financial Stability Board, alongside the General Directorate of the French Treasury and the Banque de France, the AMF represents France on the committee in charge of verifying the implementation of standards (the SCSI). It also co-chairs the sub-group on non-bank financial intermediation within the committee on Supervisory and Regulatory Cooperation (SRC), which has had a great influence in recent years on international initiatives relating to risks in asset management. The AMF plays a key role in the work of the Institut Francophone de la Régulation Financière (IFREFI), which it established fifteen years ago to bring together French-speaking regulators from nearly thirty countries.

The AMF also regularly signs bilateral cooperation agreements with its counterparts abroad. In 2018, agreements relating specifically to cooperation in the field of fintech were signed with the authorities of Japan and Mauritius.

### +80

Members of staff involved in European or international groups

### 9

Chairs or co-chairs of international groups in 2018, including three standing committees

### 67

Participants

### 37

Countries represented at the international seminar organised by the AMF for its counterparts each year for eight years now

### +25

Foreign delegations received in 2018

# THE CHALLENGES



**AN INTACT  
EUROPEAN CONVICTION**

**13**



**SUPPORTING INNOVATION  
IN A SECURE FRAMEWORK:  
WORK ON DIGITAL ASSETS**

**15**



**COMMITMENT TO  
SUSTAINABLE FINANCE**

**18**

# 1 An intact European conviction

— The United Kingdom's exit from the European Union should have made the need to strengthen the convergence and integration of capital markets even more evident. However, 2018 did not result in the significant progress expected with regard to the challenges facing Europe as a 27-member block. Several projects proposed by the European Commission have met with strong resistance from many Member States, all of which are missed opportunities for European integration. At the same time, preparations for Brexit have provided an opportunity to test European unity and the coordination between supervisory authorities.

## Missed opportunities

— Among the flagship projects of 2018, the review of the European Supervisory Authorities (ESAs) was the means to make supervision more uniform and efficient and to strengthen Europe's voice considerably vis-à-vis third countries. The AMF has strongly supported this project, which is the cornerstone of a true Capital Markets Union. During the discussions, and despite the support of the European Parliament, the text has been considerably weakened compared to its initial objective, and the progress achieved, particularly in relation to the governance of European authorities or convergence tools, remains woefully inadequate. As part of the review of the European Market Infrastructure Regulation (EMIR), concerns about a more integrated European model also predominated: while it was noted that the European Securities and Markets Authority (ESMA) should play a key role in relation to third-country clearing houses, a consensus could not be reached to give it a comparable and consistent role in relation to European infrastructure, which will therefore remain under national supervision. Strengthening the mechanisms for information sharing and coordination between national supervisory authorities within ESMA is still too timid a step to achieve the objective of convergence in the supervision of European clearing houses,

which is essential for equal treatment of participants and for the robustness of the overall system.

— In addition to the institutional reforms that these texts would have made possible, the assessment of the initiatives carried out through the Capital Markets Union remains mixed, as the European Commission's proposals have again met with often fragile support and delays in the adoption of the texts. Only three of the thirteen legislative proposals had been adopted by the end of 2018.

— These missed opportunities are a major disappointment for the AMF. This requires a rethinking of the European vision in financial areas over the coming years, without giving up the ambition to strengthen the European Union's capital markets and develop a robust supervision of the financial markets. The new issues raised by Brexit may also contribute to this.

**The missed opportunities require a rethinking of the European vision in financial areas over the coming years, to strengthen the EU's capital markets and develop a robust supervision of the financial markets.**

### **An increasingly multipolar European financial landscape: supervisory authorities' response to the strategic and operational challenges facing participants as a result of Brexit**

Preparation for Brexit required an increasing commitment during 2018, with efforts intensifying as the year progressed and the probability of a no-deal Brexit grew. The AMF accordingly had to handle, jointly with the ACPR as appropriate to the nature of the business, the numerous and diverse applications to set up business in Paris, covering various sectors of activity (investment firms, management companies, multilateral trading facilities, etc.). At the European level, supervisory authorities have sought as far as possible, through the Supervisory Coordination Network (SCN) set up in March 2017 within the European Securities and Markets Authority, to ensure uniformity in handling the applications to set up business received by EU financial centres and the sharing of information. One of the objectives of this group is to avoid regulatory competition and be able to formalise coherent requirements for companies wishing to establish new activities within the EU27 or transfer certain activities from the United Kingdom to the EU27 in the context of Brexit.

**A less centralised model is emerging, in which several European financial centres, including Paris, will have their role strengthened, based on the respective advantages of those cities and the organisational choices of the companies involved.**

The final organisational models and the actual extent of staff and activity transfers are still uncertain. Nevertheless, it is clear that a less centralised model is emerging, in which several European financial centres, including Paris, will have their role strengthened, based on the respective advantages of those cities and the organisational choices of the companies involved. These new, more fragmented and diverse organisational models will require the development of new forms of cooperation between supervisory authorities.

At the regulatory level, the European Commission, ESMA and the national authorities have ensured that the necessary measures have been taken to minimise the effects of a no-deal Brexit and set out the arrangements for cooperation with the United Kingdom. As part of the discussions on the proposals for a Regulation and Directive on the review of the prudential regime for investment firms, an initial review of third-country regimes in the financial markets (MiFID 2) was also carried out, allowing the shortcomings of the current texts on this subject to be corrected and laying the foundations for issuing future equivalence decisions. One of the challenges is to ensure that third-country institutions do not benefit from more favourable or flexible conditions for operating in the European Union than European participants.

### **Shaping the future of capital markets in the EU27**

However, the challenge for the European Union goes beyond applying the various third-country regimes to the specific case of the United Kingdom and defining the future relationship with the London market. The aim is to draw up a new roadmap that takes into account the real resistance to a more integrated European model, as expressed again in 2018, while meeting the challenges that Europe faces. The AMF's European conviction thus remains intact.



## 2 Supporting innovation in a secure framework: work on digital assets

In 2018, the AMF continued its work on crypto-assets. Firstly, at the beginning of the year, it published the conclusions of the public consultation on initial coin offerings (ICOs), which revealed a preference for the implementation of a legal framework suited to this new type of fundraising. In February 2018, the AMF also clarified the legal qualification of crypto-currency derivatives, concluding that platforms offering these products must comply with authorisation and conduct of business rules and that these products must not be advertised electronically. In parallel, the AMF deployed its UNICORN support programme.<sup>1</sup> In connection with this, the AMF met with more than 80 ICO project developers, leading to the publication of a report in autumn 2018.<sup>2</sup> The AMF also devoted the 2018 edition of its Scientific Advisory Board's conference to the subject of ICOs.

The AMF actively contributed to the work on the new legal frameworks on crypto-assets proposed in the PACTE Bill currently under discussion in the French Parliament. This creates a comprehensive legal regime to regulate issues of ICO tokens, but also investment activities and the provision of services related to digital assets.

### 2018 edition of the Enforcement Committee's conference



### A regulatory framework for ICO token offerings

The PACTE Bill introduces an optional AMF approval regime for public offerings of tokens that offer a number of guarantees to investors. Token issuers<sup>3</sup> may apply for AMF approval provided that the issuer is a legal entity established or registered in France and that these tokens are not subject to any other existing regulations, in particular those relating to financial instruments. The optional approval regime will therefore only apply to so-called utility tokens, granting access rights to a product, service or commercial advantage.

Given the cross-border nature of ICO fundraising proposed on the internet, the optional nature of the approval appeared to be the necessary compromise to introduce, on the one hand, protective rules for investors encouraged to invest in projects approved by the regulator and, on the other, to provide project developers wishing to apply these protective rules to have a competitive advantage over projects that have not obtained approval.

1- Universal Node to ICO's Research & Network – this programme was launched in October 2017.

2- AMF, Risk and Trend Mapping, "French ICOs – A New Method of Financing?", November 2018.

3- The bill defines tokens as "any intangible property representing, in digital form, one or more rights, which may be issued, registered, retained or transferred by means of a shared electronic recording device that identifies, directly or indirectly, the owner of such property".

■ The bill states that the AMF will verify that the proposed fundraising transaction provides certain important guarantees to ensure that investors are properly protected, in particular:

- the transaction must be accompanied by a complete and comprehensible information document intended to provide all relevant information concerning the offering and the issuing company;
- the existence of a mechanism to monitor and safeguard the assets collected as part of the offering, whether in cash or in digital form;
- finally, token issuers applying for the AMF approval must have set up an anti-money laundering system enabling them to check the identity of investors and the origin of the funds collected during the transaction.

■ Before providing its approval, the AMF shall examine the information document as well as drafts of all marketing materials intended for the public and supporting documents for the guarantees provided. The AMF shall make public the list of offerings that have been approved (a “white list”).

■ The PACTE Bill also provides for a right to a bank account for token issuers who have received an approval.

■ The bill includes a punitive component introducing sanctions that the AMF Enforcement Committee will be in charge of enforcing. The AMF may withdraw the approval granted to the issuer, either temporarily or permanently, and the AMF may order that any communication by the issuer mentioning its approval be discontinued. In the event that a person distributes inaccurate or misleading information concerning the issue of an approval, its scope or its consequences, the AMF may make a public statement. A “black list” may be published to warn the public.

## The framework for the secondary market in digital assets

■ The PACTE Bill also establishes a legal framework for the secondary market in digital assets. It introduces a new status of digital asset service provider in order to regulate digital asset intermediation services, including both utility tokens issued as part of an ICO and virtual currencies (Bitcoin, Ether, etc.).

■ The scope of this status is very broad since it includes all intermediation activities around crypto-assets: custody for third parties, buying, selling and trading digital assets, operating a trading platform, order reception and transmission, discretionary management of digital asset portfolios, the underwriting and guaranteed and unsecured investment of digital assets, and investment advice.

■ The bill provides for, on the one hand, mandatory registration with the AMF of certain providers<sup>4</sup> for anti-money laundering reasons and, on the other, optional AMF authorisation for all digital asset service providers. An optional rather than mandatory authorisation was preferred for the same reasons that led to the introduction of an optional approval for ICO token issues, namely the impossibility of regulating and sanctioning activities that cut across international boundaries and the desire to promote the competitiveness of French participants in the crypto-asset and blockchain sector.

■ To obtain AMF authorisation, digital asset service providers will have to comply, not only with rules relating to the prevention of money laundering, but also with a set of rules common to all services (holding the minimum capital required or taking out insurance, implementing adequate security and internal control systems, a resilient and secure IT system, and procedures for managing conflicts of interest). They must also provide clear, accurate and non-misleading information to their clients, display their pricing policy and, finally, define specific rules for each service for which authorisation is requested, based on existing financial instrument requirements.

— The AMF will have powers relating to supervision and the imposition of sanctions with regard to authorised participants. Furthermore, the PACTE Bill opens up the possibility for professional specialised funds alone to invest in digital assets under certain conditions.

— There is also a ban on direct marketing for digital asset service providers that have not obtained the optional authorisation from the AMF and for token issuers that have not received an AMF approval.

— It also provides for the ban on a very specific form of advertising that falls within the scope of quasi-direct marketing. Specifically, this involves banning the use of banners displayed on the internet that direct users to an online form used to contact them subsequently. Only authorised service providers and issuers that have obtained an AMF approval may use this form of advertising.

— This targeted ban is designed to protect investors from certain fraudulent platforms or very aggressive forms of direct marketing, while allowing service providers that do not wish to seek authorisation to continue their activity.

— Ultimately, the entire legal framework governing digital assets proposed in the PACTE Bill confers on the AMF a pivotal role at the crossroads of the challenges of protecting investors, preventing money laundering and terrorist financing, and supporting this new innovative sector. It also positions France as one of the first countries to have a specific and innovative regime in the area of digital assets.



**The optional approval is a good compromise for attracting serious ICO projects and innovation in France while ensuring investor protection.”**

Anne Maréchal,  
Director of Legal Affairs.

4- Participants providing custody services for digital assets or private cryptographic keys on behalf of third parties and the services of buying or selling digital assets for legal tender will be required to register with the AMF, which will verify that their senior managers and beneficial owners have the good reputation and necessary expertise to carry out their duties.



**Through investor information and consideration of their preferences, through the implementation of investment strategies on the management side, we have a common responsibility to play in ensuring that finance contributes to the energy transition and to sustainable development.”**

Benoît de Juvigny,  
Secretary General

## **3** Commitment to sustainable finance

2018 was the fourth warmest year since measuring the Earth’s global average surface temperature began. It was also a year marked by a heightened level of citizen engagement in many countries on climate issues. Awareness of the financial challenges associated with global warming and the financing needs required to address them has also accelerated in both the private and public spheres. At the international level, central banks have established an informal network to improve the role of the financial system in risk management and raising capital for green and low-carbon investments, within the broader context of sustainable development objectives. Financial institutions, for their part, have increased their commitments to a more sustainable financial model, while the challenges of a just transition are becoming more apparent every day.

### **Initiatives in Europe and France**

In Europe, the publication of the European Commission’s Action Plan for Financing Sustainable Growth in March 2018 was accompanied by several legislative initiatives and work to encourage the mobilisation of the financial sector. The taxonomy of green and sustainable assets, investor transparency, climate and non-financial reporting, consideration of client preferences in the environmental, social and governance (ESG) areas, green bonds and low-carbon indices are among the areas in which progress has already been made in 2018 and will continue to be made in 2019 and beyond.

■ In France, new initiatives have strengthened the impetus provided by the 2015 Law on the Energy Transition for Green Growth (LTECV). The PACTE Bill has therefore confirmed the need for companies to consider the social and environmental issues inherent in their activities and defined the notion of the company's corporate interest. The bill tasks the AMF with a specific mandate: to ensure the quality of the information provided by investment management companies on their strategy and their management of risks in response to climate change.

■ This new mandate highlights the regulator's responsibility with regard to these new challenges. The AMF had anticipated this by making sustainable finance a key pillar of its medium-term vision, #Supervision2022, recognising the underlying trend in the industry and the expectations of a growing number of stakeholders. The aim is to integrate the objectives of sustainable finance – that is, to ensure that the financial sector takes better account of social and environmental externalities and long-term risks and opportunities – into all of the regulator's mandates and activities.

## The AMF's roadmap

■ In November 2018, the AMF defined its roadmap for sustainable finance and highlighted the important role that the regulator must play to support developments and preserve conditions for trust. As a sign of its commitment, the AMF also announced at the end of 2018 the creation of a Strategy and Sustainable Finance unit to coordinate work across all disciplines with the various teams involved. Four main areas of focus have been identified:

- support for change at market participants and
- innovation; supervision and monitoring;
- participation in European and international work and collaboration with other regulators;
- educating retail investors.

■ A number of initiatives were taken in this area in 2018. For example, in the autumn the AMF organised three workshops with managers, investors and distributors to raise awareness of the ongoing work at the European level and reflect collectively on how to integrate ESG factors into risk management and investment strategies, and how to accommodate clients' ESG preferences. It was also a way for the regulator

to enhance its understanding of existing practices and the difficulties identified.

■ After an initial assessment in 2017 of the implementation of Article 173 of the LTECV,<sup>5</sup> in 2018, the AMF identified the regulatory information that investment management companies must provide with regard to taking account of social, environmental and governance criteria. In addition to bringing several participants up to standard following the AMF's monitoring, this identification resulted in an inventory of practices being drawn up in the course of preparing the government's report on the implementation of this obligation. The AMF also carried out theme-based inspections on a sample of participants to assess SRI management practices in the field and consistency with the information provided to investors. Furthermore, in their day-to-day monitoring, AMF teams seek to assess the clarity, accuracy and non-misleading nature of the information provided for authorised products with a non-financial component. For example, a fund that claims to affect the carbon footprint of its portfolio must specify the methodology used and any limitations.

■ As regards monitoring listed companies, in 2018, particular attention was paid to the non-financial information provided by issuers during the annual review of registration documents. The AMF also looked at trends in the publication of integrated reports, in line with the AMF's 2016 report on corporate social, societal and environmental responsibility (CSR). The AMF also supports the development of the green and sustainable bond market by ensuring, in particular, the transparency of the information provided to investors on the allocation of the proceeds of the issues.

■ 2019 will be a year of growing momentum with the completion of the first European projects, participation in the work of ESMA and the group set up by the International Organization of Securities Commissions (IOSCO) on sustainable finance (the Sustainable Finance Network) and the publication of new AMF reports on market practices in the environmental, social and governance area. It will also require continued efforts to develop the regulator's expertise in these areas.

5- The law of 17 August 2017 introduces information obligations for institutional fund managers and investors with respect to their management of climate-related risks and more generally the integration of environmental, social and governance parameters into their investment policy, without imposing a prescriptive method

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# 1 THE AMF and investors

One of the main roles of the AMF is to ensure that savings invested in financial products are protected, and that investors are provided with adequate information. For this purpose, it observes investment marketing practices, detects fraudulent proposals and warns investors. It provides them with the keys for investing better via its education and communication campaigns and its public relations centre, its websites, events and guidelines, its social networks and its innovative educational tools. It supports institutions by delivering professional certification schemes and ensures the quality of the sales and marketing relationship.

In 2018, the AMF therefore continued its programme of promoting long-term savings, protection of investors - especially vulnerable populations - and knowledge of investors and their expectations.

## Promoting long-term savings

The AMF is committed, alongside the Banque de France, to the national strategy of financial education initiated by the authorities in December 2016, and actively provides education regarding financial investment to increase investors' financial expertise throughout their life.

It focuses its efforts particularly on the development of long-term savings. This year, for example, the AMF dedicated its explanations on two aspects:

- employee savings, which affects a broad public of investors who are often not very well informed about these schemes and which represents a growing volume, and
- investment in equities, in an environment of high risk aversion among retail investors.

It reaffirmed its commitment to coordination by organising the second Semaine de l'épargne salariale (Employee Savings Week). This event for both employees and businesses really took off in 2018, becoming an established feature in the financial investment landscape.

Supported by its regional representatives, i.e. the regional directors of the Banque de France, the AMF organised with its partners, the General Directorate of Labour, the French employers' association and the National Association of Human Resources Directors in particular, the Rencontres de l'épargne salariale (employee savings conferences) intended for the CEOs of small and medium-sized enterprises and very small enterprises. Four events were held in 2018 in Paris, Lille, Nantes and Lyon.

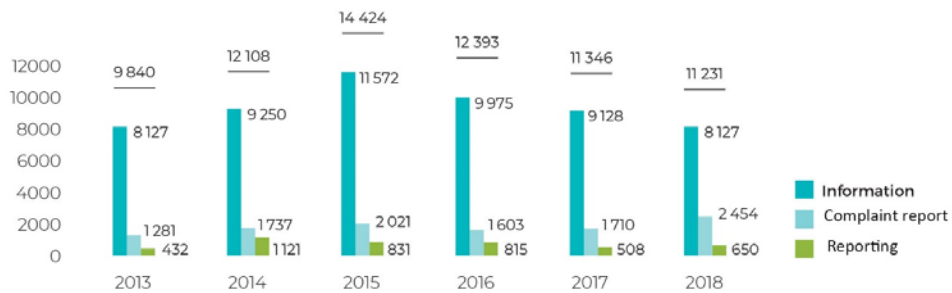
In building up long-term savings, diversified investment in equities meets the needs of investors, and the AMF endeavoured to highlight this. With about one hundred other international regulators, it organised several education campaigns and meetings with shareholders during the second edition of World Investor Week, organised at the instigation of the International Organisation of Securities Commissions (IOSCO). The AMF published new content in the Investors area of its website. Within the framework of its partnership with the Institut National de la Consommation (INC: National Consumer Institute), it also increased its media presence with the radio campaign "Info placements" La minute utile pour mon épargne" (Investment Information) and its "Consomag" programmes. With each broadcast, several million people receive the AMF's educational messages.

Finally, like it does each year, the AMF participated to the Actionaria show to answer investors' questions and discuss their issues.

### Key figures from 2018 for the Epargne Info Service (AMFEIS)

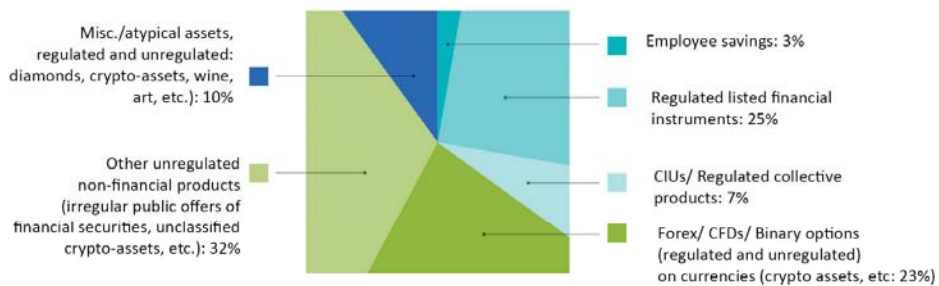
11,231 Queries were processed in 2018, of which 78% were from retail investors

**Figure 1**  
Queries processed by tpe of query



**Figure 2**  
Queries processed by type of product

This chart is based on the 68% of queries received which were able to be classified by sujet.



**Figure 3**  
Comparative growth in EIS queries concerning forex, diamonds and cryptocurrencies, 2016-2018





## Protecting against offers of inappropriate or toxic products

One feature of 2018 was the boom in crypto-assets and the growing number of scams on this type of investment which has seen a massive increase in fraud, which previously concerned forex, CFDs, binary options and investment diamonds. To reach a wider audience, the AMF has developed new communication techniques. For example, it worked in partnership with the YouTuber "Heu?reka", specialised in economy and finance, to produce a video describing these investments, their risks (volatility, liquidity, etc.) and the warning signals making it possible to detect a potential scam. It also used several targeted communication tools to alert net surfers to the potential risks of certain products (see box on French investors targeted by cybercrime, p.24).

The monitoring of atypical investments that has been adopted for some years now made it possible to quickly identify the emergence of new trends such as crypto-asset scams as of the end of 2017 or, to a lesser extent, wine as an investment, gold and livestock from the second half of the year. These issues will be subjected to investor surveillance in 2019.

## Detecting high-risk offers and alerting the public

As of March 2018, the AMF completed its blacklist system by adding these new unauthorised proposals. With the ACPR, it also created a new blacklist of websites not authorised to propose investments in crypto-asset derivative products. In all, the AMF warned the public against 154 market operators or websites, including 118 relating to crypto-assets.

## Ban on advising and restriction of marketing

The AMF's monitoring of the advertising issued by banking and financial institutions showed a major increase in the number of advertisements broadcasted in 2018 to promote the purchase or sale of crypto-assets. A total of 124 advertisements were detected in the year, including advertisements

displayed on information websites, pseudo-information websites or platforms permitting the purchase or sale of crypto-assets that are unregulated at present for lack of regulations.

The AMF also monitors the satisfactory application of the ban on electronic advertising for certain highly risky financial contracts and products based on the Sapin II Law (binary options, forex and CFDs). The inclusion of this ban in the law was requested by the AMF and was a major step forward for consumer protection by prohibiting electronic advertising for binary options, financial contracts on currencies and contracts for differences (CFDs), containing no intrinsic guarantee to prevent investors losing more than the capital invested. It brought about changes in investment offers to provide them with intrinsic protection and make them less dangerous for the general public.

In this framework, on 12 July 2018 the AMF and the Conseil Supérieur de l'Audiovisuel (French Broadcasting Regulator) asked television and radio channels to be especially careful not to promote, during broadcasts of sports competitions, images of the brands of investment service providers, which could be considered as indirect advertising for these contracts.

The implementation of the Sapin II Law thus made it possible to reduce the total number of electronic advertisements broadcasted in 2018 to promote these highly speculative products: 311 advertisements were detected by the AMF, compared with an average of 582 advertisements per year from 2014 to 2016. 83% of the advertisements detected in 2018 were authorised. 51 advertisements infringing the Sapin II Law were detected, disseminated by nine institutions authorised mainly in Cyprus. This observation led the AMF to alert its Cypriot counterpart which worked to inform its regulated entities and serve reminders to these institutions to comply with the law. At the end of 2018, the institutions had apparently come into compliance.

Lastly, as permitted by MiFID II, temporary measures banning binary options and restricting CFDs were established by the ESMA throughout the EU during the summer and are planned to be extended in 2019 by national measures.

For CFDs, for example, institutions must comply with new restrictions:

- limits on leverage, which could reach very high levels, sometimes as much as 400, and cause substantial financial losses for investors;
- protection of accounts against a negative balance, and the restriction of commercial incentives;
- a warning about the risks related to the product appearing on all communication materials, including on the website of the financial service provider.

Six institutions located mainly in the European Union did not comply with some of these measures, which has led the AMF to alert the regulators of the countries concerned to ensure compliance.



## FRENCH INVESTORS TARGETED BY CYBERCRIMINALS

Cybercrime targeting French investors and focused on financial investments has increased significantly since 2015.

In 2018, 36% of the queries processed by Epargne Info Service concerned online crime. Its instigators are very agile, and in a few months they can suddenly and massively cause a new "fake" investment theme to emerge by surfing on topical trends. Whereas in 2016, fraudulent proposals for investments in binary options and forex products accounted for 3,768 queries and those for crypto-assets only 18 queries, in 2018 the trend was radically reversed, with "only" 968 queries regarding investments in binary options and forex products, versus more than 2,600 queries

regarding crypto-assets. The swift, large-scale roll-out of these offers and their impact raise questions concerning the phishing techniques used by networks of individuals that are clearly structured, organised and agile. Online banners attract netsurfers to web pages offering to provide information on the latest investment trends, but whose only intention is in fact to gather the investor's personal data. At this stage, it would seem that these data are enriched with more personal information, as everyone is liable to leave such traces online. These data are then apparently passed on or more likely sold on to call centres.

The spiral is triggered immediately: people claiming to be advisers then relentlessly contact potential investors until they obtain a first payment from them, then a second payment until their available savings are depleted.

Observing this formidable and determined financial cybercrime, affecting all publics, irrespective of their age, income or financial education, the AMF once again took action. It upgraded its monitoring and warning tools, enriched the Miscellaneous Assets blacklist with crypto-asset offers as of March 2018, and created a new blacklist of crypto-asset derivative products with the ACPR in July 2018, thus covering the various legal classifications in its scope of competence. Numerous items were published in the media and prevention campaigns were conducted online, viewed more than 490,000 times, with, in 20,000 cases, access to the educational content of the AMF website, thereby raising the general public's awareness as early as possible of the risks of this ubiquitous online cybercrime.

## Improving knowledge of financial institutions' practices: "digital" mystery visits

At the end of 2017, the AMF led a series of mystery visits to observe the commercial practices regarding online investment subscription at 21 institutions (100% online banks, websites of retail banks and fintechs). This study allowed to verify how the institutions had applied the MiFID I rules and to measure the gap between the practices prevailing at the end of 2017 and the MiFID II requirements which would come into force on 3 January 2018.

Regarding new business relationships, it was found that most of the financial institutions had no completely electronic process for remote opening of an account, except the fintechs.

Progress has been noted since the previous study of this type regarding client information, the explanation of the purpose of information gathering, and certain aspects of the questioning process. The results show different approaches by the "conventional" institutions regarding the questioning process, while the fintechs, for their part, adopt similar approaches.

The questionnaires are still perfectible regarding the definition of the client's investment horizon. The assessments of durations and time scales are variable depending on the institution and do not make it possible to identify precisely the investment period wanted by the client. The institutions are thus not contributing to financial education through practice, even though this need to raise the level of financial literacy is recognised and demanded by all the market participants.

## Improving knowledge of investors' attitudes and opinions

The AMF Household Savings Observatory has for some years now been a tool for monitoring household savings. It provides a unique database on investors' opinions and attitudes, marketing and subscription practices, and financial investment fees. Five newsletters by the AMF Household Savings Observatory are published each year on the AMF website. In 2018, the following subjects were highlighted in particular:

- the clarity of the documentation on formula-based investments;
- trends in households' ownership of investment products (equities, funds, etc.);
- investment information, subscription and monitoring channels;
- investors' perceptions and opinions regarding equity investments.

In 2018 the Observatory established a Savings and Investment Barometer. This annual survey concerns French people's savings, their goals, their preferences, and their perception of the potential returns and risks of various investments. In 2018, while confirming the preference of most French people for guaranteed investments, the initial results showed that the stock market represents an interesting solution for many of them.

## Identifying the needs and expectations of vulnerable populations

In a context of population ageing and digital transformation of the financial sector, in December the joint unit of the AMF and the Autorité de Contrôle Prudential et de Résolution (ACPR) published a general overview of practices regarding the marketing of financial products to the elderly: needs and potential issues, protection mechanisms and market practices.

This report was designed to establish an initial basis for reflection and led to a call for contributions on a series of key issues on which replies are expected in 2019.

The goal is to work with all relevant stakeholders to find ways to prevent misselling to the elderly when they become more vulnerable, mainly due to cognitive difficulties. The ambition of this work is twofold: to ensure that appropriate advice is given by the professionals and that these customers are giving their informed consent when they purchase financial products. This work is presented to the Advisory Committee on the Financial Sector to contribute and boost the reflection of the Paris marketplace.

### Improving understanding of the information provided

Financial education aims to make investors independent and better able to understand the information provided by the professionals. For a balanced commercial relationship, the AMF also supervises the quality of the advice provided and the intelligibility of the documents available to them.

The regulations provide that the information must be accurate, not misleading and understandable by an average investor. These objectives of clarity and balance may be harder to achieve for investments with a (sometimes complex) formula for the calculation of their redemption value at maturity.

To assess their understanding and their assimilation of the documentation concerning formula-based investments, the AMF conducted a qualitative study and tested several commercial brochures and regulatory documents (in particular the Key Investment Information Document introduced by the PRIIPS regulation). The main finding of this study<sup>1</sup> is that while the objective of accurate and non-misleading information has been achieved, this is not the case for the clarity objective. The documents were considered off-putting, dense, technical and not highlighting the important messages. Now, the intelligibility of the information provided is a factor which contributes significantly to the client's informed consent.

### The disputes processed by Mediation cover an extremely varied range of subjects. Employee savings, very widespread among investors, is nevertheless the field for which the Ombudsman received the most queries in 2018.

### Offering a mediation service

In accordance with the regulations, the AMF's Mediation activity is presented each year in a public annual report, excerpts from which are presented below. The full version is available in the Ombudsman section of the AMF website.

Upon the decision of the AMF chairman, after consulting the Board, Marielle Cohen-Branche, AMF Ombudsman, was reappointed on 12 November 2018 for another three-year term of office.

Like each year, the ombudsman received a significant number of queries that are not within her field of competence. This is because the plaintives are sometimes incorrectly informed about the ombudsman capabilities of hand their disputes.

In 2018, the rate of compliance with the ombudsman's recommendations was again high: 92% of favourable decisions were complied with by both parties. Only 5% of unfavourable decisions were disputed by the plaintiffs.

The disputes processed by Mediation cover an extremely varied range of subjects, but employee savings, very widespread among investors, is the field for which the Ombudsman receives the most queries. Speculation on the foreign exchange market (forex), a major concern of the Ombudsman due to the use of very aggressive commercial policies, is an issue which is increasingly less significant.

The Ombudsman reports regularly on the subjects faced via real-life cases, in her monthly Log (disseminated on the AMF website) and also as part of her monthly chronicle in the programme *Intégrale placements* on the BFM Business television channel, while protecting the anonymity of the parties to the dispute.

1- Available from the Publications > Reports, research & analysis > Savings & services providers page on the AMF's website

AMF  
Ombudsman's  
Report 2018





## A FREE SERVICE FOR THE OUT-OF-COURT SETTLEMENT OF DISPUTES

Mediation is a free public service that provides for the out-of-court settlement of financial disputes. It targets savers and investors, both individuals and corporate entities (a retirement fund or an association, for example). The range of disputes eligible for mediation corresponds to the AMF's jurisdiction, i.e. disputes with an investment service provider (a bank, a management company, etc.), a financial investment adviser or a listed company. The Ombudsman also has jurisdiction over crowdfunding investment advisers. On the other hand, she has no jurisdiction in the areas of taxation, life insurance and bank transactions or investments

The AMF Ombudsman has, by law, exclusive jurisdictional authority over financial lawsuits with investment service providers and listed companies. The law also allows agreements to be reached between the AMF Ombudsman and contractual ombudsmen capable of handling mediation for financial disputes. When such an agreement has been signed, in the event of a financial dispute an institution's client can choose, definitively, to refer the case to the institution's ombudsman or the AMF Ombudsman. The Commission d'Evaluation et de Contrôle de la Médiation de la Consommation (National Commission on Assessment and Supervision of Consumer Mediation) must be informed whenever such an agreement is signed. At the end of 2018, four such agreements had been signed.

Through her position as a legally recognised public ombudsman, signifying that she is an independent third party, and drawing on her own experience and the technical expertise of her dedicated AMF team, the AMF Ombudsman will, once the claim has been investigated and appears justified, propose an out-of-court solution to the financial disputes submitted to her. She does this in accordance with law and equity and as efficiently as possible. If the ombudsman's recommendation, expressed in a strictly confidential notice, finds in favour of the investor, the recommendation, once accepted by both parties to the dispute, takes the form of a total or partial payment or compensation for the loss suffered, which does not imply acknowledgement of any kind of liability on the part of the professional.

TABLE 1.  
Cases received and processed by Mediation in 2018

	2016	2017	2018
Cases received	1,501	1,361	1,438
Cases falling within the AMF's jurisdiction	58%	51%	55%
Cases processed*	1,515	1,406	1,408
Ombudsman's decision	516	506	523
Of which decisions favourable to the plaintiff	47%	54%	54%

\* The number of cases processed includes cases not processed the previous year.

## 2 Financial intermediaries and savings products

— The dynamic rate of formation of asset management companies over the past two years continued in 2018. While the number of companies whose authorisation is permanent remained stable, a large number of applications for authorisation which received the approval of the Board, more than 40 in all, will enable these applicants to join the ranks of French fund managers once all the requirements have been met for them to be able to start their operations. This dynamism has been confirmed in 2019, with about fifteen positive decisions in the first quarter relating to the initial authorisation of new market participants.

— Not surprisingly, the formation of asset management companies was still boosted by private equity and real estate in 2018 and in early 2019, and also by business relocations given the prospect of Brexit.

— In contrast, the statistics relating to Collective Investment Undertakings (CIUs) represent a trend break with recent years. Total assets under management decreased by €170 billion due to an unfavourable financial environment, but also impacted by the coming into force since 21 July 2018 of European Regulation (EU) 2017/1131 of 14 June 2017 relating to money market funds (the MMF Regulation), in light of which some market participants preferred to make changes in their product range, but in particular to eliminate money market funds in the form of funds of funds and feeder funds which are no longer authorised outside the framework of employee savings. The latter operations automatically reduced money-market assets under management.

— Like in 2017, the only vehicles for which growth in AUM remained constant were the real estate vehicles OPCIs (undertakings for collective investment in real estate) and SCPIs (real estate investment companies) intended for non-professional investors, OPCIs reserved for professional investors, and professional private equity investment funds (FPCIs).

### An assessment of MiFID II

— The coming into force of the revised Markets in Financial Instruments Directive (the MiFID II Directive) on 3 January 2018 represented a major challenge for market participants.

— Major clarifications were provided by the European Securities and Markets Authority (ESMA) during 2018 in its:

- *Questions and Answers*, e.g. for bonds regarding the statement of costs and fees, the classification of clients or else the possibility for companies from third-party countries to provide investment services in Europe at clients' request);
- guidelines concerning product governance (included by the AMF in its position paper DOC-2018-04) and the adequacy requirements for investment advisory services and portfolio management services (included by the AMF in its position paper DOC-2019-03).

— Throughout the year, the AMF also continued to assist the Paris marketplace by answering questions (at regular marketplace meetings, seminars for Compliance and Internal Control Officers (CICOs) and Investment Services Compliance Managers (ISCMs), discussions with market participants and professional associations) and by performing educational work on the legislation (in particular by publishing a new version of the MiFID II guide for Financial Investment Advisers, and continuously updating and revising the policy concerned by MiFID II).

— For example, the AMF had occasion to reiterate that the new rules concerning the distribution of financial instruments are not intended to call into question the existing "open architecture" model, nor to call into question the possibility of diversifying clients' portfolios and offering them long-term investment products, when their profile corresponds. It is important, and MiFID II legislates along these lines, to maintain diversity of the financial product offering.



## APPLICATION OF MiFID II: CONSEQUENCES FOR RESEARCH FUNDING

On several occasions in 2018, the AMF expressed its concern regarding the coverage of SMEs and the impact of MiFID II on the funding access problems which could result from it.

The AMF continues to defend a diversified research capability accessible to all investors, at a time when the financial research business model is hesitating between funding by issuers or by investors.

In May 2018, the AMF conducted an initial study concerning the impacts of the new research funding rules introduced by MiFID II on Paris marketplace brokers.

At this stage, however, it is not possible to draw sufficiently precise lessons from this, because this first study covered only the start of implementation of the directive, and the information reported by the firms proved very heterogeneous, or even contradictory.

The firms themselves stressed the very preliminary nature of the observations that could be made just a few months after MiFID II came into effect.

The AMF's departments therefore plan to perform data collection again in the first half of 2019. This will enable the AMF, based on precise, up-to-date information covering full-year 2018, to draw lessons concerning the practices applied by the firms and, where applicable, identify new trends. Of course, once the findings are sufficiently robust, we would like to enable the stakeholders to benefit from the MiFIDVision marketplace initiative.

## Supervision of market participants

### Asset management companies

— A feature of 2018 was a significant increase in Brexit-related discussions with all asset management professionals, especially at year-end. These discussions materialised in an information morning dedicated to the operational consequences for French asset management companies, and also in a meeting with several dozen foreign companies wanting to have a backstop solution on the continent in the event of a hard Brexit. This enthusiasm was reflected by the examination of numerous initial applications for authorisation entailing a partial or complete relocation of operations from the United Kingdom to France. The entities having chosen France cover the entire spectrum of investment management, from the entrepreneurial company specialised, in particular, in unlisted or real estate

assets, to the large pan-European market participant which decided to make Paris its European hub.

— 2018 was also a transition year for the market participants, who continued to reorganise in line with obligations or opportunities due to numerous legislative and regulatory changes (distinction between the status of asset management companies and investment firms), and policy changes (notably with regard to lending or the use of contingent convertible bonds).

TABLE 2.  
Management companies'  
applications for  
authorisation in 2018

	Initial authorisations
Applications received in 2018	60
Of which processed	41
Of which abandoned	5
Of which under examination	14

TABLE 3.  
Summary of management company  
authorisations in 2018

Companies existing on 31/12/17	630
New management companies (companies finally authorised in 2018)	24
Withdrawals decided in 2018	21
Companies existing on 31/12/2018	633

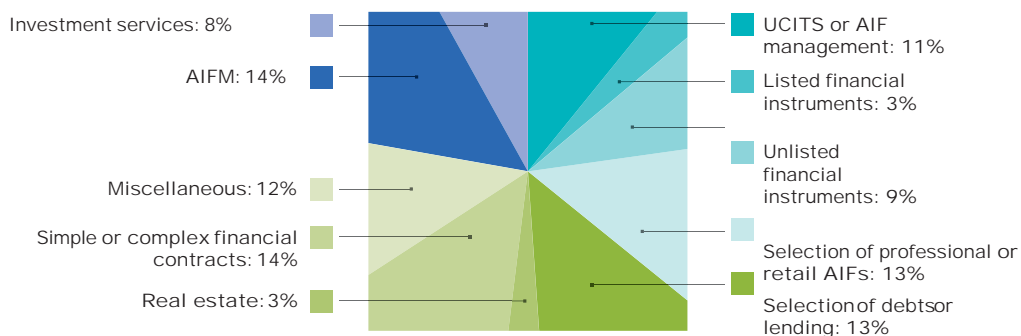


In this environment, the number of asset management companies in business was 633, compared with 630 entities in 2016 and 2017.

This slight increase in the number of asset management companies can be explained by a very sharp decline in the number of withdrawals of authorisation (21 in 2018 versus 35 in 2017). Company creations also decreased sharply, but to a lesser extent (24 in 2018 versus 35 in 2017). However, this decline does not reflect a weakening of the momentum noted in recent years, since the number of applications presented to the AMF Board with a favourable opinion amounted to more than 40 in 2018. Of these, 24 were able to operate as of 2018, while others, which failed to meet all the required operating conditions, will be able to start their operations only in 2019. In addition, 14 initial applications for authorisation were still undergoing examination by the AMF at the end of 2018.

Creations of new management companies were once again driven by private equity and real estate, which represented 63% of launches (15 out of 24); the balance consisted mainly of companies performing traditional management (6), or using sophisticated techniques (3, including 2 employing strategies based on predominantly quantitative processing). Entrepreneurial projects remained in the majority, but are gradually declining. They represented 50% of creations in 2018 (versus 51% in 2017 and 60% in 2016), closely followed by applications made by finance groups (42%).

FIGURE 4.  
Breakdown of requests for extension of programme of activity by theme in 2018





— The trend toward sector consolidation seen in 2016 and 2017 persisted, although there were fewer withdrawals of authorisation. Withdrawals following industrial mergers or group reorganisations accounted for about 43% (versus 63% in 2017). The 11 withdrawals due to a business failure accounted for 52% of the total number of cases of withdrawal. Moreover, in 2018 the AMF took the initiative of withdrawing the authorisation of the Vendôme Capital Partners asset management company.

— The AMF returned to a more conventional rate of applications for extension of authorisation following 2017, which was a year marked by regulatory changes that led to a large number of AIFM authorisations. 71 applications were filed concerning 76 programmes of activity.

### Registered managers

— Since 2014, the AMF registers unauthorised AIF managers as asset management companies. This option, resulting from the AIFM directive, is only available to managers, very often in the form of self-managed funds, that do not exceed the thresholds for assets under management provided for in the directive and are only intended for professional investors within the meaning of MiFID.

— At the end of 2018, 38 managers were registered (36 in 2017, 34 in 2016, 32 in 2015).

### Market intermediaries

— The AMF supervises around 160 market intermediaries on an ongoing basis (investment banks, brokers, research firms, post-trade operators). This supervision has been based for a number of years on a graduated approach to supervising the implementation of new regulations by professionals, with an initial focus on support and monitoring. In this regard, the AMF carries out various monitoring activities, which may be:

- thematic, particularly to ensure the implementation of new regulations, following an initial phase of support for the professionals,
- individual, in response to specific alerts or as part of the periodic coverage of regulated entities, calibrated according to a risk-based approach, the reinforcement of which is one of the objectives of the #Supervision2022 strategic plan.



## ANALYSTS SPECIALISED IN DATA GATHERING AND PROCESSING

**The monitoring teams consist, on the one hand, of "portfolio managers" who are the authoritative contact persons of the firms placed under their supervision with regard to the regulations applicable to them and their practical implementation and, on the other hand, analysts in charge of gathering and examining the data forwarded systematically (e.g. reporting of trades received in accordance with the MiFIR and EMIR regulations). These analysts, some of whom have data scientist profiles, are now grouped together in a *Data-driven supervision team*, since the automated processing of a large volume of data is now essential for efficient supervision in a context of regulatory inflation and limited resources.**

The supervision of market intermediaries was marked, in 2018, by significant extra activity due to the combination of the implementation of the MiFID II directive and the increasingly intense preparatory work for Brexit. The new duties entrusted to the AMF under Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "Benchmark Regulation") also continued: in particular, the AMF played an active role on the supervisory boards of the EURIBOR, EONIA and LIBOR, designated critical benchmark indices by the European Commission.

— Also, for the first time this year, the AMF published its supervision priorities in order to encourage regulated market participants to examine more specifically some of their practices with regard to their existing professional obligations. As regards market intermediaries, efforts were focused mainly on monitoring implementation of the provisions of MiFID II with regard to trade reporting, transparency, market structures and best execution.



## RELOCATION WITH A VIEW TO BREXIT

**In the second half of 2018 and the first quarter of 2019, the AMF's departments examined several applications for the relocation in France of some of the operations of British financial institutions preparing for the UK's exit from the European Union. Given the uncertainty surrounding the effective date of Brexit, about fifteen institutions were authorised by the ACPR, following approval by the AMF, to provide investment services in France as soon as the United Kingdom leaves the European Union.**

**Of these institutions, some are of significant size and/or conduct very diverse operations, and their establishment in France will contribute to the wealth of the French marketplace's ecosystem. Finally, other market participants of a more modest size have filed an application or informed the AMF of their intention of becoming established in France.**

Supervision activities relating to the EMIR and MAR regulations also continued. Following on from the support and monitoring activities carried out in recent years, the first inspections concerning the provisions of EMIR regarding the reporting of derivatives to the trade repositories and risk mitigation techniques were initiated in 2018. At the end of the year, the ESMA also initiated a peer review on national authorities' supervision of the EMIR obligations regarding reporting to the trade repositories.

Lastly, in the summer of 2018, IT problems and errors in vote counts were a significant feature of the annual general meetings of several large French companies: monitoring on this issue was stepped up in order to ensure – apart from the corrective measures required in the firm in question – that the main actors involved in processing the votes have robust systems and procedures, so that such incidents may not recur in the future.

The preparatory work for Brexit became increasingly intense after the summer of 2018 due to the persistent uncertainty regarding the outcome of the negotiations between the United Kingdom and the European Union. In this context, the AMF, in close cooperation with the ACPR, examined the applications for authorisation of market participants located in London and now providing investment services to clients in the future European Union of 27 under the European passport system. These intermediaries must prepare themselves for the most disruptive scenario, i.e. a hard Brexit entailing the complete loss of the European passport as soon as the United Kingdom leaves the European Union, without a transition period. The applications processed covered a great variety of businesses (investment banking, corporate banking, broking, proprietary trading), testifying to the attractiveness of the Paris marketplace and contributing to the wealth of its financial ecosystem. The AMF also has discussions with the main French institutions having branch offices in London, which must likewise adapt their organisation to the future European landscape. Finally, the AMF contributed to the work of the *Supervisory Coordination Network*, a peer coordination body established by the ESMA which meets every month and examines all the relocation applications that are presented to it for an opinion in order to contribute to the convergence of authorisation practices.

## Benchmark administrators

— The Benchmark Regulation came into force on 1 January 2018. It aims to restore confidence in the benchmark indices and, in this regard, it governs:

- the business of providing a benchmark index,
- and the use of a benchmark index;
- the contribution to a benchmark index.

— A benchmark index is characterised in particular by its use for calculating the value or payable flows of a financial instrument or contract or, in the case of an investment fund, to determine its performance fees and its management constraints or to find out whether it replicates the benchmark's performance.

— The requirements introduced by the Benchmark Regulation with respect to administrators cover governance, management of conflicts of interests, establishment of a supervision function, transparency of the benchmark index for users and investors (publication of key aspects of its methodology) and, where applicable, establishment of a code of conduct for the contributors.

— It requires that any individual or legal entity located in the European Union which intends to act as an administrator should present an application to their competent national authority in order to obtain an authorisation or a registration. The form of the application depends on the importance of the benchmark indices provided (critically important, significant or not significant) and the entity's status (entity that is already regulated or not). Depending on the starting date of the benchmark administrator business, this registration or authorisation must be applied for on 1 January 2020 at the latest. After that, the indices may no longer be used.

— Moreover, specific indications concerning the index and its administrator must appear in the prospectus of UCITS and AIFs which use a benchmark index within the meaning of the Benchmark Regulation. Depending on their date of creation, this must be no later than 1 January 2019 and 1 January 2021 respectively.

— In 2018, the AMF registered an asset management company as a benchmark administrator. It is also in contact with many other market participants planning to perform this activity.



## Depositories

— A feature of 2018 was the obligation for UCITS depositories to come into compliance with the UCITS 5 directive before 18 March, the end of the transition period. The work on approval of the specifications or programmes of activity of each depository according to their status began in the summer of 2016 and was completed in the first quarter of 2018. Based on the findings during the examination of these applications, on 27 November 2018 the AMF published a guide presenting an overview of the market for French UCITS depositories and reviewed the regulatory subjects covered in discussions between the depositories and the AMF.

— On the European level, equivalent projects conducted in all the countries gave rise to questions regarding various subjects such as the concept of delegation, the scope of the depository's control and asset segregation. These deliberations, in which the AMF took part actively, led to the publication, on 30 October 2018, of delegated Regulations amending the existing ones concerning depositories' obligations regarding custody, and in particular the obligation of asset segregation. The AMF will ensure the satisfactory application of these revisions by the French depositories



## Financial Investment Advisers

According to the statistics gathered by the AMF in 2018, for financial year 2017, the activity of Financial Investment Advisers (FIAs) remained stable compared with the statistics gathered in the previous year for financial year 2016. Their revenues amounted to €2.6 billion (of which 27% for activities relating specifically to financial investment advisory services). This stability is due to the increase in the level of business of the incumbent players and the arrival of new players, who offset the corporate finance advisers exiting the FIA status.

Following the publication, on 14 March 2018, of the position paper relating to non-guaranteed placement, investment advisory services and business consulting on capital structure, industrial strategy, and corporate mergers and takeovers (DOC-2018-03) in which the AMF specified to what extent and in what conditions the activities designated by the generic expression "corporate finance advisory services" come under ancillary service No. 3 in Article L. 321-2 of the Monetary and Financial Code and can be performed without an authorisation or a specific professional status. Many FIAs who provided corporate finance advisory services therefore decided to renounce the FIA status, and in particular a significant number of ACIFTE members. Following this the ACIFTE requested the withdrawal of its authorisation as a professional association for FIAs. The AMF withdrew this authorisation on 24 July 2018.

There are now four professional associations of FIAs (authorised by the AMF): ANACOFI CIF, CNCGP, CNCIF and Compagnie des CGPI.

As part of implementation of the MiFID II analogous regime for FIAs, their role was reinforced notably with regard to the acceptance and withdrawal of the acceptance of members.

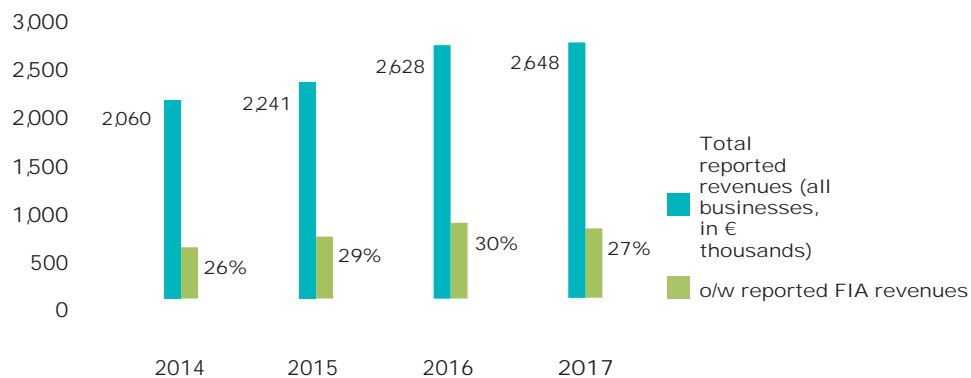
Regarding the risks of mis-selling and malpractice, the AMF maintains a regular dialogue with the associations and plans to take this cooperation further by establishing a suitable framework for the transmission of information from the AMF to the associations.

The AMF has published a professional guide (MiFID II – Guide for Financial Investment Advisers, June 2018). It explains the new provisions resulting from the MiFID II analogous regime that they are required to comply with since 8 June 2018. These new measures aim at improved protection of clients (product governance, transparency regarding costs and fees, independent nature of the advisory services or not, etc.).

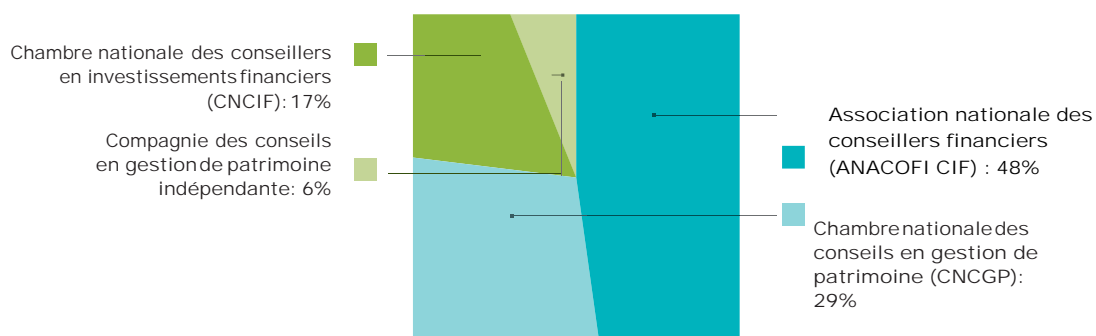
As at 31 December 2018, 5,150 FIAs were registered with the ORIAS. A year earlier, they numbered 5,232.

**The AMF maintains a regular dialogue with the associations and plans to take this cooperation further by establishing a suitable framework for transmission of information from the AMF to the associations.**

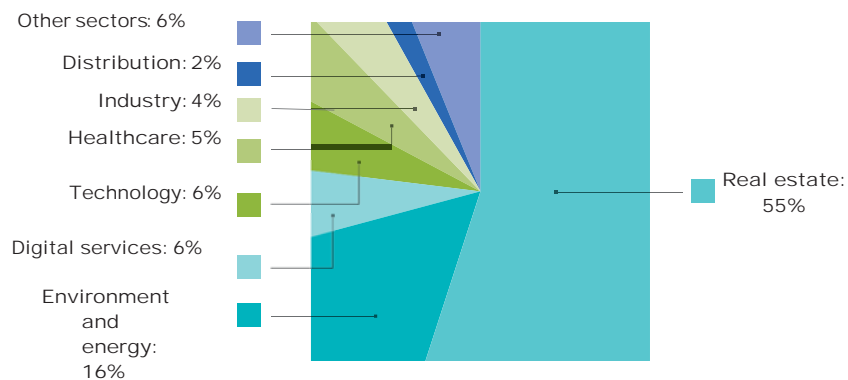
**FIGURE 5.**  
Growth in revenues reported by FIAs 2014-2017



**FIGURE 6.**



**FIGURE 7.**  
Sector breakdown of fundraising by crowdfunding platforms for financial instruments as at 31/12/2017



## ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM

2018 was a rich year for regulations regarding anti-money laundering and combating the financing of terrorism. Work continued on the transposition of Directive 2015/849 of 20 May 2015 (4<sup>th</sup> directive) and on risk assessment both on the national level and with regard to market participants.

Also, Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 was published in the Official Journal of the European Union (OJEU).

Ongoing work on transposition of the 4th directive

Decree No. 2018-284 of 18 April 2018 specified the new legislative framework based on Order No. 2016-1635 of 1 December 2016 mainly regarding the procedures for determining the ultimate beneficial owner, identifying and checking the identity of the client and the ultimate beneficial owner before entering into a business relationship, registration of the ultimate beneficial owner in the created register, and internal control. The market participants (asset management companies, financial investment advisers, crowdfunding investment advisers, the central depository) subject to AMF control with regard to anti-money laundering and combating the financing of terrorism will now have to send it once a year a report on the organisation of the internal control system and on incidents, shortcomings and the corrective measures that were taken.

The AMF General Regulation is currently being updated to take into account the impacts of the work on transposition of the 4<sup>th</sup> directive into French law.

### Crowdfunding investment advisers

— In 2018, crowdfunding investment advisers (CIAs) continued their expansion.

— During the year, 8 platforms were registered in the single register of insurance, banking and finance intermediaries (ORIAS), bringing the total number of CIAs to 57. Moreover, 3 investment service providers operate a crowdfunding business exclusively. Their number was 52 in 2017.

— Crowdfunding in financial instruments continues to grow, although its weight in financing the economy remains modest, with €199.6 million in funds raised in 2017. The raising of the threshold for eligible offers to €8 million versus €2.5 million previously could encourage larger projects, although until now the great majority of offers have posted an amount far lower than the applicable ceiling.

— The weight of the real estate sector remains preponderant and has represented more than 50% of the funds raised in the past few years (55.37% as at 31/12/2017 according to the study of the CIA annual fact sheets for 2017). The environment and renewable energies, far behind, are the second sector of activity, and its weight is constantly increasing.

— Despite the extension of the list of eligible assets to crowdfunding offers, issues of plain vanilla bonds and to a lesser extent ordinary shares account for most of the amounts raised.

— The CIA market remains highly concentrated on a few players despite a large number of participants. The leading eight platforms collected 63.5% of the funds raised in 2017 (based on the statistics gathered in 2018).

### Risk assessment

— In accordance with the provisions of the 4<sup>th</sup> directive,<sup>5</sup> after contributing to the work of the European Commission, and to the work performed on the national level by the steering committee on anti-money laundering and combating the financing of terrorism (COLB), to be published soon, the AMF is preparing its assessment of the risks to which the regulated entities subject to its supervision are

exposed with regard to money laundering and the financing of terrorism. For this purpose, it plans to gather more information from these players to enable it to work out its policy of supervision for each entity assessed.

The AMF also watched closely the development of the FATF's policy relating to the risk-based approach applicable to the financial sector published in October (*Risk-based Approach Guidance for the Securities Sector*, 26 October 2018), with special attention paid to the definition of the "client" of the asset management companies. Thinking is continuing on this subject, during the revision of the common guidelines on risk factors of the European Supervisory Authorities published in January 2018 (Common Guidelines, under Articles 17 and 18, paragraph 4, of Directive (EU) 2015/849, on the simplified and more stringent due diligence measures with regard to clients, and on the factors that credit institutions and financial institutions should take into consideration when they assess the risks of money laundering and financing of terrorism involved in individual business relationships and in trades concluded occasionally).

### Publication of the 5<sup>th</sup> directive

The 5<sup>th</sup> directive<sup>5</sup> must be fully transposed into French law no later than 10 January 2020. It extends the application of measures for anti-money laundering and combating the financing of terrorism to the new players arising from digital innovation, namely virtual currency exchange platforms and the suppliers of storage portfolios. The 5<sup>th</sup> directive will also be able to enhance the power of Tracfin by allowing it to ask for further information even when no suspicion report has been forwarded to it beforehand, to standardise the European Union's approach with respect to high-risk third-party countries and to improve public access to information relating to ultimate beneficial owners.

5- Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 relating to prevention of use of the financial system for the purpose of money laundering and financing of terrorism, amending Regulation (EU) No. 648/2012 of the European Parliament and of the Council and repealing Directive 2005/60/EC of the European Parliament and of the Council and Directive 2006/70/EC of the Commission (Text with EEA relevance).

6- Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 relating to prevention of use of the financial system for the purpose of money laundering and financing of terrorism and Directives 2009/138/EC and 2013/36/EU (Text with EEA relevance), published in the OJEU on 16 June 2018.

## Supervision of products

Assets under collective investment management were stable for the first time after growing constantly in recent years, adversely affected by a decline in most asset classes in many regions in 2018. Assets under management lost 10.4%, declining from €1,641 billion to €1,471 billion. The number of CIUs continued to decrease (-0.8% in 2018 versus -0.6% in 2017), notably as a result of the restructuring of product ranges, but less than before. These restructuring operations mainly affected undertakings for collective investment in transferable securities (UCITS) and retail investment funds ('FIVGs'). Some of these restructuring operations were due to the European environment, in particular the coming into force of the regulation on money market funds which now prohibits fund of funds and feeder fund structures for money market funds, except in employee savings schemes. In anticipation of the application of this regulation, fund management operators optimised their product range, thereby automatically reducing the number of products and the level of gross assets under management, without consolidating feeder funds and funds of funds. After consolidating the AUM of feeder funds and funds of funds, the decline in the assets under management of money market funds in 2018 is estimated at €12 billion (source: Banque de France). The AUM of non-money market funds also decreased: according to the Banque de France, fund outflows amounted to €36 billion. These outflows were a result, in particular, of transfers abroad of part of the ETF product ranges of Amundi Asset Management, for €32.5 billion, and Lyxor International Asset Management for €4 billion, increased to €10 billion at the start of 2019. While the number of alternative investment funds (AIFs) excluding retail investment funds ('FIVGs') increased, confirming the vitality of private equity and real estate business in particular, assets under management decreased in 2018, from €417 billion to €407 billion.

An analysis of the trends regarding the growth and decline of assets under management, on CIUs intended for retail investors, highlights the good performance of real estate funds. Assets under management in real estate collective investment undertakings ('OPCIs') increased by 17% to €17.7 billion. The AUM of real estate investment companies ('SCPIs') also increased by 17%, to €34.8 billion at the end of 2018. Private equity funds for retail investors decreased slightly, as the increase in

Table 4.

Review by product category	2017	2018	Change	% change
<b>CIU AUM (€ billion)</b>	<b>1,641</b>	<b>1,471</b>	<b>- 170</b>	<b>- 10.4%</b>
<b>Number of CIUs*</b>	<b>10,222</b>	<b>10,138</b>	<b>- 84</b>	<b>- 0.8%</b>
UCITS AUM (€ million)	874,349	757,614	- 116,735	- 13.4%
Number of UCITS	3,140	3,070	- 70	- 2.2%
'FIVG' AUM (€ million)	348,293	306,703	- 41,590	- 11.9%
Number of 'FIVGs'	2,529	2,414	- 115	- 4.5%
AIF AUM excluding 'FIVGs' (€ million)	417,676	407,131	- 10,545	- 2.5%
Number of AIFs excluding 'FIVGs'	4,540	4,654	114	2.5%

\* As at 31 December 2017, 13 funds were awaiting allocation for €996.31 million in AUM.

assets under management in "FCPR" private equity funds was unable to compensate for the losses in FIP and FCPI funds. The more significant decrease was therefore in UCITS (-13.4%), bringing their AUM down to €757.6 billion at the end of 2018. Retail investment funds ('FIVGs') decreased by 12% to €306.7 billion.

In the sector of CIUs intended for professional or quasi-professional investors, like in previous years, there was a significant increase in assets under management in the real estate and private equity sectors. The AUM of professional OPCIs amounted to €47 billion at the end of 2018, posting 20% year-on-year growth, while FPICs increased by 19% to €58 billion at end of year. However, the increase noted in these two asset classes was unable to compensate for the decline in AUM in specialist professional funds by €28 billion (i.e. 20% year on year), largely due to the disappearance of assets in money market funds.

Assets under management in employee savings schemes declined less than in UCITS and FIVGs (-5%), to €121.7 billion.

## Monitoring of marketing practices

Examination of the commercial documentation on products intended for the general public

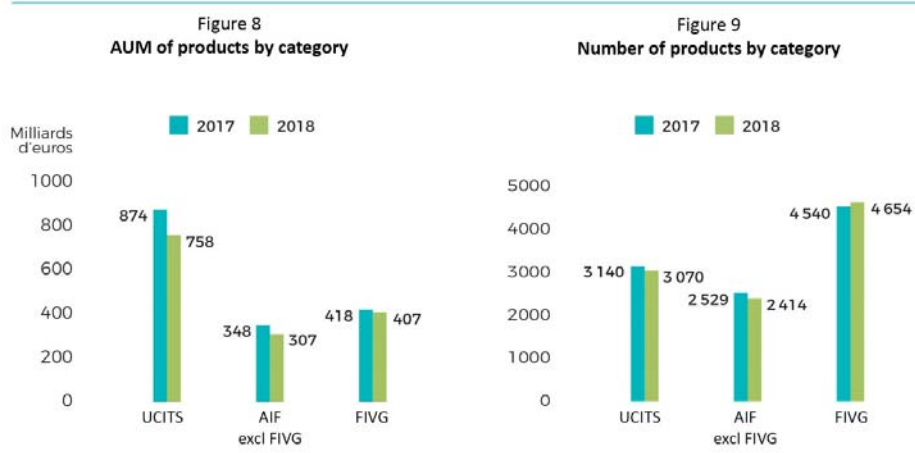
Every day, the AMF watches the marketing of financial products intended for the general public. It ensures that the marketing practices of financial operators comply with the regulations applicable to them and obey the fundamental principle of balanced, clear, accurate and non-misleading information.

This activity can be performed ahead of the marketing period when the AMF detects an increased risk of misselling. In that case it intervenes at the stage of initial authorisation of new products or the transformation of existing products. This activity can also be performed ex-post, through active monitoring of distribution networks, of the various media (operators' websites, videos, internet banners, forums, etc.) and increasingly of social networks.

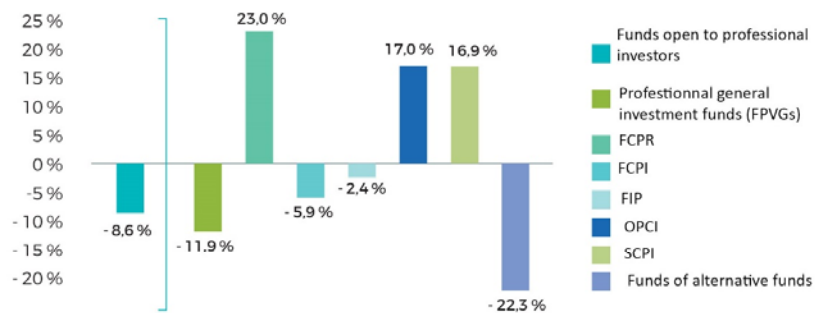
The approach adopted is to reduce the risks of misselling, particularly when the products in question are marketed to clients who are not very sophisticated and/or have characteristics making it difficult to understand their risk/return profile. The AMF also focuses on campaigns targeting the general public with offers that are more conventional but concern "fashionable" topics.

Like in 2017, in 2018 the AMF continued to take an interest in funds with an environmental theme (reduction of the carbon footprint, "green" bonds, in particular), fund management offers of the socially responsible investment (SRI) type and those of the "sustainable" investment type or taking into account ESG (environmental, social and governance) factors in their asset allocation decisions. It was also attentive to a powerful new theme in 2018 relating to investments considered promising in the future such as robotics, artificial intelligence and new consumption patterns, etc.

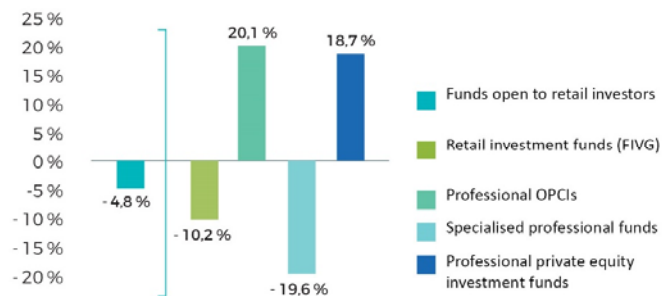




**Figure 10: AIFs (excluding employee savings schemes) open to non professionals: change in AUM according to product range between 2017 and 2018**



**Figure 11: AIFs (excluding employee savings schemes) open to professionals: change in AUM according to product range between 2017 and 2018**





## PRIIPS: EXTENSION OF THE EXEMPTION

Since the PRIIPS regulation came into effect on 1 January 2018, for every investment product proposed to retail clients, a Key Information Document (KID) must be submitted describing the product's main characteristics. Regularly contested, due to complex calculation methods sometimes leading to inaccurate results and hence the presentation of misleading information, this text is currently being reviewed by the regulators. The difficulty of this arises in particular from the will of the European co-legislators to ensure the comparability of the KID information regarding the risk, costs and performance of products by prescribing similar methods for very different products (insurance contracts, structured financial instruments, investment funds, etc.). Pending this revision, the European Parliament voted for an extension to allow funds producing an information document under the UCITS directive (KIID) to benefit from an exemption from compliance with the PRIIPS Regulation until 31 December 2021.

Against a backdrop of European market opening in which the number of foreign funds marketed in France continues to increase, the AMF's activity concerns the commercial information provided for both French and foreign funds authorised for marketing in France. This accordingly permits generally fair competition between the various market participants, and especially a uniform presentation for investors.

The AMF also alerts the public concerning foreign products marketed illegally in France because intended for retail clients, and concerning various illegal offers of financial investments (atypical products, etc.). Moreover, it has noted a resurgence of atypical cross-border distribution schemes for foreign products marketed in France, the operation of which raises numerous questions regarding the applicable national regulations. Against this backdrop, and as an example, in 2018 the AMF reminded financial investment advisers, by letters sent to their professional associations, of their responsibility for ensuring compliance with the marketing conditions applicable to the products that they propose to their clients.

In addition to the action taken on a daily basis to make the commercial documentation clear, accurate and non-misleading, the AMF is keen to hold discussions with financial operators, during meetings, visits to asset management companies, shows such as Patrimonia, Actionaria, etc., in order to raise their awareness of good marketing practices. Various activities targeting the distributors of financial products initiated in 2017 were carried out this year and will continue to be developed as part of the application of the Supervision#2022 strategic plan.

More generally, the AMF ensures that the legal documentation (in particular the Key Investor Information Document, KIID) is worded clearly and enables investors to consider any special features of the product proposed to them and thus make an informed investment decision. For the application of the PRIIPS Regulation on 1 January 2018, the AMF assisted market participants with the production of the new Key Investor Information Documents.

## New approach relating to the examination of promotional documentation

Under the AMF's new Supervision#2022 strategic plan, in 2018 the AMF made changes in its policy regarding examination of the promotional documentation of collective investment undertakings and structured debt securities issued by banks, when these products are marketed to the general public in France.

This new policy focuses on two main areas. First, the AMF identifies the strategies and issues which could represent a major risk of misselling for the investor. The commercial documentation for these investment products will continue to undergo a preliminary review to check that they comply with the regulations. However, those for which the risk is lower (given the nature of the product, or the experience acquired in presentation of commercial information by the commercial document designers) will no longer be systematically reviewed beforehand by the AMF.

In exchange, the initiatives taken by the AMF regarding the monitoring of investment product producers and distributors will be stepped up. Regarding this, in 2019 the AMF plans to expand its facilities for monitoring disseminated promotional publications, distributors and products marketed widely throughout France. For example, in the reports filled in by the distributors of financial instruments, the AMF now asks for more precise information on the most widely sold investment products so as to focus its analysis efforts on commercial documents that have been mass-circulated.

At the same time, the AMF has established more organised monitoring of investment service providers in their business of selling financial instruments to retail investors.

## Key figures and main trends for the year

In 2018, the AMF examined about 400 marketing campaigns of collective investment undertakings during the phases of approval or marketing authorisation, similar to previous years. The AMF also continued to perform monitoring of commercial campaigns that it had not examined ahead of their publication, which gave rise to ex-post discussions in order to make changes in their content. As announced previously, this monitoring will be stepped up in 2019, as preliminary examination is reduced for commercial publications on products considered as being less subject to the risk of misselling.

Specifically regarding crowdfunding, the structure of the planned commercial information circulated over about ten platforms was revised in 2018 ahead of its registration. Like in 2017, some of the campaigns conducted by market participants in this sector also gave rise to ex-post monitoring activities to make changes in their content. This year again, the AMF has noted an improvement in terms of balance of the information disseminated by these market participants.

In addition, to assist the marketplace participants, the AMF continued its work on updating some of its policy guides, including that relating to the drafting of commercial documents and the marketing of collective investments (AMF Position-Recommendation DOC-2011-24). This updating made it possible to include the new provisions based on the transposition of MiFID II, but also the fact that commercial information must comply with all the applicable rules regarding clear, accurate and non-misleading information irrespectively of whether it is intended for retail or professional clients. This guide, published in early 2019, will be updated regularly if the AMF considers it necessary, notably with respect to observed practices.

Lastly, the AMF also published a position-recommendation (AMF Position-Recommendation DOC-2018-01) relating to the evaluation of knowledge and expertise in the client relationship, and a position paper (AMF Position DOC-2018-04) relating to application of the ESMA guidelines on product governance requirements under MiFID II.

## 3 Activity and regulation of market infrastructures

In 2018, the AMF continued to act energetically to support infrastructures with implementation of the new regulations (MiFID II and the regulation on central securities depositories in particular). It also authorised several new market participants, in relation with the ACPR and the Banque de France.

### Regulated markets

#### Euronext regulated markets

After the 2017 launch of its new market data dissemination module (*Market Data Gateway-MDG*), the first stage of its Optiq programme for revamping the trading architecture, in the first half of 2018 Euronext continued to develop its new electronic platform and brought into production the new trading system for cash markets. This migration, which the Euronext College of Regulators<sup>2</sup> did not oppose, took place in two stages and without any major incident: the migration of bond trading took place in April, and migration of the other segments (equities, ETFs, warrants and certificates) took place in June. The revamping programme is set to be completed in the second half of 2019 when derivatives trading is switched over to Optiq.

The application of MiFID II and bringing Euronext into conformity with the new requirements were also paid close attention throughout the year by the College of Regulators, which strived to verify compliance with the requirements, and in particular the organisational requirements applicable to trading platforms.

The AMF granted derivatives markets managed by Euronext Paris the temporary exemption provided for in Article 54<sup>2</sup> of MiFIR on non-discriminatory measures for access between infrastructures. This exemption applies until 3 July 2020. The AMF also approved the derogations to pre-trade transparency requested by Euronext Paris.

The Euronext College of Regulators did not oppose several changes wanted by Euronext. For example, to facilitate warrants trading for small caps (C compartment of the regulated market and multilateral trading facilities), Euronext raised the reservation threshold for these warrants from 10% to 20%. Moreover, to improve liquidity in commodity derivatives, Euronext modified the functioning of the request for cross (RFC) system, by allowing orders from the main order book to interact with the RFC functionality and reducing the time to respond to an initial cross request. Finally, the College of Regulators approved a new index derivatives functionality making it possible, throughout the trading session, to execute trades based on the index closing level which will be determined at the end of the session.

At the end of March 2018, Euronext finalised another stage in its growth strategy by acquiring 100% of the shares of the Irish Stock Exchange (ISE), specialised in the listing of debt instruments and funds, after receiving the approval of the competent authorities. On this occasion, the Central Bank of Ireland joined the Euronext College of Regulators. The integration of Dublin, the group's sixth market operator, into Euronext's federal model of functional and technical organisation is set to be finalised in February 2019 with the migration to Optiq of trading in equities which will be cleared by the central counterparty EuroCCP. This integration will

take place without any major impact on the market control and supervision functions already pooled for all the group's market operators. The operating rules of the Irish Stock Exchange will be gradually adjusted to be incorporated in the body of rules common to all the group's platforms.

■ In 2018 Euronext Paris filed with the AMF a preliminary version of its application for registration as a benchmark administrator, in accordance with the provisions of Regulation (EU) 2016/1011 on benchmark indices. This application was approved in the first quarter of 2019, in coordination with the College of Regulators authorities with which the group's other market operators had filed a similar application for registration.

### The Powernext Derivatives regulated market

■ The Powernext SAS market operator, which manages the Powernext Derivatives regulated market and the Powernext Commodities organised trading facility (OTF), continued to expand and saw changes in its organisation. In particular, Powernext extended the range of accepted financial instruments to include options, merging the French market zones with the successful launch of PEG contracts (for "Point d'Échange Gaz", i.e. the point of delivery – or hub – for gas in France) and merged its IT teams with those of its sister company EPEX SPOT. The AMF validated all these changes.

## Multilateral trading facilities (MTFs)

### Euronext Growth

■ The AMF approved certain amendments made during the year to the operating rules of Euronext Growth to allow for implementation of MiFID II and support the expansion of European small and medium-sized enterprises which want to have their shares admitted to trading on Euronext Growth by the direct listing procedure. Accordingly, issuers whose securities are traded on a

multilateral trading facility can now benefit from direct admission procedures, which were previously reserved for issuers whose securities are listed on a regulated market.

### MTS France

■ MTS France is an MTF empowered by the Market Committee of Primary Dealers (SVT), on which participants fulfil their listing obligations on negotiable debt securities issued by the French government. The market rules of MTS France have changed to allow for changes in the rules for listing of primary dealers. The AMF accepted these changes.

### New MTFs authorised and applications under examination

■ The AMF issued a positive opinion on the authorisation of NOW CP to operate an MTF on short-term negotiable debt securities (NEU CPs - *Negotiable European Commercial Papers*) called "NOW CP" and validated its operating rules. This MTF forms part of an integrated offer concerning negotiable debt securities, in relation with the central depository ID2S.

■ The AMF also gave a favourable decision on the extension of the authorisation of Morgan Stanley France to operate an MTF on equities and similar products. The AMF verified the compliance of this MTF with the applicable provisions and approved its operating rules.

■ Both authorisations were effectively granted by the French Prudential Supervisory and Resolution Authority (ACPR).

■ Also, Aquis Exchange Plc sent ACPR an application for authorisation as an investment firm for the operation of an MTF for Aquis Exchange SAS. The relocation plan provides for trading in financial securities (equities and ETFs) admitted to the markets of the EU-27 on the French MTF, while trading in equities and ETFs of the United Kingdom and Switzerland will continue to be traded on the English MTF. The AMF approved the programme of activity and operating rules of the MTF pending the ACPR's authorisation of Aquis Exchange SAS.

2- The College of Regulators of the Euronext group comprises, in addition to the AMF, the Belgian, British, Dutch, Portuguese and, since 2018, Irish market authorities.

## OTFs

Established by MiFID II, an organised trading facility (OTF) is a multilateral system which ensures the convergence within the system, and at the discretion of its manager, of multiple buying and selling interests so as to conclude trades on bonds, structured financial products, emission allowances or derivatives instruments. The operation of an OTF is subject to an authorisation of the ACPR following an opinion of the AMF when its manager is an investment service provider or an authorisation of the AMF when it is managed by a market operator.

New OTFs authorised in 2018 and applications under examination with a view to starting operations in 2019

The Powernext SAS market operator requested the AMF's approval regarding the changes in its programme of activity and the granting of OTF authorisation for its *Powernext Commodities* market, renamed "*Powernext Organised Trading Facility*". The transformation of this segment into an OTF was approved by the AMF's Board, as well as the rules of this market, which allows trading in natural gas futures contracts.

Also in 2018, 5 investment service providers obtained an authorisation of the ACPR following an opinion of the AMF to operate an OTF: Aurel BGC, HPC, Kepler Cheuvreux, Tradition Securities and Futures, and TSAF OTC.

Lastly, Griffin Markets Limited, which currently offers order matching and execution services on energy contracts (gas and electricity) and emission allowances in the UK, including the management of an OTF, requested an authorisation for its subsidiary Griffin Markets Europe SAS (GME) so that the latter could be authorised to perform order reception, transmission and execution services and management of an OTF in commodity derivatives, emission allowances and options on allowances. In this context, the AMF approved the OTF's programme of activity and operating rules.

## Clearing houses

LCH SA

In relation with other competent authorities of LCH SA (ACPR and Banque de France), the AMF examined and validated several changes in the clearing house's functions and the corresponding operating rules:

- in accordance with its strategy of extension to new equity platforms, LCH SA has linked up with the Turquoise MTF, initially to perform clearing of securities already admitted to *Euronext Growth*;
- in the credit derivatives segment, it has established an electronic platform designed to make it easier for its members to exercise options on Credit Default Swap (CDS) contracts;
- for clearing Italian debt securities, LCH SA has adapted the liquidity risk management procedures for transactions processed via its link with the Italian clearing house CC&G.

The AMF approved the initial application for access sent by a trading platform (MTS Belgium) to LCH SA in accordance with the articles of the MiFID regulation on non-discriminatory access between infrastructures.

The AMF signed the cooperation agreement with a view to taking part in LCH SA's Crisis Management Group. This Group, which brings together supervisory and resolution authorities, was set up by the ACPR in line with recommendations of the Financial Stability Board, in order to work on the clearing house's resolution plan.

The AMF also contributed actively to the exercise of simulation of the default of a clearing house member, assumed to be also a member of five other European clearing houses. This exercise was therefore carried out jointly by the six clearing houses and by some of their clearing members and watched by several authorities. The authorities considered the exercise successful, while identifying some potential areas of improvement of which they informed the clearing houses and clearing members concerned.

— The clearing house's EMIR College met in October 2018, allowing the authorities forming it to discuss the clearing house's activity and supervision with one another.

### The EMIR colleges

— Pursuant to EMIR, the AMF takes part in several other regulator colleges of European clearing houses apart from LCH SA. In 2018, these colleges gave their opinion on various extensions of activity or significant changes in the risk models of the clearing houses in question. Moreover, the authorities of the clearing houses in question have gradually established crisis management committees to conduct work on the institutions' resolution plans.

## Central securities depositories and settlement system managers

### A simplification of operating rules introduced in the AMF General Regulation

— The provisions of the AMF General Regulation concerning central securities depositories (CSDs) and settlement systems were adapted in order to take into account European Regulation 909/2014 relating to Central Securities Depositories (CSDR). The result is, in particular, a simplification of the operating rules for central depositories and settlement systems, now grouped together in a single document, and an adaptation of the procedures for admission of participants and establishment of a system of professional licences for some employees of the central depository.

### Euroclear France

— The AMF approved the transfer of the head office of Euroclear SA, Euroclear group's holding company, from London to Brussels, this approval being required for Euroclear France shareholders. The application for authorisation of Euroclear France under the CSDR regulation was submitted to the AMF, which considered it complete, thus initiating the maximum six-month period for authorising the central depository under the CSDR regulation.



### ID2S: a newcomer

— Orange and SETL initiated an innovative project for a new CSD, called ID2S, having as its exclusive scope of operation negotiable debt securities (or NEU CPs, i.e. *Negotiable European Commercial Papers*) and operating based on the Blockchain technology and communicating with Target2 Securities, the European electronic system for settlement of securities in central bank money. The project depends, in particular, on close integration with the NOW CP trading platform, allowing securities to be created as the need arises, by means of a process integrated into the post-trading chain. Ultimately, this platform and this depository should permit faster settlement of negotiable debt securities.

— The AMF authorised this new depository, following positive opinions of the Banque de France and Eurosystem, and validated its operating rules.

## 4 Financial transactions of listed companies

Against the backdrop of an economic slowdown in Europe, Brexit-related uncertainty, the gradual normalisation of monetary policies and persisting trade tensions, equity markets sustained major corrections in 2018: the CAC 40 index, for example, fell 8% (reinvested dividends), the Euro Stoxx fell 11.2% and the S&P ended the year 4.4% lower.

2018 was also the final year of the European Central Bank's asset purchasing programme, although it will continue to reinvest the amounts received from maturing securities. The main refinancing rate stayed unchanged at 0%, with no prospect of change in the near term. Against the backdrop of a persistently accommodative monetary policy and the search for safe haven investments, in 2018 the 10-year French OAT yield moved in a range between 0.65% and 1.00%, and stood at 0.70% at the end of the year; this 10-year yield fell sharply in the first quarter of 2019, to 0.30%. In contrast, yield spreads for non-financial companies increased, for all types of credit grade. Premiums for the safest companies (investment grade) and for the least safe companies (high-yield) returned to their levels of March 2016 and April 2016 respectively.

Uncertainty regarding the financial environment adversely affected fundraising on equity markets, notably for initial public offerings, the number of which decreased by 13% in Europe compared with 2017, and by almost 20% in volume terms, according to PWC.

### Financial transactions

#### Initial public offerings

34 initial public offerings were carried out in 2018, of which 7 on Euronext, 17 on *Euronext Growth* and 10 on *Euronext Access*.<sup>3</sup> In 2017, there had been 28 initial public offerings, of which 12 on Euronext, 11 on *Euronext Growth* and 5 on *Euronext Access*.

These initial public offerings are covered by a prospectus approved by the AMF (or one of its European counterparts) when a request is made for admission to a regulated market or when a public offer is made. In 2018, the AMF approved 21 prospectuses relating to initial public offerings versus 20 in 2017. These prospectuses concerned 10 IPOs on the Euronext regulated market (versus 12 in 2017 and 9 in 2016) and 11 on *Euronext Growth* (versus 8 in 2017 and 2016). 4 planned initial public offerings were cancelled subsequent to the approval (including 2 IPOs on a regulated market). In 2018, the AMF also approved two prospectuses relating to transfers from the private placement compartment to the "public offer" compartment of *Euronext Growth*.

The amount raised by initial public offerings giving rise to the issue of an approval was €1.1 billion, versus €2 billion in 2017 and €1 billion in 2016. The initial public offering of Neoen on Euronext Paris (Compartment A) was the largest in 2018, raising €697 million.





## ADMISSION OF UNIBAIL-RODAMCO STAPLED SHARES

A notable feature of 2018 was the admission to the regulated markets of Euronext Paris and Euronext Amsterdam of stapled shares within the framework of the merger between Unibail-Rodamco SE and Westfield.

Following this corporate action, which was approved by the general meetings of Unibail-Rodamco SE and Westfield, the shareholders of the two groups received shares in the European company Unibail-Rodamco SE, whose head office is located in France, and part of the shares in a newly incorporated company under Dutch law ("WFD Unibail-Rodamco NV"). The Unibail-Rodamco SE shares were delisted from the Euronext Paris and Euronext Amsterdam exchanges before the admission of the stapled shares.

A prospectus relating to the admission of these stapled shares to trading was approved by the two competent authorities, Autorité des Marchés Financiers (AMF) and

Autoriteit Financiële Markten (AFM)<sup>4</sup>. The AMF checked, for example, that the admission prospectus describes the main special features resulting from stapling of the shares, and the legal framework for each of the stapled shares.

The share stapling is presented as a contractual indivisibility stipulated in the articles of association of both companies, reflecting a contractual link between two financial instruments, i.e. shares in Unibail-Rodamco SE and shares in WFD Unibail-Rodamco NV.

It is specified that the stapled share that was issued in this case does not constitute a "*financial instrument*" or a new category of transferable securities. Accordingly, the share stapling has no consequences for each company's legal independence. Hence, the holder of stapled shares will, in particular, receive two separate dividends and may take part in the general meetings of each of the companies.

However, the Unibail-Rodamco SE shares and WFD Unibail-Rodamco NV shares cannot be transferred, bought or sold separately. As a consequence, regarding

the market infrastructures, the Unibail-Rodamco listing line has been replaced by a "*Unibail-Rodamco-WE*" line and a single ISIN code has been assigned to the stapled shares. The prospectus specifies, in this respect, that registration on an account performed for an investor by the account-keeping institutions on the stapled shares entails a transfer of ownership within the meaning of Article L. 211-17 of the Monetary and Financial Code.

The regulated information and major holding notifications<sup>5</sup> must be filed with the competent authority of each original Member State, namely the AMF for Unibail-Rodamco SE and the AFM for WFD Unibail-Rodamco NV. As regards the law on public offers, the stapled shares are subject to the French legal framework (for Unibail-Rodamco SE shares) and the Dutch legal framework (for WFD Unibail-Rodamco NV shares). The prospectus specifies in this respect that due to the share stapling, a public offer on Unibail-Rodamco SE could imply a public offer on WFD Unibail-Rodamco NV.

3- Source: EURONEXT.

4- In this context, the AMF and AFM have each forwarded to the other authority a certificate of approval, in accordance with the procedures provided for in Article 18 of Directive 2003/71/EC.

5- Art. 9 and Art. 19 § 1 of Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

## Issuance and listing of equity securities

30 issues of equity securities on regulated markets were approved by the AMF in 2018 (versus 42 in 2017), and 3 issues of securities on *Euronext Growth* were approved (versus 3 in 2017).

Via these prospectuses, therefore, €2.2 billion was raised in 2018 (versus €14 billion in 2017). The main operations were issues with preferential subscription rights.

The amounts raised via issues of equity securities approved by the AMF break down as follows.

### Information on issuance and listing of equity securities not requiring the preparation of a prospectus

With the application of certain provisions of the new Prospectus Regulation on 21 July 2018,<sup>6</sup> the national threshold above which it is now compulsory to publish a prospectus for the public offer has been raised from €5m to €8m,<sup>7</sup> and the rule by which it was required to prepare a prospectus for offers for an amount ranging between €100,000 and €5 million and representing more than a majority of the issuer's capital has been abolished.

For offers of unlisted securities not subject to the obligation to produce a prospectus, a simplified information document has been prepared, similar to the concise regulatory information document (DIRS) for crowdfunding offers. Moreover, specific conditions have been maintained for crowdfunding offers.

For offers of listed securities not subject to the obligation of preparing a prospectus, the AMF has updated its policy applicable to capital increases.<sup>8</sup>

Accordingly, Position-Recommendation DOC-2019-01, which supersedes Position-Recommendation DOC-2013-03, relating to "Disclosure by companies when conducting an issue of equity securities or of securities giving access to capital that does not give rise to publication of a prospectus subject to AMF approval" now recommends that issuers present certain information

in their news releases, while giving a reminder that when one of those information items is inside information, its publication is mandatory. This information includes:

- "precise" information concerning the use of the issue proceeds;
- the risks related to the operation or to its non-completion, the discount granted to subscribers and the result of the placement.

Moreover, the AMF cancelled its position paper DOC-2012-09 entitled "*Private placement offers*", which stated that a private placement issue can only have shareholders or managers of the company as its sole or main beneficiaries. This position has been replaced by a new policy designed to approach the diversity of the operations in question more flexibly and pragmatically.

This new policy is contained in Position-Recommendation DOC-2019-01. There the AMF reiterates to issuers that it is incumbent on them to comply with the capital increase procedure specifically applicable to the location in which they find themselves, by meeting the particular requirements provided for by the legislator. It reiterates, in this respect, that capital increase procedures for the benefit of categories of persons or qualified investors cannot be used for the purpose of eluding the provisions applicable to capital increases for one or more persons mentioned by name, which provide that said persons cannot take part in voting at the general meeting. More generally, for the approval or application of any resolution relating to a capital increase operation which could give rise to a proven or potential conflict of interest, the AMF draws the issuers' attention to the importance of establishing appropriate conflicts of interest management systems.

6- If this market capitalisation threshold of €150 million is exceeded, the companies concerned may, during three years and provided that they meet all the other required conditions, continue to grant warrants.

7- Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017.

8- This threshold is calculated over twelve rolling months.

9- This policy applies to issuers listed on Euronext, Euronext Growth, or Euronext Access.

## AWARDING OF EQUITY WARRANTS TO NON-EXECUTIVE DIRECTORS

During its examination of the prospectuses submitted for its approval and of the registration documents that are filed with it, the Autorité des Marchés Financiers has noted a growing practice by a certain category of issuers consisting of issuing equity warrants which are awarded to directors free or on price terms which do not reflect their market value.

On 5 June 2018 the Autorité des Marchés Financiers gave a reminder that pursuant to Article L.22544 of the French Commercial Code, and without prejudice to the compensation that might be paid to the

chairman of the board of directors and the managers, the directors can receive from the company no compensation, permanent or not, other than attendance fees paid in cash and exceptional compensation for assignments or mandates which do not come within the framework of the normal exercise of their responsibilities and are not of a permanent nature. Article L. 225-44 of the French Commercial Code provides that *"any statutory provision to the contrary shall be deemed to be unwritten and any decision to the contrary shall be void"*.

As a consequence, the Autorité des Marchés Financiers has invited those companies that want to award equity warrants

to their non-executive directors to mention in their financial documentation that such issues would be made at market conditions, or where applicable based on expert valuation. It also referred the matter to the High Legal Committee of the Paris marketplace (HCJP) so that this subject might be reviewed. A working group in which the Autorité des Marchés Financiers took part met several times to examine the advisability of making changes in the existing legal framework, in particular for companies new companies or companies from the biotech sector. The HCJP proposed, for example, extending the eligibility of the system of company founder warrants ('BSPCEs') to the members of the board of directors or the supervisory board, as provided for in the PACTE bill.

TABLE 5.  
Amounts raised via issuance and equity securities approved by the AMF

	Amount (in € million)
Euronext A	1,000
Euronext B	540
Euronext C	270
Euronext Growth (ex Alternext)	277
<b>Total</b>	<b>2,200</b>

## Public offers

### Derogations to the filing of a public offer

— In 2018, the AMF delivered 24 decisions derogating to the obligation of filing a draft public offer, including 18 pursuant solely to Articles 234-9, 6° and/or 7° of the General Regulation (holding of a majority of voting rights by the applicant or by a third party, and internal placing within a group).

— Four decisions were also delivered relating to reviews conducted pursuant to Article 234-7 of the General Regulation (consequence of acting in concert), and five decisions relating to article 236-6 of the General Regulation (review of the implementation of a buyout offer notably following a merger or a disposal of most of the assets).

### Takeover bids

— In 2018, 24 compliance decisions were taken by the AMF relating to public offers launched during the year, i.e. a significant reduction relative to 2017 (41 decisions). The number of public offers involving a takeover (in the sense of owning more than 50% of the share capital and voting rights of the target company) was 1210 in 2018 (versus 22 in 2017); these included 10 changes in control prior to a mandatory public offer and two changes in control following a public offer made by the normal procedure.

TABLE 6.  
Derogations to the filing of a public offer

Type of decisions	2014	2015	2016	2017	2018
Derogation decisions	27	41	24	22	24
Art. 234-7 concert reviews	7	8	5	3	4
Art. 236-6 reviews	4	5	5	1	5

TABLE 7.  
Public offers launched

Public offers launched in the year under review	2015	2016	2017	2018
Offers under the normal procedure including public exchange offers	9	13	5	2
Offers under the simplified procedure	17	17	26	13
Buyout offers	1	1	1	1
Buyout offers followed by a squeeze-out	2	7	6	6
Share buyback offers	3	1	3	2
Squeeze-outs with compliance	1	0	0	0
Squeeze-outs without compliance	10	10	17	6
<b>Total (excluding squeeze-outs without compliance)</b>	<b>33</b>	<b>39</b>	<b>41</b>	<b>24</b>

— The number of offers under the normal procedure was lower (2 in 2018 versus 5 in 2017). It should be noted that none of these offers concerns companies listed on Alternext (2 in 2017). Of the normal procedure offers made in 2018, none of those filed was unsolicited, like in 2017.

— In 2018, the number of offers under the simplified procedure was far less than the number recorded in 2017 (13 offers in 2018, 26 offers in 2017).

— The total number of delistings following a public offer was 12 (25 in 2017), including 6 after a buyback offer followed by a squeeze-out and 6 via a squeeze-out following another offer.

— Public offers targeting companies listed on *Euronext Growth* decreased: the number of offers was 4 (versus 8 in 2017). Of these, one was a mandatorily filed simplified takeover bid and three were buyback offers followed by a squeeze-out.

10- Takeover bids involving acquisition of control: offers under the normal procedure leading to a change of control, and offers under a simplified procedure following the acquisition of a controlling stake.

11- Accordingly, on 2 July 2018 the AMF published decision No. 2018-01 which stipulates the new framework applicable to liquidity contracts. It came into force on 1 January 2019.



## REFORM OF THE FRAMEWORK APPLICABLE TO SHARE LIQUIDITY CONTRACTS

**More than 400 French companies have signed contracts with investment service providers to act as market-maker for their shares in order to improve their liquidity. When these liquidity contracts comply with the accepted market practice established by the AMF, they provide the issuer and the investment service provider that implements them with legal comfort in relation to the regulations on market manipulation.**

**Following the coming into force of the regulation on market abuse, the AMF has modified the arrangements applicable to share liquidity contracts<sup>11</sup>.**

**The new accepted market practice established by the AMF imposes new limits in the management of share liquidity contracts regarding:**

- the volume of interventions in a day; price
- limit of orders presented to the market;
- resources allocated by the issuer to the liquidity contract.

**The level of these limits depends on the liquidity segment in which the security in question is included.**

**This market practice, which is considered essential for the satisfactory functioning of the French market for equities of medium-sized issuers, does not, according to ESMA, comply with the convergence points laid down by ESMA. Although the AMF shares ESMA's concern for defining a suitable framework for the provision of liquidity contracts, the convergence points mentioned above were determined without having been able to conduct an impact study. As a consequence, the AMF has adopted a system that is more open in certain respects.**

**However, this will be reviewed again after a period of two years with a view to a possible recalibration of the defined limits.**

## Debt financing

Debt security issuance was sustained again in 2018, confirming the status and importance of market debt financing in the financing "mix" of major French companies. Market financing of non-financial companies thus increased by 5.5%.<sup>12</sup> In 2018, moreover, several national and international organisations emphasised the high level of private-sector debt.<sup>13</sup> Issuers continued to enjoy extremely favourable financing conditions, mainly due to the persisting accommodative monetary policies of central banks, and especially the European Central Bank. However, 2018 was a more contrasting year, with a more pronounced alternation of issuance windows on the primary market and periods of tighter conditions. The resurgence of periods of market shutdown, which are classic in the functioning of the European bond market, can be explained mainly by operators' expectations of a probable rise in interest rates and the gradual winding-down of central banks' exceptional policies, and by the geopolitical events which punctuated the year (risk of a hard Brexit, global trade tensions).

This trend is reflected in the level of applications to the AMF's departments for approval of bond prospectuses. While 170 draft prospectuses<sup>14</sup> relating to debt security issuance and/or listing operations were filed and examined<sup>15</sup> by the departments, only 155 finally completed the process and were presented for approval by the AMF and approved (excluding supplements).

The differential corresponds to issues that were cancelled due to market conditions. The total number of debt security prospectuses (standalone and base prospectuses) approved by the AMF in the year was 5% lower than in 2017.

Two-thirds of the debt security prospectuses approved in 2018 were base prospectuses relating notably to the issuers' EMTN (Euro Medium Term Notes) programmes. Their number increased by 13% relative to 2017 (from 89 to 101), due to the establishment of new programmes such as Société du Grand Paris (first placement of a green EMTN programme), Caisse des Dépôts et Consignations

(first placement of a programme for listing of negotiable medium-term notes (NMTNs), CNP Assurances (first placement of an EMTN programme), or again MMB SCF, a financing vehicle of My Money Bank (first placement of a property bond issuance programme).

### Bond issues submitted for AMF approval by non-financial companies and local authorities in 2018

Bond issues by non-financial companies (corporates) and local authorities, which represented 57% of the bond prospectuses approved by the AMF in 2018, were up sharply from 2017 (+9%). French non-financial companies thus continued to take advantage of favourable financing conditions either to finance a specific project (e.g. an acquisition) or to refinance existing debt. Among the key features of this segment in 2018, note the significant increase in prospectuses for green bond issues and, more occasionally, social or sustainable bond issues. In particular, many of the issuers' base prospectuses have, since this year, mentioned the possibility of making such issues (see below, Green bond issuance: significant growth). While most of the debt securities issued by non-financial companies were "vanilla" wholesale issues<sup>16</sup> (fixed- or floating-rate bond, redeemed at par), for a number of non-financial companies the issuance and listing on Euronext of undated deeply subordinated notes<sup>17</sup> (TSSDIs) can also be underlined.

The placement of new EMTN programmes governed by French law for which the base prospectuses were approved by the AMF in 2018 for the first time, and also the choice of several companies such as Michelin to designate the AMF as competent authority for approval of the prospectus confirm the AMF's competitiveness in the bond market<sup>18</sup> this year again.

### Bond issues submitted for AMF approval by non-financial companies (banks and insurers) in 2018

■ Bond issues by banks and insurers were 13% fewer than in 2017 and represented only 43% of the bond prospectuses approved by the AMF in 2018. This decline can partly be explained by the fall by almost half in prospectuses relating to the listing of negotiable medium-term notes (NMTNs), or more precisely a return to levels in line with previous years. In 2017, the AMF had posted a substantial increase in these prospectuses following the decision handed down by the Paris Court of Appeal on 21 June 2016 in the "*Generali*" case, giving rise to legal uncertainty regarding the eligibility of certain structured bonds for life insurance policies. Since then, the Court of Cassation, in a decision of 23 November 2017, overruled the decision of the Paris Court of Appeal and referred the case back to the same court for trial by a different judge.

■ The types of operations performed by banks and insurers in the bond market in 2018 were similar to those that had been carried out in previous years. Furthermore, the banks continued issuance to consolidate the various regulatory ratios to which they are subjected, such as the MREL (Minimum Requirement for own funds and Eligible Liabilities) or the TLAC (*total loss-absorbing capacity*) based on European and international regulations regarding crisis resolution in the case of credit institutions. Issuance of non-preferred senior (SNP) debt securities introduced by the Sapin II law continued throughout 2018. The SNP bonds were proposed mainly to professional investors, except for a banking group which made public offers of SNP bonds in its network to sophisticated clients, and with a minimum investment of €15,000. Lastly, the banks also made several issues of green bonds and social and sustainable bonds.

### Green bond issuance: significant growth

■ The global market for green bonds has posted strong growth since 2013. Between 2014 and 2017, the amounts issued practically quintupled, from €25 billion to €110 billion,<sup>19</sup> reflecting the interest of investors and issuers for this expanding bond market segment. In 2018, activity continued to be sustained, with issuance volumes in line with those of the previous year, in less favourable global market conditions.

■ In France, this bond market segment proved especially dynamic. France is therefore among the leading financial centres in the world, together with China and the United States, and its cumulative issuance volume exceeded €30 billion in 2017-2018, half of which was due to the green sovereign OAT bond.

12- Annual growth rate to October 2018, Banque de France, 12 December 2018, NFC Financing, October 2018.

13- See, in particular, the 2018 annual report of the High Council for Financial Stability and the report by the International Monetary Fund.

14- Excluding supplements. Supplements to the bond prospectuses published in accordance with Article 212-25 of the AMF General Regulation represented 210 approvals in 2018.

15- Since the end of 2017.

16- Issues intended for professional investors, of minimum nominal unit value €100,000 and not legally constituting a public offer.

17- The undated deeply subordinated notes (TSSDs) are securities which legally are debt booked as equity. The main rating agencies value TSSDs for 50% as a debt instrument and 50% as an equity instrument.

18- As a reminder, an issuer which issues debt securities of nominal value exceeding €1,000 may, for the approval of their prospectus, choose the competent Authority from that of the EU Member State in which its head office is located, that of the Member State in which the public offer takes place, or that of the Member State in which admission to trading on a regulated market takes place.

19- Source: Bloomberg



## INNOVATIONS OBSERVED IN THIS MARKET SEGMENT

In 2018, the AMF noted several innovations concerning both the type of issuers, the investors targeted and the structuring of the securities issued.

Before 2018, the standard green bond issue submitted for approval by the AMF was a "vanilla" bond (fixed interest rate, redeemable at par on maturity), of nominal unit value €100,000 (a "wholesale" issue and therefore mostly proposed to professional investors. While this structuring still corresponds to the very great majority of issues which were submitted for approval by the AMF in this market segment in 2018, the AMF noted:

- the first public offers of green structured debt securities issued as part of structured EMTN programmes by credit institutions and intended to be subscribed to by retail investors;
- the first issue of green undated deeply subordinated notes ("green TSSDIs") by Engie;
- the placement of a green issue programme by Société du Grand Paris whose base prospectus allows the admission to a regulated market of green bonds exclusively.

— In 2018, moreover, the AMF noted a significant increase in the number of prospectuses submitted for its approval for issuance or making it possible to issue "green" debt securities, whether it be specific prospectuses for a given issue or base prospectuses produced within the framework of EMTN programmes and enabling issuance on a more recurrent basis. Although a number of issuers already used their EMTN programme to perform such issues, this possibility was highlighted more in the documentation in 2018 and the information provided for investors was significantly increased. This observation concerns both local authorities, "incumbent" issuers in this market, non-financial companies and banks.

— The AMF has also noted the arrival in this segment of new issuers which have already made conventional bond issues, but also first-time bond issuers which have chosen to issue a green bond for their inaugural issue.

### The importance of the information provided to the investor on the use of the funds in the prospectus and the marketing documentation

— One of the difficulties with a green bond issue lies in the definition of what is a "green" project or asset. In the absence of a classification recognised by all the market participants, each issuer and each investor can have their own definition and assessment of the "green" nature of a project. The information given by the issuer concerning the projects that it wants to finance with the proceeds of a green bond issue therefore appears to be essential and key information to enable investors to assess on an informed basis whether these projects correspond to their green investment criteria and strategy. Therefore, the AMF considers that the quality and accuracy of the information presented in the prospectus on the use of the funds is of prime importance and constitutes a factor of confidence for the stakeholders in this expanding market segment.

— In this context, the AMF continues to check the accessibility and reliability of the information provided, both at the time of issuance of the securities and during their life, in order to ensure the transparency of the information provided to investors regarding the allocation of the issue proceeds.



## Assistance for the market participants

Review of the commercial documentation for complex debt securities: from upstream to downstream

As part of a dialogue with the professional associations and the French industry for structured products, the AMF made adjustments to its policy and adopted a new approach, designed to be more pragmatic and agile, to the inspection of marketing documentation.

As part of its new Supervision#2022 strategy, the AMF, which has defined several priorities with regard to the marketing of financial products (including supervision of the commercial documentation), has made changes in its procedure for reviewing the commercial documentation of structured debt securities.

Noting an overall improvement in the quality of the commercial documentation which is submitted to it, and the ongoing development of compliance functions in the institutions supervised, in a context of a significant reinforcement of the regulatory framework regarding marketing issues (with, for example, the coming into effect of the MiFID II and PRIIPS regulations in early 2018), the AMF decided, as of 2 November 2018, to experiment with a new approach during twelve months. This approach, extremely pragmatic, puts an end to the systematic exhaustive review of all commercial documentation prior to its dissemination, in order to give priority to sampling inspection of the documentation post-dissemination.

This new approach has three priority objectives:

- allow better use of the AMF's resources by adopting a risk-based approach; provide greater agility for
- market participants in the launch of marketing campaigns; and
- maintain a level of investor protection equivalent to that currently existing.

This new system does not necessarily mean reduced vigilance of the AMF departments on these issues regarding the marketing of structured debt securities to retail clients. It should enable the AMF to target its actions more precisely on the products and market participants considered most risky and enable it to provide more assistance for the development of new practices and numerous innovations.

In parallel, the AMF has updated its policy<sup>90</sup> aiming to limit, based on four predefined criteria, the risk of misselling of complex financial instruments to retail clients, a policy that is key to the AMF system regarding the marketing of complex products. The arrangements made in 2018, in close consultation with the various stakeholders, aimed to introduce sufficient agility to allow further expansion of the industry and a demanding level of investor protection.

The changes made do not create any new requirements for the market participants and concern the following three points:

- a technical "touch-up" to take into account the application of MiFID II since 3 January 2018;
- the addition of an appendix to make public the way in which the AMF applies the fourth criterion (mechanisms count) of the aforementioned position paper to the most common structuring operations, which will now no longer undergo "upstream" discussions with market operators. This list of structuring operations, produced in close consultation with the AMAFI and AFG, should enable market operators to allow for this criterion as of the formula design stage for the financial instrument. However, this list is not exhaustive, and the AMF will continue to support financial innovation in this field;
- the addition, within this same fourth criterion, of a specific catchline concerning the count of ESG (environmental, social and/or governance) theme filters used for the underlying indices of complex financial instruments, in order to establish a link with the guide published by the AMAFI and AFG in July 2018 which was produced in close consultation with the AMF's departments.

## Assistance for SMEs

There are numerous regulatory obligations which are sometimes complex to understand for small and medium-sized enterprises. In this context, the AMF has made small and medium-sized enterprises a key priority of its strategic plan 2018-2022, setting itself the following objectives in particular:

- adapt supervision to different company sizes by assisting small and medium-sized enterprises throughout their stock market career;
- propose tools adapted to small and medium-sized enterprises (dedicated thematic and educational workshops, training courses, dedicated website and targeted communications, etc.) to help them cope better with their regulatory environment;
- encourage dialogue to better understand the issues specific to this population, via an openness approach (bilateral exchanges with companies, frequent meetings with the main participants in the ecosystem, etc.);
- contribute to the emergence of a more appropriate European regulatory framework by remaining attentive to the needs expressed by small and medium-sized enterprises regarding stock market regulations.

To achieve this objective, a multi-disciplinary team of about ten staff has been formed and is fully deployed in the field in Paris and in the French regions.

In 2018, the following initiatives were launched in particular:

- organisation of three workshops in which more than 120 SMEs were represented. Two workshops devoted to the main obligations for a listed company were organised successively in Lyon and then in Paris. A third workshop concerning the introduction of harmonised electronic reporting on the European level (ESEF) in 2020 was also held in Paris at the start of December 2018;
- the team also conducted about twenty bilateral discussions with small and medium-sized enterprises and their consultants, and met other members of the ecosystem (statutory auditors, listing sponsors, analysts, etc.); speeches by the SME team at marketplace events and conferences.

These activities, which embody the AMF's intention of having an agile approach to small and medium-sized enterprises listed in Paris, are included in the roadmap of the SME task force and will be continued and developed in 2019.

## The functioning of general meetings

Within the framework of its duties of protection of savings, the French regulator pays special attention to shareholder information and exercise of their voting rights at annual general meetings.

Following the publication, in March 2017, of the report by the "Investors" Consultative Commission entitled *"For a transparent and effective vote in annual general meetings in the digital era"*, the AMF Board had decided to entrust to a working group the task of examining in greater detail certain recommendations of this report. This working group, set up in October 2017, was formed, on a 50/50 basis, of members of the "Investors" and "Issuers" Consultative Commissions of the AMF, and asset management representatives and securities professionals.

On completion of its work, this working group expressed seven recommendations that the AMF decided to adopt by including them in its recommendation DOC-2012-05 on the general meetings of shareholders of listed companies. On 5 October 2018, the AMF published the report by this working group entitled "Shareholders' rights and voting at general meetings" and its recommendation DOC-2012-05, as updated.

Due to coincidences of the calendar, 2018 was a year full of incidents in the vote counts. Due to IT problems faced by a service provider in charge of organising the voting procedures, about forty companies of the SBF 120 had to correct the result of certain votes expressed at their 2018 AGM. The AMF asked the players in question to produce a methodological guide to processing votes at general meetings, a recommendation which appeared in the working group's report.

## Financial information issues

### Financial communication in a short selling environment

On 4 September 2018, the AMF published a news release summarising its position on short selling of the shares of listed companies, especially in an environment in which companies are the target of public announcements by third parties (investors, analysts, etc.) which could result in a situation of tension and turbulence in the market for the share.

The AMF gave a reminder that short selling is not prohibited and contributes to the functioning of markets.

The AMF also gave a reminder that the initiators of short positions must comply with obligations, concerning:

- on the one hand, their ability to deliver the shares eventually and not be in a situation of default. The European regulation on short selling prohibits short selling of a share without having borrowed it or having taken the necessary measures to reasonably ensure delivery of the shares on the date of expiry;
- on the other hand, the disclosure of their position. The AMF gave a reminder that a net short position equal to or greater than 0.2% of the capital of a company must be disclosed to it and that the same obligation of disclosure applies whenever one of the successive further thresholds set by 0.1% steps is crossed upward or downward. If the net short position disclosed is equal to or greater than 0.5% of the capital, the AMF makes this information public.



Providing concrete support for SMEs is one of the objectives of the AMF's dedicated team. It comprises about ten staff deployed in the field via workshops or bilateral meetings, in Paris and in the French regions. In 2018, we met more than 130 companies".

Astrid Milsan,  
**Managing Director,**  
 Corporate Finance and  
 Corporate Accounting  
 Directorate.



## REVIEW OF FINANCIAL STATEMENTS

**In 2018, 79% of the reviews performed were full reviews (i.e. covering all the issuer's financial statements), compared with 75% during the previous period. The targeted reviews mainly concerned early application of the new standards, operations or monitoring of significant operations of acquisition or loss of control, and financial restructuring operations.**

**In its end-of-review letters, the AMF expresses recommendations and proposes points for improvement. The recommendations made are systematically monitored on the following annual balance sheet date.**

**In 2018, the AMF issued recommendations in 76% of its reviews versus 87% in 2017.**

**The main subjects of recommendations in 2018 were, as in 2017, the presentation of the financial statements (20% of the recommendation subjects for the period), financial instruments and fair value (15% of the recommendation subjects for the period) and impairment tests (9%).**

**Moreover, in July 2018 the AMF published a table of contents of all its recommendations on financial statements in IFRS (2006 to 2017) designed to facilitate access to the recommendations expressed via clear, concise contents (possibility of making simplified searches by themes with direct access to the relevant publication).**

— The production of recommendations must make sure to distinguish between facts and opinions and disclose conflicts of interests. Regarding this second point, the European Regulation regarding market abuse and third-party investment recommendations (Delegated Regulation (EU) 2016/958 of 9 March 2016) imposes "general obligations concerning the disclosure of interests and conflicts of interests", with the obligation to specify the names of the persons who contribute to the production of said recommendations. Short sellers may not use a third party to influence the market for the share and increase the value of their position, without disclosing the position of conflict of interest. Such a situation, if proven, would mislead the market, and the AMF, as regulator, would then be led to start an investigation or an inspection which could result in sanctions.

— Moreover, in certain cases in 2018, the AMF noted situations of obvious factual errors appearing in notes by financial analysts or people presenting themselves as such. These situations, apparently isolated, may nevertheless have resulted in significant moves in the share price and periods of turbulence in the market for shares of the listed companies in question. Without going publicly into the monitoring of these specific situations and their potential consequences, the AMF reminds financial analysts, or people presenting themselves as such, of their duty of professionalism in their work and of ensuring the quality of their publications and of the analyses that they contain.

— Moreover, in a situation of short selling and/or in a turbulent context of communication regarding their shares, listed companies must have financial communications which are even more impeccable in such periods of turbulence. These communications must therefore be as clear and precise as possible, making sure, if necessary, to make the necessary corrections and clarifications as quickly as possible in the event of publication of market information regarded as clearly inaccurate or imprecise.

— Lastly, the AMF ensures the strict application of the regulatory provisions in force and may, notably in situations characterised by unusual market functioning, decide to perform investigations and inspections whenever it suspects a regulatory breach.

## Accounting information of listed companies

2018 and 2019 are marked by the coming into effect of major new standards.

Coming into effect of the standard on lease agreements on 1 January 2019

The new IFRS 16 standard on lease agreements is applicable from 1 January 2019. In the autumn of 2018 the AMF organised *ad hoc* meetings with certain issuers ahead of the first application in order to discuss the changes introduced and the estimated impacts.

This new standard was the subject of AMF recommendations with a view to the closing of the 2018 accounts.

The AMF stresses the importance of disclosing to the market information on project progress, the major options selected and the reasonably well-known impacts.

Monitoring of application of the standards on revenues and financial instruments

The IFRS 15 standard on recognition of revenues and the IFRS 9 standard on financial instruments have been applicable since 1 January 2018. The AMF has attentively monitored the application of its standards by listed companies.

In its recommendations the AMF reiterates the importance of updating the accounting principles related specifically to these standards, and of describing in detail each significant impact.



## The ESEF/iXBRL project

As of 1 January 2020, the European Transparency directive requires that issuers listed on regulated markets prepare their annual financial reports in the European Single Electronic Format (ESEF). The ESMA technical standard<sup>21</sup> (RTS) specifying the conditions of application was published in December 2018. Companies will have to tag their consolidated financial statements, and the XBRL tags will have to be based on ESMA's IFRS classification or linked to it.

The purpose of the directive is to facilitate publication of the financial statements by issuers, and access to and comparison of the financial statements for both investors and regulators. The AMF organised two practical workshops for listed companies in 2018 in order to raise their awareness of this new obligation and assist them in its implementation.

21- <http://ec.europa.eu/transparency/regdoc/rep/3/2018/FR/C-2018-8612-F1-FR-MAIN-PART-1.PDF>

## 5 Market supervision, inspections and investigations

Now based on transaction data of finer granularity, thanks to the MiFID II directive, the role of market supervision was marked significantly by the implementation of the new transaction reporting system resulting from MiFID. Accordingly, the AMF can in most cases directly identify the ultimate beneficial owners of the transactions without having to request further information from the intermediaries.

In 2018, the AMF undertook 63 inspections (versus 47 in 2017). This increase can be explained notably by the implementation of a new type of inspection called SPOT (for "supervision des pratiques opérationnelle et thématique" - supervision of operational and thematic practices). The AMF conducted seven SPOT inspection campaigns each consisting of five short inspections launched simultaneously and concerning the themes announced in the supervision priorities for 2018.

The number of disciplinary proceedings undertaken declined: 13 inspections (19 in 2017) gave rise to a statement of objections, three of which were accompanied by an offer of administrative settlement.

The AMF also undertook 49 investigations (68 in 2017). Of the 23 investigations conducted at the initiative of the AMF and completed in 2018, 10 cases gave rise to a statement of objections, four of which were accompanied by an offer of administrative settlement. Finally, as at 31 December 2018, three investigations were in the process of referral by the AMF to the national financial prosecution service (PNF: Parquet national financier). The 29 other investigations were undertaken following requests for assistance made by foreign authorities.

### Market supervision

The AMF analyses, on a daily basis, the transactions executed in the markets in order to identify any unusual event or behaviour that could be defined as market abuse. This concerns cases of price manipulation, insider dealing, and dissemination of false information, but can also include breaches of transparency obligations or professional obligations applicable to financial intermediaries. The AMF thus ensures the orderly operation of the markets by reviewing the transactions performed by market participants against all the other sources of information available to it.

This constant supervision is based on a daily feed of transaction reports sent by financial intermediaries via the direct transaction reporting (RDT) system, by market infrastructures and by the other regulators, as well as a daily data feed of orders executed on French trading platforms. This feed is supplemented by information obtained from various data providers, the clearing house, the central securities depository (CSD), and trade repositories for OTC derivatives. This system of supervision also relies on tools that store the information exchanged on internet forums and social media networks. Furthermore, the AMF uses external alerts, including reports of suspicious transactions from investment service providers (1,133 reports of suspicious transactions in 2018, including more than 430 from other European regulators), and more than 72 alerts coming within the legal framework applicable to whistleblowers since the end of 2016.

In 2019, the new supervision platform generated more than 19,000 potentially suspicious behaviour alerts. A thorough revamping of the detection algorithms to exploit the new regulatory data and the platform's greater processing capacity were able to improve its relevance and reduce the number of alerts by around 20%. In 2018, 16 new investigations were undertaken as a result of Market Supervision proposals.

— The implementation of MiFIR on 3 January 2018 had profound repercussions on the supervision duties performed by the AMF. In particular, the new reporting obligations allow direct identification of the ultimate beneficial owners of trades. This substantially improves the detection capacity and reduces the need to request additional information from the intermediaries. Accordingly, the AMF made 335 requests for additional information in 2018 versus 786 in 2017, i.e. around 60% less than the previous year.

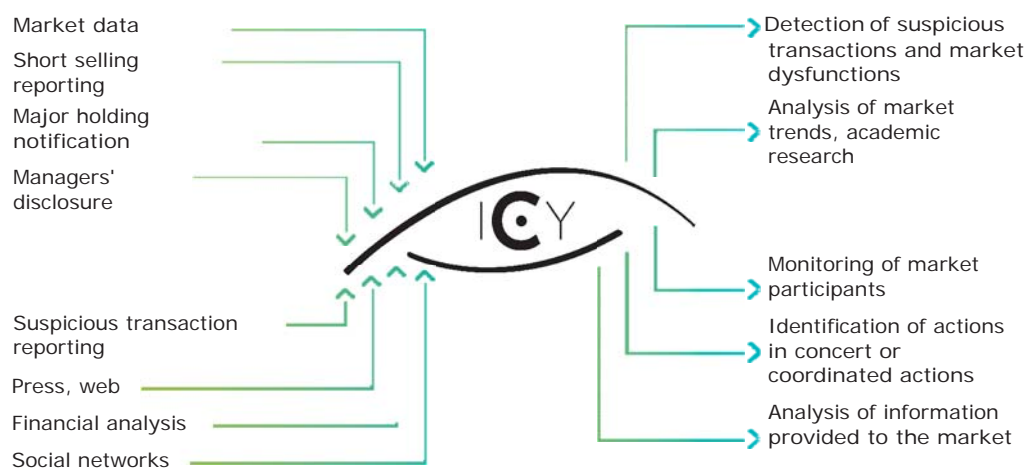
— This new approach and the extension of the scope of the data received made it necessary for the AMF to acquire a market supervision and oversight platform capable of meeting the challenges involved in processing very large volumes of data. Based on cutting-edge technology, the new ICY platform is designed to become the pillar of the AMF's strategy of

supervision via data, i.e. a strategy consisting of optimising the processing of an increasingly abundant quantity of information made available to the AMF.

— Since the quality of this data is essential for carrying out its duties, the AMF has been closely involved in ESMA's work on this subject. For example, with the other European authorities it helped define the organisation and tools needed for conducting quality monitoring activities. It also took part in the regulatory work concerning application of the provisions of the MiFID Directive and Regulation relating to commodity derivatives and financial market transparency. Lastly, it is involved in international work on the alignment of OTC derivative transaction reporting, and in particular on the definition of unique identifiers of transactions and products.

— On the back of its positioning at the intersection between data science and market expertise, the AMF builds on all the information available to it to perform strategic scanning aimed at both analysing the impact of current events and moving in step with changes in the market structure, which may result from regulatory changes. Of the numerous studies performed in 2018, some were the subject of publications.

FIGURE 12.





## SELF-REGULATION OF THE STOCK MARKET PRESS

**An association of representatives of press firms and journalists called FIDEO was set up in 2006, in accordance with the provisions of Article L. 621-32 of the Monetary and Financial Code, to ensure that its members comply with the media code of good conduct on the fair presentation of investment recommendations and the reporting of conflicts of interests. Each year it must produce a report reviewing its activity, which it forwards to the AMF. The association deals of its own accord, or is notified by the AMF, of facts which could constitute a violation of the rules of said code by one of its members. It may impose on them the disciplinary sanctions provided for in Article L. 621-34 of the Monetary and Financial Code.**

**On reading the latest activity review received, the AMF notes that no inspection activity was carried out recently by the association, which devoted itself mainly to bringing its code of good conduct into conformity with the regulations on market abuse.**

**Within the meaning of Article 20 of Regulation No. 596/2014 on market abuse (MAR), the system established by the organisation in question must constitute "appropriate equivalent self-regulation" which has similar effects to Delegated Regulation No. 2016/958 of the European Commission relating to the objective presentation of investment recommendations and reporting of special interests or the existence of conflicts of interests with the investment recommendations.**

**The AMF assigns importance to the principle of effective and appropriate regulation. It will be incumbent on the association, by putting in place inspections, to demonstrate in 2019 how information is ensured and how the provisions of the code have an equivalent effect to those of the Market Abuse Regulation.**

For example, following the dramatic rise in the VIX Index (an indicator of the market risk perceived by investors) in early February 2018, the AMF published a study analysing the mechanism of transmission of volatility shocks between the VIX Index, indexed products and the equity markets, and the impact of this spell of high volatility on funds in Europe<sup>22</sup>. It showed in particular that products indexed on the VIX had no significant impact on share prices, since European funds punting on volatility remain very marginal in Europe, even when they have played a self-reinforcing role on the rise in the VIX. Accordingly, investors holding French collective investments or such investments marketed in France were not exposed significantly to VIX-based strategies.

However, a sharp increase in the funds developing these strategies indexed on volatility could require some vigilance, to the extent that they could contribute to an amplification of price movements in the event of a shock.

With the coming into effect of the Markets in Financial Instruments Directive 2014/65/EU of 15 May 2014 (hereinafter "MiFID II") at the start of 2018, the AMF also published an initial impact analysis of the new tick size system<sup>23</sup>, which now takes into account the profile of each financial instrument. According to this analysis, the new system had the wanted effect on the market's quality: the depth available at the best limits increased on the whole. However, the increase in the tick size for the most liquid securities caused a slight widening of the spread, which resulted in a gain for passive operators and a cost for aggressive operators. Finally, the study revealed a general alignment of the main market quality indicators between the various stocks and improved stability of the order book (reduction in the number of messages, extension of the lifetime of orders) and consequently increased legibility of the price formation process. Several impact analyses covering a longer period were conducted in 2018.

22- Volatility episode in early February 2018: the impact of VIX-indexed products, available from the Publications > Newsletters or other publications > Risk and Trend Mapping page on the AMF's website.

23- MiFID II: impact of the new tick size system, also available from the Risk and Trend Mapping page on the website [amf.france.org](http://amf.france.org).



## Inspection of professional investors

■ The AMF ensures that service providers that fall within its jurisdictional authority comply with the relevant regulations, notably by:

- ensuring that investment service providers (ISPs), custodians of collective investment undertakings (CIUs), asset management companies (AMCs), financial investment advisers (FIAs), crowdfunding investment advisers (CIAs) and market infrastructures operate in conditions complying with the regulations;
- supervising inspections of FIAs carried out by their professional associations;
- ensuring that approved collective investment products comply with the applicable regulations and the restrictions defined at the time of their authorisation;
- ensuring compliance with the applicable rules by market infrastructures;
- ensuring compliance by regulated entities with the professional codes by which they are bound; staying informed about the conditions for the provision of investment services, current practices, and the appropriateness of the regulations for these developments; contributing to the detection of risky behaviour that requires intervention by the regulator.

■ The population of service providers regulated by the AMF consists of:

- 633 asset management companies;
- 192 credit institutions authorised to provide investment services;
- 83 investment firms, including 4 financing companies/investment firms;
- 29 branches of foreign asset management companies authorised to operate in France under the free establishment provisions of the UCITS and AIFM directives;
- 115 branches of foreign investment service providers authorised to operate in France under free establishment provisions, including 66 investment firms and 49 credit institutions;
- 1 custody account keeper that is not an investment service provider;
- 5,150 financial investment advisers and four professional associations in charge of representing them collectively and defending their rights and interests,
- 57 crowdfunding investment advisers.

## Inspections performed in 2018

■ With the support of the regional departments of the Banque de France, the AMF also undertook 70 so-called “mass inspections” on FIAs covering six regions. The streamlined format of these inspections, focusing on specific audit points, made it possible to assess pragmatically 5,150 FIAs (natural and legal persons).

■ In 2018, the AMF delegated an on-site inspection targeting an investment firm to the ACPR (Autorité de Contrôle Prudentiel et de Résolution).

## Types of inspections undertaken in 2018

■ In accordance with the supervision priorities for 2018, three SPOT inspection campaigns, i.e. 15 inspections were undertaken targeting investment service providers. One campaign concerned the marketing of financial instruments (collection of clients' knowledge and experience). The other two concerned discretionary management (conformity of management mandates and fees related to management mandates).

■ As regards asset management companies, four SPOT inspection campaigns representing a total of 20 assignments were launched, concerning equity capital, the valuation of unlisted equity investments in private equity, temporary sales of securities and socially responsible investment (SRI) management respectively.

■ So-called conventional inspections concerned market participants of very different sizes and varied themes depending on the nature of the entity in question.

■ Nine inspections targeted investment service providers. They concerned the marketing of financial instruments (3 inspections), compliance with the provisions of EMIR (2 inspections), discretionary management (2 inspections), intermediation on commodity derivatives (1 inspection) and the treatment of voting instructions by the custody account-keeper in annual general meetings (1 inspection). One inspection assignment, targeting a market infrastructure, concerned trading oversight procedures.

TABLE 8.  
Inspections performed in 2018

	2016	2017	2018
Number of inspections undertaken	36	47	63
<i>o/w thematic inspections (2017)/SPOT (2018)</i>	-	15	35
Number of inspection reports sent	39	49	64
<i>of which SPOT checks (2018)</i>	-	-	30
Number of follow-up letters	14	29	39
Number of cases involving sending statements of objections	18	19	13
<i>together with an offer of administrative settlement</i>	9	12	3

FIGURE 13.  
Breakdown of inspections undertaken by category of professional investor

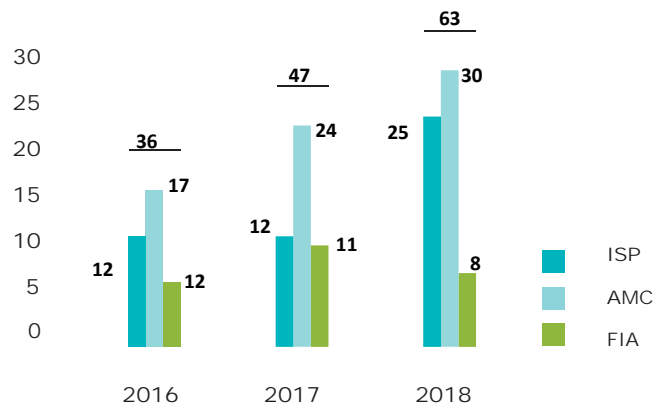


TABLE 9.  
Breakdown of inspections undertaken by category of professional investor

	ISP	AMC	FIA
Inspections undertaken in 2018	25	30	8
<i>of which closed in 2018 by sending an inspection report</i>	21	21	5
Inspections undertaken in 2017 and closed in 2018 by sending an inspection report	4	9	4

10 inspections targeted asset management companies. The subjects examined mainly concerned financial investment, portfolio turnover rates and investor information regarding direct and indirect costs (3 inspections), real estate investment (2 inspections), the liquidation of private equity funds (2 inspections), order placing (2 inspections), customer relationship (2 inspections), temporary sale of securities (1 inspection), SRI management (1 inspection), and the internal control system (4 inspections). The system for anti-money laundering and combating the financing of terrorism is also a recurrent inspection theme.

Lastly, 8 inspections targeted FIAs. They mainly concerned compliance with the limitations of their status and the marketing of products atypical products or products not authorised for marketing in France.

#### Action taken following inspections in 2018

13 reports produced following an inspection of compliance with professional obligations led to a statement of objections sent to:

- 1 credit institution that is an investment service provider;
- 7 asset management companies;
- 5 financial investment advisers.

For three of these inspections, the AMF decided to accompany the statement of objections with an offer of administrative settlement. For the 10 others, it was decided to start sanction proceedings without offering this path. Lastly, 45 inspection cases, including 20 SPOT inspections, resulted simply in a follow-up letter.

#### Principal lessons learned from inspections undertaken in 2018

Firstly, it should be stressed that the existence of an operational organisation and of appropriate and documented internal control procedures and systems contributes to the success of inspection assignments. This means that the duration of the inspections can be shorter, without increasing the work necessary to meet the demands they impose on the inspected entity. The regulations require that documents be retained, so most of these demands relate to documents that must be available and easily accessible.

#### Main lessons learned from SPOT inspection assignments

The first campaign, relating to investment service providers, concerned the collection of information regarding knowledge and experience of clients, in accordance with the rules set out in the Markets in Financial Instruments Directive 2004/39/EC of 21 April 2004 (hereinafter "MiFID I"). It gave rise to the publication of a summary in October 2018 which specifies the good and bad practices encountered and gives a reminder of the applicable regulations.

This campaign confirmed the shortcomings noted during previous inspections on the marketing of financial instruments, in particular the exclusive use of self-assessment which was practised extensively under MiFID I. However, it showed that, when MiFID II came into force, the inspected institutions seized the opportunity to improve their procedures on the subject. In particular, the exclusive use of self-assessment by the client was terminated and the updating of client questionnaires now takes place more frequently.

In the case of asset management companies, the reviews relating to own funds, on the one hand, and the valuation of unlisted equity interests in private equity firms, on the other hand, were published in November and December 2018 respectively.



## Regulatory capital of asset management companies

The AMF noted that, to varying degrees, the procedures governing the estimation of regulatory capital, its investment and control in these areas were insufficiently detailed and operational. The level of regulatory capital was generally satisfactory and well invested in liquid assets or assets that can be easily converted into cash at short notice and that do not include speculative positions, but the 30% mattress above the regulatory capital did not always benefit from this type of investment. The AMF noted the following good practices making it possible to prevent non-compliance risk, especially when own funds are close to the minimum requirement:

- provide for an estimate of the impact on regulatory capital before any substantial disbursement (payment of dividends, employee bonuses, etc.). This simulation can be made based on uncertified interim accounting data or cost accounting data;
- perform second-level control of own funds on a half-yearly basis - or more frequently if needed - taking into account the current year's activity on the basis of interim closing data even if it has not been certified by the statutory auditors.



SPOT inspection: review of 2018 inspections and presentation of the new themes for 2019 with Nicolas Patel

## Valuation in private equity

First, the AMF found that the procedures governing the valuation of holdings were insufficiently precise insofar as concerns the criteria used to select the valuation methods and their operational implementation. Also, the audit trails retained by the management companies to justify their valuation choices were incomplete. Lastly, the due diligence checks carried out by external experts based on the valuations first calculated by the fund managers were sometimes not properly recorded.

However, the AMF noted that the tested holdings were valued at their fair value and that the principle of consistency of accounting methods is complied with : none of the companies inspected changed their valuation method regularly or unjustifiably for the same holding between two valuation dates.

- The AMF noted the following good practices:
- seeking the advice of the investor committee (where such a committee exists) with a view to reducing the risk of conflicts of interest when transferring holdings between funds;
  - adding in regular fund management reports details on the valuation methods used and the assumptions adopted for each portfolio investment. When information is not provided in the regular reports, referencing a description available elsewhere;
  - including in the internal control policy the lessons learned from AMF sanctions concerning private equity firms.

All the SPOT inspections gave rise to follow-up letters. In light of the varied nature of practices regarding the investment of own funds, and to better guide asset management companies in this area, an amendment to the AMF Position-Recommendation DOC-2012-19 published on 17 March 2016 made it possible to clearly identify the instruments that should not be considered "liquid", "easily convertible into cash at short notice" and "non-speculative" for the purposes of AMCs' own-funds investments. Regarding valuation, this position will also be specified in 2019.

## Main lessons learned from conventional inspection assignments

### Marketing of financial instruments

Three inspection assignments were undertaken in 2018 on the marketing of financial instruments.

One inspection, supplementing the series of assignments conducted in the major bank networks in 2017, concerned the marketing of structured EMTNs and real estate investment companies. The inspection identified insufficient collection of clients' knowledge and experience of investment, with the exclusive use of self-assessment, shortcomings in collecting information on the financial position of clients and their investment goals, and the lack of traceability of investment advisory services and suitability testing. The coming into effect of MiFID II had not led the institution to abandon self-assessment.

A second inspection on the marketing of financial instruments was conducted on a medium-sized institution affiliated to a mutual bank group primarily marketing UCITS. This assignment identified shortcomings similar to those mentioned above.

These two institutions did not refrain from providing investment advisory services to clients for whom they had not identified all the essential information to verify the suitability of the recommended financial instrument.

Finally, the third inspection concerned a distribution platform acting as an intermediary between producers – asset management companies – and distributors, all FIAs but nevertheless providing investor clients with the investment service of receipt-transmission of third-party orders. This inspection identified a policy of organisation of festive events for the entertainment of a network of FIAs, co-organised with certain asset management companies, liable to create a conflict of interest at the expense of investors.



### Discretionary management by investment service providers

In addition to the two SPOT inspection campaigns mentioned above and the completion of a conventional inspection undertaken in 2017, the AMF undertook two assignments in 2018 in investment service provider credit institutions providing portfolio management services. The first was a big retail institution and the second a medium-sized institution whose revenues are mostly generated by discretionary management. The assignments concerned compliance of the management mandate and management reporting, the suitability of the portfolio management service, client information concerning fees, and the risk control system in relation to the provisions applicable under MiFID I.

— The assignment undertaken in 2017 had identified shortcomings relating to the content of the management mandate and management reports. In the case of the assignments undertaken in 2018, one of the institutions inspected showed shortcomings with regard to the collection of clients' investment knowledge and experience. Moreover, configuration errors in the debiting of fees and shortcomings in the inspection system resulted in unjustified invoicing of fees to certain clients. The second institution inspected in 2018 showed some shortcomings in terms of clarity of the information provided to clients regarding the risk indicator of their portfolio under management.

— Regarding the management of risks related to discretionary management, the assignment undertaken in 2017 identified shortcomings regarding the risk management function and policy; the other two institutions inspected had established a system of definition and monitoring of limits, either based on their group's resources or directly.

#### The *European Market Infrastructure Regulation (EMIR)* on OTC derivatives, central counterparties and trade repositories

— As part of its supervision priorities for 2018, and after an initial inspection undertaken in 2017, the AMF undertook two further inspections in 2018 on compliance with the provisions of EMIR, focusing on uncleared derivatives. The subjects covered were risk mitigation techniques (swift confirmation of transactions, reconciliation and dispute management) and reporting to the trade repository (exhaustiveness, time and quality). The assignment undertaken in 2017 and completed in 2018 revealed major shortcomings in implementation of EMIR, whether it be risk mitigation techniques, reporting to the trade repository or the compliance system. The first assignment undertaken in 2018 highlighted the fact that, although the institution's system is on the whole robust, there were still areas for improvement in terms of compliance with and monitoring of confirmation times. It also became apparent that Compliance was insufficiently involved in implementation of EMIR.

#### Financial management and portfolio turnover rate

— Three inspection assignments undertaken in 2018 and another initiated at the end of 2017 concerned AMCs using a management system leading to the debiting of significant turnover commissions, due to the high level of transaction costs related to orders and/or the high level of portfolio turnover. In one case, the funds' prospectuses did not mention the style of management which involved regular asset rebalancing, nor the foreseeable consequences with regard to turnover commission. For each of the four cases, the funds in question were heavily invested in by the accounts under the discretionary management of the asset management company, thus resulting in a situation of potential conflicts of interests between clients and the asset management company.

#### Liquidation of private equity funds

— The AMF carried out two inspection assignments concerning, in particular, the end-of-life management of private equity funds. For one of them, the asset management company was unable to demonstrate that the transfer had been made in the interest of the transferee funds, which were in pre-liquidation or liquidation. For the second asset management company, although the funds under management were already in the winding-up period, the inspection noted the lack of distribution of the available cash to the unitholders.

#### Real estate management

— The three real estate management inspections conducted, two undertaken in 2018 and another initiated in 2017 and finalised in 2018, highlighted a lack of independence of the AMCs with respect to external service providers, whether or not they formed part of the group to which the asset management company belonged. In one of the cases, the service provider in question took charge of all stages of the investment, from the property search to signature of the promise to buy. The investment committee met after the signature of the promise to buy, or even after acquisition of the property. In another case, the inspection noted a complete lack of separation of resources between the asset management company and the other companies of the group, resulting in serious situations of conflicts

of interests between the funds' unitholders and the group's companies. In two cases, the asset management company delegated the functions of asset management and/or property management to a given entity without competitive tendering, which was specified in neither the funds' prospectuses nor their annual reports. Against this backdrop, in 2019 the AMF will conduct SPOT inspections to identify good practices regarding the selection and monitoring of external service providers, particularly for the asset management and property management functions.

### Marketing of atypical products

In line with previous years, the AMF focused its FIA inspections on participants marketing atypical products. Accordingly, of the 8 FIA inspections undertaken in 2018, 6 concerned this type of product: Luxembourg funds not authorised for marketing in France, shares of unlisted companies investing in offers of real estate life annuities or tourist complexes, offers of miscellaneous assets such as balsamic vinegar or agarwood not complying with the prevailing legal framework. Apart from the lack of formal presentation of the advisory stages (new business relationship document, Know Your Customer, mission statement and written report), the inspection assignments noted, in this type of organisation, recurring dysfunctions which reflect misselling:

- the information on product risks is insufficient compared with the presentation of returns, and is sometimes non-existent, inaccurate or misleading in that it tends to minimise the probability of materialisation of these risks;
- the due diligence performed by FIAs on these products proves too superficial, which makes it impossible for them to provide informed advice adapted to the needs, knowledge and situation of their clients;
- the remuneration received by FIAs from the promoters of atypical products is not disclosed to investors.

## Investigations

Investigations are usually the result of observations made in the framework of market supervision, the monitoring of listed companies, or complaints. They may also be conducted further to a request from a foreign authority.

### Grounds for and nature of investigations in 2018

In 2018, of the 49 new investigations undertaken, 20 were at the initiative of the AMF and 29 involved international cooperation.

16 of the 20 investigations undertaken on the initiative of the AMF were proposed by the Market Supervision Directorate. The others were proposed by other AMF directorates.

Investigations can be proposed by each of the AMF's operational directorates. They can also originate in complaints or requests for opinions expressed by the legal authorities.

In 2018, 64 investigations were completed. Of these investigations, 23 had been undertaken on the initiative of the AMF and 41 had been undertaken to assist foreign authorities.

As at 31 December 2018, of the 23 investigations undertaken on the initiative of the AMF and completed in 2018<sup>24</sup>:

- 10 gave rise to statements of objections, four of which were accompanied by an offer of administrative settlement;
- three investigations were undergoing analysis by the national financial prosecution service (PNF) under the referral procedure;
- five resulted in the sending of one or more letters of observations;
- eight were closed.

Most of the investigations undertaken related to possible stock market offences considered as market abuse: insider dealing, dissemination of false information, or price manipulation. Over half of these investigations concerned cases of insider dealing.

<sup>24</sup>- Some investigations led to the sending of a letter of observations regarding certain persons and the opening of sanction proceedings regarding other persons implicated. Accordingly, for a given investigation case, numerous follow-up actions may be decided on, targeting various players.

TABLE 10.  
Investigations undertaken and completed

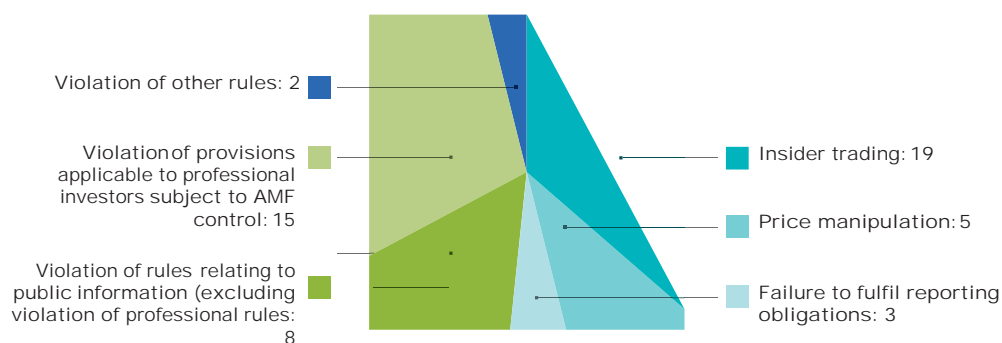
Year	2014	2015	2016	2017	2018
<b>Investigations undertaken by the AMF</b>	<b>83</b>	<b>65</b>	<b>75</b>	<b>68</b>	<b>49</b>
On the initiative of the AMF	33	25	26	24	20
At the request of a foreign authority	50	40	49	44	29
<b>Investigations completed</b>	<b>68</b>	<b>75</b>	<b>71</b>	<b>55</b>	<b>64</b>
On the initiative of the AMF	27	27	24	22	23
At the request of a foreign authority	41	48	47	33	41
<b>Number of cases including:</b>	<b>10</b>	<b>8</b>	<b>17</b>	<b>9</b>	<b>10</b>
accompanied by an offer of administrative settlement			2	4	4

TABLE 11.  
Breakdown of regulatory breaches sanctioned\*

Subject of the investigation*	2014	2015	2016	2017	2018
Market for the shares and bonds (insider behaviour or manoeuvre hindering satisfactory market functioning)	27	20	19	21	18
Financial information	11	9	11	3	13
Other (FIAs, direct marketing, etc.)	1	3	2	0	1
International cooperation	50	40	49	44	29

\*The total is greater than the number of investigations undertaken, because some investigations concern both the market for the security (price manipulation and insider dealing) and financial information.

FIGURE 14.  
Breakdown of investigations undertaken by subject





Cases of cybercrime related to market abuse emerged in 2015. The incident of the false Vinci press release on 22 November 2016 confirmed that France is also affected by this stock market cybercrime. The AMF therefore in 2018 continued skills upgrading for its personnel, in order to have the specific technical knowledge and bespoke tools necessary to conduct investigations on these issues efficiently.

To strengthen the AMF's means of action in the detection and characterisation of insider dealing, Act No. 2018-898 of 23 October 2018 relating to tax evasion, supplemented by Decree No. 2018-1188 of 19 December 2018, provides that disclosure of the itemised invoices of telecom operators to the AMF entails a prior authorisation issued by a controller of requests for connection data. This controller is notified by a substantiated request by the Secretary General or the Managing Director of the AMF in charge of investigations and inspections. The authorisation is included in the investigation file. The investigators use the data submitted by the telecom operators exclusively for the investigation for which they have received the authorisation. The use of connection data by the AMF for the purpose of its investigations regarding stock market regulatory breaches will thus take place while protecting the guarantees demanded by the Constitutional Council in its decision No. 2017-646/647 QPC of 21 July 2017.

## International cooperation

In 2018, the AMF continued to cooperate with its foreign counterparts in the areas of investigation, inspection, market supervision and exchange of information on financial intermediaries.

In this regard, it sent 343 requests for assistance to around fifty foreign regulators.

More than 30% of the requests for assistance presented by the AMF were sent to the UK regulator. In addition, there were many requests sent to the Luxembourg, Swiss, US, German and Italian authorities this year.

The AMF received 210 requests for assistance from its foreign counterparts in 2018, 29 of which led it to initiate an investigation. These requests concerned transactions falling within the jurisdictional authority of foreign regulators but performed by persons located in France. The main countries asking for help from the AMF were Germany, Belgium, Ireland, the Netherlands and Luxembourg.

Investigations requiring international cooperation relating to the search of insider dealing are still the majority. On average 80% of investigations have an international aspect, for all types of market abuse together.

## Referrals to competent authorities

In 2018, five cases were referred to French judicial, administrative or professional authorities: three to the French council for statutory auditors (HCCC), one to the ACPR and one to Tracfin.

Eight investigation cases were referred to the national financial prosecution service (PNF). As at 31 December 2018, one case was accepted by the PNF, four cases were kept by the AMF and three cases were still in the referral phase between the AMF and the PNF.

## 6 Settlements, sanctions and appeals

The Enforcement Committee, which is separate from the Board, is the AMF's disciplinary body. It rules on complaints made against persons subject to enforcement actions. It has the power to impose financial penalties and disciplinary sanctions on institutions that come within the AMF's jurisdictional authority and on natural persons under the control of these institutions or acting on their behalf, for any failure to fulfil their professional obligations. It may also impose penalties on any natural or legal person, regardless of their activity, who has breached or attempted to breach regulations relating to market abuse, or who has committed any other offence that is likely to jeopardise the protection of investors or the proper functioning of the market.

Financial penalties imposed may amount to €100 million or ten times the amount of the profit made as a result of the breach, if it can be determined, and may, in some cases, be as much as 15% of the total annual turnover of the sanctioned entity.

In 2018, the Enforcement Committee issued 34 decisions, 17 of which were sanction decisions, 1 was a decision ruling on a request for relief from a sanction and 16 decisions were relating to the approval of an administrative settlement agreement.

### Settlements

The administrative settlement procedure (or "*transaction*") is an alternative to disciplinary proceedings.

A settlement may be proposed, as deemed appropriate by the Board, to those entities to a statement of objections is issued.

The benefit of administrative settlement lies in the fact that the proceedings take less time to complete, since the settlement agreement, which is always made public, must be concluded within four months. Settlement also plays an educational role, particularly because of the specific commitments made by the professionals concerned in order to comply with regulations.

The amounts to be paid to the Public Treasury are set by the AMF Board, which uses those imposed by the Enforcement Committee for similar cases as a benchmark.

Finally, administrative settlements may, in some cases, include the payment of compensation to clients or investors who have suffered a loss due to detected regulatory breaches.

### Settlements in 2018

In 2018, there was sustained activity relating to settlements:

- 12 administrative settlement agreements were executed;
- 11 agreements were approved by the AMF Board, 16 were reviewed by the Enforcement Committee and 15 were approved and then published (including 7 agreements executed and approved in 2017).

■ The total amount of the financial penalties paid to the Public Treasury as a result of these twelve executed agreements was €1,340,000. This amount does not include the (often high) cost of remedial measures incurred by providers, nor does it include the costs, sometimes chargeable to the persons concerned, of any audits that may have been undertaken to monitor their compliance with their obligations.

■ In 2018, there was an increase in settlements regarding market abuse. For the record, the Act of 21 June 2016 extended the scope of administrative settlement to market abuse. The first two settlements concerning cases of market abuse were approved in 2017, while in 2018 there were no less than seven settlements.

■ Among the agreements approved this year, three settlements reached on 9 May, 5 October and 26 November 2018 concerned market abuse or transparency obligations of listed issuers or their managers. The handling of these administrative settlements which come within the scope of the AMF's investigations is hardly different from that relating to the professional misconduct by a service provider (investment services provider, asset management company, financial investment adviser) which comes within the scope of the AMF's inspections. However, unlike the administrative settlements following an inspection, settlements regarding market abuses do not strictly speaking contain commitments to restore compliance.

#### Examples of settlement agreements published in 2018

Settlement reached on 6 March 2018 with an asset management company: insufficiency of regulatory capital – failure to comply with the programme of activity notably due to the failings of the former chairman and CEO as Compliance and Internal Control Officer (CICO) – deficiency of information relating to commissions paid by the asset management company to other service providers or received by it, and information on the use of fund advisers.

■ First, this case highlighted shortcomings regarding the level and supervision of the asset management company's regulatory equity.

■ A second complaint was the failure to comply with the asset management company's programme of activity and the provisions relating to the status of tied agent due to the management activity performed by the company's former CEO and CICO. It appeared that the former CEO had managed client accounts between June 2014 and May 2016, without appearing as a manager in the company's programme of activity. Moreover, the asset management company had granted its former CEO the benefit of a tied agent contract, allowing him to continue to manage a client portfolio for the company during the month of June 2016, in breach of applicable regulations. Moreover, letters sent to this manager evidenced the involvement of his mandator clients in the management of their assets, once again in breach of regulations.

■ A third complaint concerned shortcomings relating to the information provided to investors concerning commissions paid by the company to other service providers or received by it, and information on the quality or extent of powers of certain fund advisers.

■ The peculiarity of this agreement is that the asset management company which executed the settlement agreement had acquired the asset management company which committed the regulatory breaches. This explains why the agreement provides for no measures to restore compliance. Regarding the first complaint, the acquiring company had a sufficient level of equity. Moreover, the second complaint was due to the acts of a former CEO who had permanently left the acquired company and was not working for the acquiring company. Finally, as the funds no longer existed or were no longer managed by the acquiring asset management company, any remedial measures regarding the third complaint have become irrelevant.

■ The acquiring asset management company committed to paying the sum of €110,000 to the Public Treasury.



## NEWS RELEASES

**In November 2018, the Enforcement Committee announced that its decisions handed down from 1 January 2019 in sanction disciplinary proceedings will be systematically covered by a news release, in both French and English, for educational purposes.**

**The purpose of this publication is to improve information on the Committee's decisions. Committee's decisions by proving the public, both in France and abroad, and in particular professionals and investors, with the key points of these decisions.**

**The public may read the decision in French on the AMF website.**

**Settlement reached on 28 March 2018: Financial investment advisor – marketing of an unauthorised SICAV**

— A financial investment advisor was charged with having, on the one hand, recommended to his clients to subscribe to financial instruments without having first examined their investment knowledge and experience, nor their financial position and their investment objectives, so as to be able to recommend to them operations, instruments and services appropriate to their situation. On the other hand the financial investment advisor had not submitted to his clients all the required regulatory documentation and had informed them poorly regarding his remuneration.

— In addition to the agreed commitments to restore compliance, the financial investment advisor committed to paying the sum of €100,000 to the Public Treasury under this settlement agreement.

**Settlement reached on 9 May 2018: Chairman of a listed issuer – use of inside information and late reporting of securities transactions**

— The chairman of the Board of Directors of a listed company was charged with having used inside information relating to the decline in corporate

earnings in the first half of 2015 by selling 159,110 shares of the company, between 15 and 23 September 2015. These transactions were alleged to have enabled him to avoid a loss of more than €56,000. In so doing, the implicated party is alleged to have infringed his essential obligation to refrain from using inside information pursuant to the provisions of Articles 7, 8 and 14 of the European Regulation on market abuse (MAR Regulation). The chairman was also late in reporting these transactions to the AMF.

— The person concerned committed to paying the sum of €150,000 to the Public Treasury.

**Settlement reached on 5 October 2018: Listed issuer – late publication of inside information concerning the consequences of a dispute regarding its guidance of "a stable net income relative to the previous year".**

— An issuer was charged with having, at the publication of its half-year accounts in July 2015, maintained its net earnings guidance at "stable" relative to 2014. This guidance was revised only in November 2015, whereas the information relating to the very likely failure to reach targets announced to the market in April 2015 was likely to be qualified as inside information as early as July 2015, date of a Council of State's decision confirming a ruling of an administrative court of appeal which sentenced the company to pay additional severance payments to approximately 300 employees, following the cancellation of a job safeguard plan.

— The issuer committed to paying the sum of €250,000 to the Public Treasury.

## Sanctions

■ In 2018, the Enforcement Committee handed down 1 decision ruling on a request for relief from sanctions and 17 decisions on the merits.

■ The decision on relief from sanctions concerned a natural person.

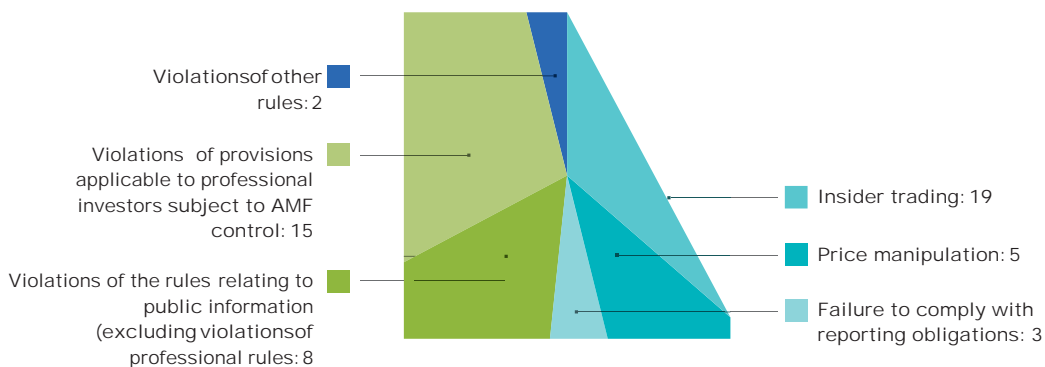
■ The 17 decisions handed down on the merits concerned 53 persons, 16 legal entities and 37 natural persons. The Committee cleared from charges six natural persons and imposed 44 fines, ranging from €20,000 to €800,000, for a total amount of €7,181,000, divided among 14 legal entities and 30 natural persons.

■ The Enforcement Committee accompanied these fines with disciplinary sanctions for 10 persons (4 legal persons and 6 natural persons), breaking down as follows:

- one reprimand;
- three warnings;
- four bans on exercising the profession of financial investment adviser for ten years;
- two bans on exercising the profession of intermediary in miscellaneous assets for ten years.

■ All the decisions handed down by the Committee with regard to sanctions were published on the AMF website.

FIGURE 15.  
Breakdown of regulatory breaches sanctioned\*



### Examples of Enforcement Committee decisions in 2018

#### Price manipulation:

In 2018, the Enforcement Committee handed down three decisions concerning market manipulation: one concerned “layering” a type of manipulation implemented by a foreign operator on securities listed on a regulated French market; another concerned financial instruments admitted to trading on the MATIF; while the last case related to concertation between the various implicated parties.

In its decision of 2 May 2018, the Enforcement Committee sentenced a natural person residing in Portugal to a fine of €400,000 for practising layering on 31 securities listed on Euronext Paris over a period of around two years.

The Committee first gave a reminder of its territorial jurisdiction with regard to price manipulation whenever the securities concerned are admitted to trading on the Euronext Paris regulated market, little matter that the place of residence of the implicated party and the location at which their orders are placed are located abroad.

The modus operandi used by the implicated person over 208 sequences was divided into four phases, with alternate placing of aggressive buy orders and then passive buy orders at the best limits in large volumes, followed by the placing of aggressive sell orders before cancelling the passive buy orders sent a few minutes earlier. The Committee considered that this modus operandi constituted market manipulation, for all or part of the 208 sequences in question, by giving false or misleading indications on demand for the securities concerned, by fixing the price at an artificial level and by using processes giving a fictitious image of the state of the market.

By a decision of 16 July 2018, for the first time, the Committee imposed a sanction for market manipulation carried out on France’s international futures market (the MATIF).

■ A company was charged with having sent, during 25 trading sessions spread over four months, a sell order on the MATIF wheat futures contract maturing in September 2015, in the final seconds before the market is closed, at a price similar to the best buy limit and for the smallest possible quantity of merchandise. According to the statement of objections, these orders constituted four cases of market manipulation. The Committee upheld two of them and imposed a fine of €100,000 on the implicated party.

■ First, it considered that these orders, which did not reflect a real selling interest from the implicated party given their validity limited to a few seconds corresponding to the remaining length of the session, and the very illiquid nature of the market, gave misleading indications regarding supply on the futures contract. However it considered that, since the factual circumstances of market manipulation concerning the supply on said contract during the 25 sessions had already been upheld, there was no need to examine whether these orders also characterised a process giving investors a fictitious image of supply on the futures contract in question.

■ Next, the Committee noted that 19 of the 25 contentious sell orders had fixed the closing price of the futures contract in question at an artificial level, since they had led to an artificial fall in the price, ranging between €0.25 and €3.25 depending on the session.

■ Lastly, the Committee ruled out the complaint of market manipulation by sending orders at the closing time in order to impede free establishment of the price in the market. The Committee indeed considered that the European Regulation of 16 April 2014 on market abuse no longer provided for this type of manipulation and that it was therefore appropriate to apply the principle of retroactive application of a more lenient penal law.

■ On 8 November 2018, the Committee ruled on a third case of market manipulation, in which it fined an asset management company, the manager of one of its SICAVs and another natural person, for €250,000, €20,000 and €650,000 respectively.

■ The implicated parties were first charged with having acted in concert during three sequences in order to exchange securities between the portfolio of the natural person, who was the main economic beneficiary of the SICAV, and that of the SICAV itself, managed by the implicated asset management company. The Committee upheld that the contentious orders had had the effect of fictitiously animating the market of the security, which was very illiquid, and were liable to arouse in investors a greater interest for this security, and mislead them regarding the number of market participants. It concluded that the orders sent gave false or misleading indications regarding supply and demand for the security, and constituted a case of market manipulation.

■ However, like in its decision of 16 July 2018, the Committee considered that there was no need to examine the other breaches regarding supply and demand for the security notified to the implicated parties for the same sequences, given that the first regulatory breach had been upheld.

■ One of the implicated parties was then charged with having, during the same sequences, carried out aggressive trading on the buy side and then the sell side to amplify the difference between the prices at which the securities were transferred from one portfolio to another. The Committee upheld the regulatory breach of market manipulation by price fixing at an artificial level, despite the limited influence of this trading on the price. It noted that these orders, issued shortly before the calculation of the fixing prices, were aggressive and that, when they were issued with a limit, this was often, on the buy side, at a far higher price than the best sell limit and vice versa, so that the implicated party was not looking for execution at the best price but a quotation for the security.

■ Finally, in the first two decisions of 2 May and 19 July 2018, the Enforcement Committee considered that the intentional factor of the market manipulation regulatory breach, assuming it was requested, was established in light of the circumstances of each case.

■ The decisions of 2 May 2018 and 8 November 2018 are being appealed.

## Insider dealing

Three decisions handed down by the Enforcement Committee in 2018 concerned insider dealing. The first, on 5 July 2018, concerned an issuer trading its own securities while holding inside information. The other two are briefly introduced below.

By a decision of 24 October 2018, the Committee imposed fines ranging between €20,000 and €150,000 on five of the seven persons, including one journalist, charged with having sent or used one or more inside information relating to the forthcoming publication of press articles mentioning rumours of financial operations concerning listed companies in France, by betting, via various financial contracts from the UK, on a rise in the prices of those securities.

Some of the implicated parties challenged the inside nature of the information concerned, which did not come from the issuer. The Committee dismissed this argument, stating that no legal provision restrains the nature, content or source of information which can be referred as inside information.

It then upheld that two of the information in question met the requirements to be referred as inside information. They were precise once the journalist had decided to mention the rumours in his articles, and not public until the dissemination of those articles. The Committee also upheld that this information was likely to have a significant influence on the price of the securities in question given the circulation of the British daily and its website, the reputation of the journalist writing the articles to be published, and the fact that the rumours contained in those articles, mentioning the nature of the planned operation and the expected price, unlike the information then known to the public, were rendered credible by the market environment.

Among the persons implicated, the journalist, author of the forthcoming articles, was charged with having disclosed inside information to two of his sources. The Committee considered that

the rules applicable to the journalist's profession do not prevent the characterisation of the reproached regulatory breaches. It considered that while the conversations during which his sources informed him of the rumours were for the sole purpose of their dissemination to the public, the information on the forthcoming publication of articles mentioning these rumours, intended for these sources alone, was not disclosed for journalistic purpose.

This decision is being appealed.

Finally, in its decision of 14 December 2018, the Committee imposed fines ranging between €20,000 and €800,000, for a total amount of €1,666,000, on 10 natural persons and 1 legal entity charged for insider dealing.

The Committee first noted that the information relating to the disposal of a majority stake in a company specialised in home health care and the planned subsequent simplified takeover bid was an insided information.

Then, it considered that, for each of the eleven persons accused of having used this information, it existed precise, concurring evidence proving their possession of this information, and it noted that they all knew or ought to have known that this was inside information. Two of the implicated parties were also sanctioned for having recommended the purchase of shares on the basis of inside information.

On the other hand, the Committee cleared from charges two persons accused of having transmitted the inside information. For one on them, it ruled that if the person possessed the information because it heard it by chance on a station platform and did transmit it to third parties, it was nonetheless not proven that it was aware of the inside nature of the information, so that the regulatory breach was not established. For the other cleared person, the Committee felt that the evidence on which the statement of objections was based did not establish that it had transmitted the inside information.



### Intermediaries in miscellaneous assets

By a decision of 13 November 2018, the Enforcement Committee imposed a ban on exercising the activity of intermediary in miscellaneous assets for ten years on a company and its manager, as well as a fine of €50,000 on the latter for breaches of the regulations applicable to intermediaries in miscellaneous assets.

The Committee first gave a reminder of its jurisdiction with regard to intermediaries in miscellaneous assets. Then it upheld that the implicated company had the capacity of an intermediary in miscellaneous assets given that the offer proposed to its clients consisted in the acquisition of rights to movable property for which the clients did not themselves perform management, entrusted to the implicated company, and given that the product was marketed by promotional communication channels. Given his personal involvement in marketing the offer and in the dissemination of marketing material, the manager was also assigned the capacity of intermediary in miscellaneous assets by the Committee.

The Committee then dismissed an initial complaint for the dissemination of inaccurate and misleading information, since the documents referred to by the prosecution did not come within the scope of a regulatory breach.

However, regarding a brochure intended for the company's clients, the Committee upheld that the information that it contained was inaccurate and misleading. It noted that the works of art were valued by an employee of the company and not by an independent appraiser, that the mentioned bank guarantee had not been obtained and that no exhibition in prestigious venues had been organised by the company as announced in the sales brochure.

The Committee also noted that the implicated parties had failed to comply with various obligations by which intermediaries in miscellaneous assets are bound: filing with the AMF, draft information documents and standard contracts before any disclosure to potential clients, establishment of an inventory of assets, a statement of the sums received and a report on the business and management of the assets and the transmission of these documents to the AMF and the rights owners, and the appointment by court decision of a statutory auditor.

### Lack of cooperation with the AMF's staff

In 2018, the Committee handed down four decisions sanctioning the lack of cooperation of the implicated parties with the AMF's investigators and inspectors.

By three decisions, dated 11 April 2018, 25 June 2018 and 14 December 2018 respectively, the Committee, for the first time, sanctioned professionals for not having provided diligently and loyally their assistance to inspectors, in violation of Article 143-3 of the AMF General Regulation. The Committee ruled that this text established a professional obligation, as such liable to give rise to a sanction.

To characterise this regulatory breach, the Committee notably upheld that:

- the implicated financial investment advisors had provided the inspectors with incomplete and contradictory information; for example, some of the documents transmitted were clearly inconsistent with one another;
- within seven months, the inspectors had expressed to the implicated investment service provider 60 requests which were replied to in an average time of 40 calendar days; the time exceeded 20 days in 33 cases, 40 days in 22 cases and 100 days in 9 cases; the Committee also noted that , the time for sending these reports to the inspectors who requested them, amounting to 173 days, is unjustifiable regarding the availability of the management reports executed by the company on its website;
- the implicated financial investment advisors had concealed from the inspectors a "proxy for third-party managers".

Regarding investigations, by a decision of 7 May 2018 the Committee sanctioned the manager of an issuer, charged with failure to comply with its financial communication obligations, for having, during the investigation proceedings, committed the regulatory breach of obstruction introduced in the Monetary and Financial Code by the Act of 26 July 2013 on the separation and regulation of banking activities. This is the first time that this regulatory breach has been sanctioned.

■ The Committee noted that the implicated party had deleted more than 38,000 emails from its professional mailbox system before submitting it to the investigators, and that this deletion was able to be identified by the latter only by using a digital investigation software, whereas the implicated party had certified to the investigators that the copy submitted contained all the requested information. The Committee therefore ruled that it had refused to give access to information requested by the investigators, and accordingly that the regulatory breach of obstruction was established. The implicated party, regarding which other failures to comply with its financial communication obligations were upheld by the Committee, was fined €150,000.

### Relief from sanctions

■ Act No. 2016-1691 of 9 December 2016 relating to transparency, anti-corruption and economic modernisation introduced into the Monetary and Financial Code a provision allowing persons who have been permanently banned from exercising all or part of the activities or services provided, or by a permanent confiscation of their professional licence, to apply to be relieved of this sanction. Pursuant to an application made by the person concerned, the Enforcement Committee assesses its validity taking into account potential new factors that could justify relief from the sanction. The application can be filed after the expiry of a period of at least ten years after the ban was imposed. For more details, refer to Articles L. 621-15 VI and R. 621-41-1 et seq. of the Monetary and Financial Code.

■ By a decision of 28 December 2018, the Enforcement Committee used for the first time its power to relieve from sanctions.

■ In this case, the applicant had been sentenced to a ban on exercising the third-party management business by a decision of the Commission des Opérations de Bourse (Securities and Exchange Commission) of 12 February 2002, which became definitive following the rejection of its appeal by the Council of State.

■ In its decision, the Committee noted that, on the one hand, the applicant indicated that he did not plan to carry out a professional activity in France but was merely endeavouring to counter the negative consequences of the ban on his foreign business

and, on the other hand, asserted that he had personally made provisions to correct the detrimental consequences for third parties of the regulatory breaches for which he had been sanctioned by the Commission des Opérations de Bourse.

■ In light of these factors, and also of the fact that the applicant had for the past sixteen years complied with the sanction that had been imposed on him, the Committee relieved the person concerned from his ban to exercise his activity.

## Appeals

■ The decisions of the Enforcement Committee can be appealed by the respondents or by the chairman of the AMF (known as a "principal" appeal) within two months from their notification. The chairman of the AMF may also file an appeal, known as a "cross-appeal", in response to an appeal filed by a respondent, within a period of two months from the notification of such appeal.

■ Appeals against decisions of the Enforcement Committee are brought:

- to the Conseil d'Etat for decisions handed down with regard to professionals subject to AMF supervision (investment service providers, financial investment advisers, depositories, members of regulated markets, etc.) or with regard to individuals under their authority or acting on their behalf;
- to the Paris Court of Appeal in other cases.

■ Out of the seventeen decisions handed down in 2018 by the Enforcement Committee imposing sanctions, seven were appealed by the persons sanctioned and two were the subject of a cross-appeal filed by the chairman of the AMF.

### Appeals to the Conseil d'Etat

■ In 2018 the Conseil d'Etat did not hand down no decision ruling on an appeal against a decision of the Enforcement Committee, but as at 31 December 2018, three pending appeals against decisions handed down in 2017 were nevertheless referred to it, including a principal appeal by the chairman of the AMF. Appeals were brought to the Conseil d'Etat against three decisions handed down in 2018 by at least one person sanctioned, and two were subject to a cross-appeal by the chairman of the AMF.

### Decisions handed down by the Paris Court of Appeal

— In 2018, the judge delegated by the president of the Paris Court of Appeal issued a decision rejecting a request by a sanctioned party for stay of execution of a decision handed down by of the Enforcement Committee.

— On the merits, in 2018 the Paris Court of Appeal handed down a decision dismissing the appeals brought by two sanctioned parties.

— In this case, the Enforcement Committee, by a decision of 16 May 2014, had in particular imposed fines of €800,000 and €600,000 on two natural persons for using inside information relating to planned takeover bids.

— In its decision of 5 April 2018, the Paris Court of Appeal first reiterated that the AMF had the right to obtain from a foreign authority information for the purposes of an investigation, even if a written cooperation agreement has not been executed beforehand. However, it partly cancelled the inclusion to the proceedings of the minutes of the hearing of one of the appellants made by the AMF investigator in a procedure concerning another security. However, the court considered that this cancellation did not invalidate the challenged decision.

— On the merits, and concerning each of the appellants, the court considered that the insider dealing alleged against them was established, after noting several precise and concurring pieces of evidence proving that at the time of their trading, they were in possession of the inside information in question. It noted in particular the appropriate timing of their investments, a few days before the announcement of the takeover bids, their atypical nature and the existence of a plausible circuit for transmission of the inside information. Finally, the court specified that the AMF could not be blamed for not having precisely established the identity of the person responsible for transmission of the inside information since it was not required to do so, given the inevitably secret and deliberately concealed nature of the insider dealing.

— An appeal was brought against this decision to the Court of Cassation.

### Decisions handed down by the Court of Cassation

— In 2018, the Court of Cassation handed down eight decisions out of which one formally acknowledged the appellants' discontinuance of their appeals, six rejected appeals made by sanctioned parties (one also formally noted a appellant's discontinuance of the appeal), and one decision reversed a decision of the Paris Court of Appeal.

— Three of these decisions may be noted in particular.

— The first, dated 24 October 2018, a procedural resumption by the Enforcement Committee.

— On 16 February 2012, the Enforcement Committee had imposed fines on three legal persons for having breached the rules laid down by the AMF General Regulation regarding the settlement of securities admitted to trading on a regulated market.

— The appeals made against this decision to the Paris Court of Appeal had led to its reversal by a ruling of 24 October 2013. The Court of Appeal had considered that the sanctioned parties had been deprived of the possibility of effectively exercising their right of objecting to one of the deliberating members of the Enforcement Committee. However, this decision did not settle the issues in dispute.

— By a decision of 6 October 2014, the Enforcement Committee considered that the disciplinary proceedings brought against the implicated parties was still pending and, again, imposed fines on them.

— Applied to by the sanctioned parties, the Paris Court of Appeal had rejected their appeal by a decision of 24 March 2016. The Court of Appeal held that the reversal announced by its ruling of 24 October 2013 did not affect the validity of the whole disciplinary but merely the proceedings taking place following the convocation to the meeting of the Committee. The disciplinary proceedings followed prior to the first decision of the Committee were therefore, according to the Court of Appeal, still pending.

■ Ruling on the appeals made against this decision by the sanctioned parties, the commercial chamber of the Court of Cassation, by a decision of 24 October 2018, announced the reversal, in all its provisions, of the decision of the Paris Court of Appeal of 24 March 2016, said that there were no grounds for a transfer and reversed the Enforcement Committee's decision of 6 October 2014..

■ The Court of Cassation stated that, considering the devolutive effect of the appeal, the Court of Appeal had to rule on the merits of the case submitted to it. Now, the Court noted that the Court of Appeal's decision of 24 October 2013 reverse the Committee's decision of 16 February 2012 without giving a ruling on the merits nor remanding the proceedings before the AMF in order to resume the rapporteur's duties. It concluded that this decision, which had become irrevocable, had put an end to the legal action, which could not be resumed by the AMF.

■ A second decision of the Court of Cassation, dated 14 November 2018, concerns the law governing hearings conducted abroad by a counterpart of the AMF.

■ In this case, by a decision of 22 December 2015, the Enforcement Committee had imposed fines ranging between €30,000 and €200,000 on seven people charged for having used or transmitted inside information. By a decision of 15 December 2016, the Paris Court of Appeal had rejected the appeals made by four appellants, except regarding the amount of the fines imposed on two of them, which it had reduced.

■ Appeals to the Court of cassation were filed by two sanctioned parties. During the investigations, these parties had been heard by the Singapore regulatory authority at the request of the AMF, within the framework of the *Multilateral Memorandum of Understanding* of the IOSCO (MMoU), pleaded a breach of the defence's rights, and in particular the right to be silent, the privilege against self-incrimination and to be assisted by a lawyer.

■ To reject the appeals, the Court of Cassation first gave a reminder that under the MMoU, the fairness of the acts performed by a foreign counterpart within the framework of a request for assistance by the AMF is assessed in light of the rules of procedure of the authority dealing with the case.

■ The Court of Cassation then observed that other aspects of the case, independent of the content of the contentious hearings, made it possible to determine the regulatory breaches upheld, so that the means put forward by the appellant were ineffective.

■ Another decision of the Court of Cassation, also dated 14 November 2018, concerned the conditions of imputability of regulatory breaches to the managers of an issuer following the coming into effect of the European Regulation on market abuse.

■ By a decision of 30 May 2015, the Enforcement Committee had, in particular, imposed fines of €250,000 and €150,000 respectively on an issuer and its manager for not having disclosed as soon as possible the inside information concerning the issuer's financial position.

■ By a decision of 30 June 2016, the Paris Court of Appeal had dismissed the appeal lodged by the manager, except with regard to the amount of the fine, reduced to €90,000.

■ In support of his appeal, the appellant cited the retroactive application of the European Regulation on market abuse, which came into effect subsequent to the decision of the Paris Court of Appeal, asserting that under this regulation an issuer's failure to meet its obligation of publishing any inside information as soon as possible could not be attributed to the manager, so that the provisions of the AMF General Regulation on which the imputability of the regulatory breach was based could no longer be applied.

■ The appeal was dismissed by the Court of Cassation, which noted that if the provisions of this regulation do not provide for the liability of the natural person who is manager in the event of a regulatory breach by the legal person of its duty regarding publication of inside information, it nevertheless results from Article 30 of said regulation that these provisions merely constitute the minimum measures that the Member States should put in place. It considered as a consequence that the provisions of the AMF General Regulation making it possible to held the manager liable for a regulatory breach by the legal person do not conflict with the regulation and remain applicable.





# PRESENTATION OF THE FINANCIAL STATEMENTS OF THE AUTORITÉ DES MARCHÉS FINANCIERS FOR THE 2018 FINANCIAL YEAR

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# 1 General information

## A. The legal framework for producing the financial statements of the Autorité des Marchés Financiers

— The legal framework governing the accounting records of the Autorité des Marchés Financiers (AMF) is specified in Articles R. 621-10 and following of the Monetary and Financial Code, under which:

- the AMF's financial statements are prepared in accordance with the rules of the French General Accounting Plan;
- the financial statement accounts are drawn up by the Accounting Officer and submitted by the Chairman to the Board, which hears the Accounting Officer. The financial statement accounts are approved by the Board and are forwarded to the Cour des Comptes (audit authority) by the Chairman.
- the implementation of the ceiling on taxes allocated to operators provided for in Article 46 of the 2012 Finance Act, set at €94 million for the AMF in 2018, resulted in an exceptional expense of €14.99 million;
- the receipt of €6 million for the voluntary contribution resulting from the implementation of Article L. 621-5-5 and the agreement between the AFG and the AMF for €30 million spread over five years, from 2018 to 2022.

— The financial statements are kept in compliance with the general principles of prudence, continuity, sincerity and true and faithful image of the institution's financial situation.

## B. Presentation of the financial statements

— Article R. 621-15 of the Monetary and Financial Code sets out the procedures for presenting the financial statements.

## C. Highlights of the 2018 financial year

— This financial year was characterised by the following events in particular:

- operating income, up 6.2%, covered operating expenses;
- operating expenses increased by 1.7%;
- interest income amounted to €0.06 million, taking into account the rates of interest paid for the nature of the investments made, but without risk to the capital invested;

# 2 The institution's financial situation

## A. Results for the 2018 financial year

### 1. A loss

The result for the financial year is a loss of €0.20 million, lower than the budgeted loss of €0.88 million. Compared to 2017, the result shows an improvement of €6.64 million, mainly due to the implementation of a voluntary contribution of €6 million that does not fall within the income ceiling.

Operating expenses (€15.17 million) and net financial items (€0.06 million) do not cover net exceptional items (-€15.42 million).

### 2. Insufficient cash flow

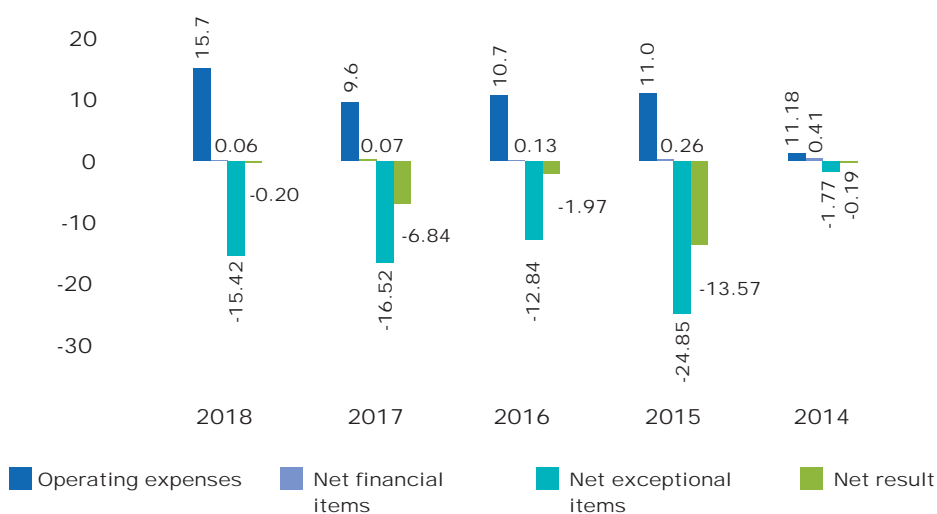
Cash flow from operations measures the surplus of internal resources generated by the Authority's activity that it can use for its own financing. At the end of the 2018 financial year, cash flow from operations amounted to €4.81 million.

### 3. Withdrawal from working capital

Funds amounted to €4.91 million. Use of funds (acquisitions of intangible and tangible assets, and prepayments on intangible and tangible assets) amounted to a net total of €10.16 million.

The withdrawal from working capital resulting from the difference between funds and use of funds amounts to €5.25 million.

FIGURE 1.  
Breakdown of the result for the financial year



## B. The institution's financial structure

### 1. Positive working capital

Working capital (WC) measures the excess of long-term capital over net fixed assets and amounts to €17.12 million (€22.37 million in 2017).

### 2. Working capital requirement (WCR)

Working capital requirement (calculated as the difference between "trade receivables" plus "pre-paid expenses" and "liabilities" plus "deferred income") amounted to -€36.70 million (-€36.15 million in 2017).

### 3. The relationship between cash position (CP), WC and WCR

The following equation is used:

$$CP = WC - WCR$$

$$[53.82 = 17.12 - (-36.70)]$$

Analysis of the balance sheet shows that the AMF has positive working capital but also has a negative working capital requirement: its cash position is positive.

## C. 2019 budget outlook

The financial resources ceiling, set at €94 million in 2016, 2017 and 2018, was insufficient for the AMF to have the financial resources to meet the various challenges facing it, in particular with regard to:

- the overhaul of its information technology and cybersecurity systems, which are essential for an authority responsible for market supervision;
- the implementation of new regulations;
- Brexit, which increases the involvement of the regulator at the European level and improves support for participants.

The 2019 Finance Act therefore provides for an increased income ceiling of €96.5 million. This moderate increase is an essential first step towards the necessary financial equilibrium of the institution. This ceiling will have to be reviewed in 2010 so that the AMF can have the resources to implement its strategic plan and pursue its mandates, which are becoming more burdensome each year.

Given the constrained budgetary situation, the 2019 budget is consistent with the AMF's cost rationalisation policy by enabling it to carry out its mandates and its 2018-2022 strategic plan. For example, the estimate of the resources required to implement the strategic plan covers in particular the need to strengthen teams, introduce cross-functional strategies and develop new analysis and monitoring tools.

On the budgetary level, the 2019 budget includes the following elements:

- an income ceiling of €96.5 million in accordance with the 2019 Finance Act, compared with €94 million in 2018;
- income of €113.94 million, including contributory income valued at €106.49 million following the reform of fees and contributions received by the AMF, a voluntary contribution of €6 million (BIO3 project financing) and miscellaneous income of €1.45 million;
- a repayment to the general State budget of €9.99 million, compared with €14.99 million in 2018;
- a €2.88 million increase in operating expenses to meet the objectives of the 2018-2022 strategic plan.

The forecast net result is a loss of €1.99 million compared to a loss of €0.2 million in 2018. This decrease in the net result is due to the increase in operating expenses (+€2.88 million), which is not fully covered by the €2.5 million increase in the ceiling on contributory income and the decrease in other income (-€0.78 million).

The amount of investment (€16.26 million) increased by €6.13 million due to:

- a €6.44 million increase in IT investment, particularly in asset management information systems (BIO3) and market supervision systems (ICY);
- a €0.31 million decrease in real estate investment.

The withdrawal from working capital amounted to €13.6 million compared with €5.25 million in 2017.

The amount of cash is estimated at €35.23 million, with the repayment of the 2019 income surplus (€9.99 million) to be made in May 2020, after the financial statements have been approved by the Board, while the repayment of the 2018 income surplus (+€14.99 million) will be made in May 2019.

## D. Multi-year expenditure optimisation plan

In accordance with Article 21 of French Law 2017-55 of 20 January 2017 on independent administrative authorities (IAAs) and independent public authorities (IPAs), the AMF has initiated and implemented measures to pool its services with other IPA/IAA departments or with those of a ministry:

- in 2017, the AMF and five other authorities (ARAFER, HADOPI, AFLD, ARCEP and H3C) pooled their purchases of services from a travel agency. The AMF was responsible for preparing the contractual documents and analysing the tenders. Pooling these purchases was instrumental in obtaining favourable pricing conditions.
- in May 2018, the AMF renewed its commitment to a contract to supply legal databases via a procedure launched for the French State Procurement Directorate (DAE). This mechanism has enabled the AMF to make significant savings on annual costs without mobilising resources to formalise the requirements and analyse tenders.

## 3 Income statement

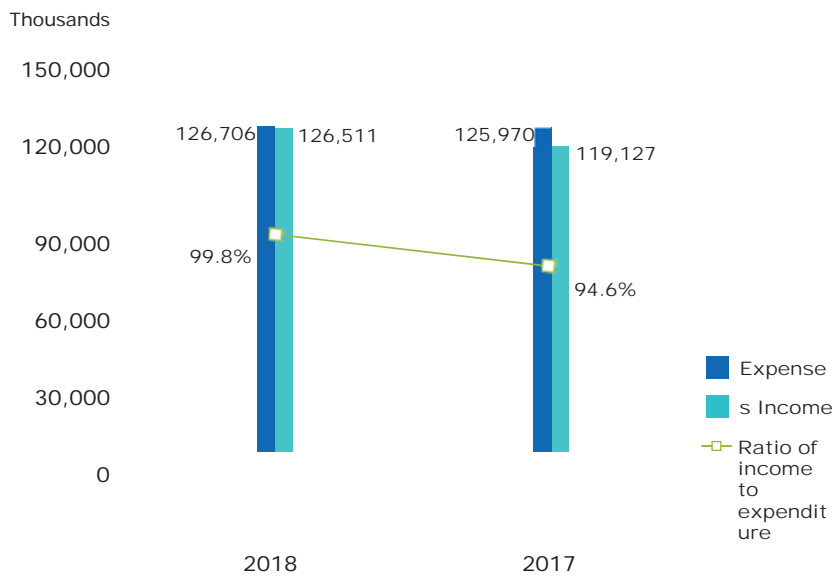
The graph below shows the change in the coverage rate of expenses by income, which increased by 5.2 points between 2017 and 2018, resulting in a loss of €0.20 million.

For the financial year, total income amounted to €126.51 million and expenses to €126.71 million. Income therefore covers 99.8% of expenses.

This improvement is mainly due to the introduction of a voluntary contribution of €6 million that does not fall within the scope of the calculation of the ceiling on contributory income.

Adjusted to account for the exceptional expense of €14.99 million related to the income ceiling, the 2018 result would be a profit of €14.80 million.

FIGURE 17.  
Coverage rate of expenses by income



## A. Operating income

Income for the 2018 financial year, up 6.2%, amounted to €126.45 million. Excluding non-cash income (reversals of provisions), income amounted to €118.30 million, up 4% compared with 2017 (€113.77 million).

### 1. Special income (fees and contributions)

This income, which fell by 1.8% to €110.07 million, came from:

- fees levied on market capitalisation of €18.42 million (€17.54 million in 2017), up 5%;
- fees and contributions due on the issue of financial instruments, the review of takeover bids and threshold crossing disclosures of €20.02 million (€19.94 million in 2017);
- fees levied on the exercise of investment services (dealing on own account) of €9.20 million (€9.34 million), down slightly by 1.5%;
- fees levied on service providers and savings products of €60.70 million, including €43.13 million for management services (€63.64 million, including €48.13 million for management services in 2017). This line item decreased by 4.6% following the introduction of a voluntary contribution under Article L. 621-5-5 of the Monetary and Financial Code and the agreement between the Association Française de la Gestion Financière (AFG, the French Asset Management Association) and the AMF;
- the contribution due from market infrastructures, based on the operating income for the reporting year, of €1.72 million (€1.62 million in 2017), up 6.4%.

The breakdown of fees and contributions recorded in 2018 is as follows:

- fees from investment services providers and on savings products 63.52% compared with 65.12% in 2017;
- fees for corporate financing transactions 34.92% compared with 33.44% in 2017;
- fees paid by market infrastructures 1.56% compared to 1.44% in 2017.

### 2. Voluntary contributions

This voluntary contribution of €6 million is the result of the implementation of Article L. 621-5-5-5 of the Monetary and Financial Code and the agreement between the AFG and the AMF for €30 million.

This contribution shall be paid in a single instalment no later than 31 October of each year from October 2018 to October 2022.

### 3. Other income

The total for other income, amounting to €2.17 million (€1.61 million in 2017), mainly relates to:

- the organisation of seminars and training days amounting to €0.68 million;
- the invoicing of operating costs of €0.39 million (agreement between the Belgian Financial Services Authority (FSMA) and the AMF);
- invoicing relating to staff made available, amounting to €0.32 million;
- invoicing for data transmission relating to UCITS amounting to €0.17 million;
- cancellation of unused accrued expenses no longer applicable of €0.09 million;
- judgements and rulings made in favour of the AMF for €0.03 million;
- assets issued in favour of the AMF for €0.36 million.

### 4. Reversals of amortisation and provisions

These amounted to €8.22 million and include reversals of impairment in value of trade receivables and reversals of operating provisions.

## B. Operating expenses

Operating expenses increased by 1.7% to €111.28 million (€109.45 million in 2017). The change is mainly due to the increase in depreciation and amortisation charges (+€1.19 million) and provisions (+€1.16 million), partly offset by other expenses (-€0.82 million), in particular on write-offs of trade receivables from previous financial years.

### 1. Purchases of merchandise and purchases of non-inventoried items and supplies

At €1.18 million (€0.98 million in 2017), these expenses increased by 20.4%, mainly as a result of the upgrade to the office automation environment.

### 2. Other purchases and external expenses

At €32.77 million (€32.78 million in 2017), these remained stable compared with 2017.

#### General subcontracting

At €0.22 million, this line item decreased by 4.5%. It mainly covers the control tasks delegated to the ACPR and the Banque de France.

#### Rent (real estate, furniture and equipment) and rental charges

At €6.08 million, this line item decreased by €0.03 million (-0.49%).

#### Upkeep, repair and maintenance

At €2.37 million, this line item increased by €0.04 million (+1.7%). This line item primarily includes the costs of maintaining buildings and information technology.

#### Documentation, conferences and seminars

These expenses amounted to €1.77 million. The decrease of €0.05 million (-2.8%) relates to documentation for €0.03 million and to the costs of symposia, seminars and conferences for €0.02 million.

#### Payments to intermediaries and fees

At €1.8 million, the increase of €0.21 million (+13.2%) in this line item is mainly due to:

- the increase in temporary staff of €0.09 million in relation to the needs of the departments, seconded staff of €0.08 million and translation costs of €0.12 million due to the updates to the charter for investigations and controls and the increase in international investigations (hearings, detailed letters and grievance notifications);
- a decrease in fees of €0.04 million and in legal and litigation costs of €0.04 million.

## Other

— This line item encompasses a set of expenses that amounts to €20.55 million. The €0.15 million decrease (-0.7%) in this line item mainly relates to:

- a decrease of €0.6 million in external IT services, particularly on adaptive maintenance for certain projects;
- decreases of €0.11 million in postage and telecommunications costs (particularly in mobile phone costs), €0.11 million in staff travel and transport due to the sharp decrease in the number of long-distance trips and the continued strict enforcement of the travel policy, €0.09 million in staff recruitment costs resulting from increased use of social media, €0.06 million in functions and events, and €0.04 million in catalogues and printed matter;
- an increase in other miscellaneous expenses of €0.67 million related to building expenses (multi-technical packages and fitting out of premises for AMF1), services provided as part of the AMF's digital transformation, studies purchased from the Observatory for Savings and the practical monitoring of marketing;
- an increase in contributions of €0.34 million related to contributions paid for ESMA (operations and IT pooling);
- an increase of €0.07 million in continuing staff training, in line with the HR policy encouraging employee skills development.

## 3. Other expenses

Other expenses amounted to €1.1 million (€1.92 million in 2017). The decrease of €0.82 million (-42.7%) is mainly due to the repayment in 2017 of two trade receivables collected in error. This line item primarily includes:

- cancellations of receipts from previous financial years amounting to €0.19 million;
- royalties for concessions, patents and computer tool licences amounting to €0.4 million;
- subsidies of €0.22 million paid to the Haut Comité Juridique de Place and the Institut Europlace de Finance;
- copyright and reproduction rights and similar rights for €0.12 million;
- trade receivables that have become bad debt amounting to €0.13 million.

## 4. Staff costs

### Wages and salaries

— Wages and salaries amounted to €37.46 million (€37.15 million in 2017), an increase of €0.31 million (+0.8%). This is explained by:

- the implementation of the wage policy adopted for 2018 in terms of individual increases and variable pay, with the understanding that there has been no general increase or wage drift due to seniority and/or skills (*glissement-vieillesse-technicité* or GVT);
- the stability in headcount at an average of 484 FTEs (full-time equivalents) in 2017 and 2018.

### Welfare charges, employee benefits, matching payments, other

— At €16.49 million (€16.47 million in 2017), these expenses increased by 0.12%. The increase mainly relates to contributions to the URSSAF and AGIRC-ARRCO, but also payments to the works council and meal vouchers, offset by the decrease in IRCANTEC and the AMF's matching payments to the PEE (company savings scheme).



## Employee profit-sharing

Profit-sharing amounted to €2.15 million (€2.24 million in 2017), down 4% compared to 2017, with the profit-sharing rate ranging from 6.45% in 2017 to 6.10% in 2018.

## Taxes and similar payments

This line item amounted to €7.34 million (€7.47 million in 2017). It primarily includes payroll tax (€4.92 million), transport payments (€1.05 million), employer contributions to continuing professional training (€0.43 million) and housing tax (€0.48 million).

## 5. Depreciation, amortisation and provisions

Annual depreciation and amortisation amounted to €4.29 million (€3.19 million for intangible assets and €1.10 million for tangible assets).

Operating provisions amounted to €8.5 million and mainly include:

- the cost of unemployment benefit;
- the provision for disputes;
- the provision relating to the estimated additional payment in 2018 to the general State budget resulting from outstanding amounts to be recovered from trade receivables falling within the scope of Article L. 621-5-3 of the Monetary and Financial Code.

## C. Interest income

Interest income decreased to €0.06 million (€0.07 million in 2017) and resulted from the interest on the Livret B passbook savings account with a gross rate of 0.1% (0.076% in net).

At 31 December 2018, investments amounted to €53.79 million in Livret B passbook savings.

## D. Non-recurring income

Since 1 January 2017, this line item has been reclassified in "Other income" under Operating Income.

## E. Non-recurring expenses

The total of these expenses amounting to €15.42 million (€16.52 million in 2017) includes:

- the non-recurring expense of €14.99 million resulting from the implementation of the ceiling on taxes allocated to operators provided for in Article 46 of the 2012 Finance Act (ceiling set at €94 million for the AMF in 2017 and 2018); the net book value of fixed assets taken off the inventory amounting to €0.43 million.

## 4 Assets balance sheet

### A. Intangible assets: €18.71 million

— Total IT investments at the end of the 2018 financial year amounted to €3.49 million, of which €3.31 million relates to prepayments on projects in the Information Technology strategic plan (in particular ICY and BIO3).

— Prepayments on intangible assets in 2018 amounted to €12.13 million.

— The net book value of prepayments taken off the balance sheet amounts to €0.15 million.

— Intangible assets taken off the balance sheet amounted to €1.27 million, including a net book value of €0.29 million.

### B. Tangible assets: €5.21 million

— Acquisitions of tangible assets in 2018 amounted to €1.08 million, including primarily space planning and fitting-out work (€0.06 million), computer hardware (€0.88 million) and furniture (€0.07 million).

— Prepayments on tangible assets in 2018 amounted to €1.68 million.

— Tangible assets taken off the balance sheet amounted to €0.08 million.

### C. Long-term investments: €0.03 million

— This line item includes deposits and guarantees paid amounting to €0.03 million.

### D. Operating receivables: €26.68 million

— The line item Trade Notes and Accounts Receivable breaks down as follows:

- €3.14 million of receipts recorded in the accounting officer's entries during the month of December 2018 and which, as a result, could not be collected before the end of the financial year;
- €1.32 million of receipts recorded in 2018 that were outstanding;
- €0.23 million of receipts recorded prior to 2018 that were outstanding;
- €24 million representing the balance, after receipt of the €6 million on 24 October 2018, of the receivable due from the AFG under the agreement signed between the AMF and the AFG on 29 March 2018.

### E. Other trade receivables: €0.04 million

— This line item includes the value of lunch vouchers (€0.01 million), salary advances (€0.01 million) and payment orders (€0.02 million).

### F. Cash at hand and in bank: €53.82 million

— As well as the Livret B passbook account (€53.79 million), this line item also includes bank cheques deposited for cashing, bank account balances and cash at hand that amounted to €0.03 million.

### G. Pre-paid expenses: €1.93 million

— Seventy-one per cent of the amount of pre-paid expenses corresponds to rents and expenses for the first quarter of 2019 paid in arrears.

## 5 Liabilities balance sheet

### A. Reserves

— The net income for the 2018 financial year of -€0.20 million is allocated to the institution's reserves.

Reserves before allocation: €27.44 million  
 Net income (loss): -€0.20 million  
 Reserves after allocation: €27.24 million

— After allocation of income, the reserves amounted to €27.24 million.

### B. Provisions for risks and charges: €13.82 million

— Provisions for risks amounted to €3.77 millions.

— Provisions for charges of €10.05 million mainly relate to:

- pension commitments and similar benefits;
- the cost of unemployment benefit;
- matching payments for 2018 profit-sharing; the
- time-saving account;
- the estimated additional payment in 2018 resulting from outstanding amounts to be recovered from trade receivables falling within the scope of Article L. 621-5-3 of the Monetary and Financial Code.

### C. Operating liabilities: €36.74 million

— Trade notes and accounts payable: this line item corresponds to invoices from suppliers not received by the AMF at the end of the financial year for a total of €4.8 million and, for €4.55 million, invoices in the process of being settled at the end of the financial year.

— This line also includes the exceptional expense of €14.99 million resulting from the income ceiling of €94 million for 2018.

— Tax and welfare liabilities: this line item, amounting to €12.4 million, includes the liability provisioned for paid leave (€5.38 million, including charges), profit-sharing (€2.87 million, including charges), the proportion of variable remuneration (€2.53 million, including charges), and amounts due to the various social organisations (€1.61 million).

### D. Payable to fixed asset suppliers: €5.38 million

— This line item corresponds to invoices from fixed asset suppliers not received at the end of the financial year for €2.95 million and, for €2.43 million, invoices in the process of being settled at the end of the financial year.

### E. Other liabilities: €1.23 million

— This line item includes suspense accounts amounting to €1.23 million and overpayments of €0.01 million.

### F. Deferred income: €24 million

— This line item corresponds to all voluntary contributions still to be collected between now and 2022 under the agreement signed between the AFG and the AMF on 29 March 2018.

— It is forecast that €6 million will be collected before 31 October each year.

TABLE 1.  
AMF Balance Sheet as at 31 December 2018

ASSETS		2018 FINANCIAL YEAR			2017 FINANCIAL YEAR
		Gross	Deprec./Amort. Provisions	Net	Net
FIXED ASSETS	INTANGIBLE ASSETS	35,054,017	16,348,437	18,705,580	13,940,187
	Patents, licences, software	26,774,023	16,348,437	10,425,586	10,413,180
	Prepayments	8,279,994	-	8,279,994	3,527,007
	TANGIBLE ASSETS	19,507,935	14,296,539	5,211,396	4,542,107
	Machinery and industrial equipment	541,860	530,203	11,656	30,627
	Other	17,508,352	13,766,336	3,742,016	3,930,822
	Prepayments	1,457,723	-	1,457,723	580,657
	LONG-TERM INVESTMENTS	26,286	-	26,286	26,286
	Other	26,286	-	26,286	26,286
	<b>TOTAL 1</b>	<b>54,588,237</b>	<b>30,644,976</b>	<b>23,943,262</b>	<b>18,508,579</b>
CURRENT ASSETS	TRADE RECEIVABLES				
	TRADE NOTES AND ACCOUNTS RECEIVABLE	28,767,944	87,276	28,680,668	3,809,291
	Other	42,120	-	42,120	94,887
	INVESTMENT SECURITIES				
	Other securities				
	CASH AT HAND AND IN BANK	53,823,200	-	53,823,200	58,513,799
<b>TOTAL 2</b>	<b>82,633,263</b>	<b>87,276</b>	<b>82,545,987</b>	<b>62,417,976</b>	
<b>PRE-PAID EXPENSES (TOTAL 3)</b>	<b>1,926,639</b>	<b>-</b>	<b>1,926,639</b>	<b>2,017,497</b>	
<b>GRAND TOTAL (1+2+3)</b>		<b>139,148,140</b>	<b>30,732,252</b>	<b>109,415,989</b>	<b>82,944,053</b>

LIABILITIES		2018 FINANCIAL YEAR	2017 FINANCIAL YEAR
		Before allocation	Before allocation
EQUITY	RESERVES	27,437,778	34,281,053
	DEFICIT (-) OR SURPLUS FOR THE PERIOD	-195,343	-6,843,276
	<b>TOTAL 1</b>	<b>27,242,435</b>	<b>27,437,778</b>
PROVISIONS	PROVISIONS FOR RISKS	3,766,546	2,609,635
	PROVISIONS FOR CHARGES (NOTE No. 6)	10,052,249	10,828,715
	<b>TOTAL 2</b>	<b>13,818,795</b>	<b>13,438,350</b>
LIABILITIES	TRADE NOTES AND ACCOUNTS PAYABLE	24,341,894	23,347,826
	TAX AND WELFARE LIABILITIES	12,397,756	12,540,004
	PAYABLE TO FIXED ASSET SUPPLIERS	5,382,629	4,845,270
	OTHER LIABILITIES	1,232,379	1,334,824
	<b>TOTAL 3</b>	<b>43,354,658</b>	<b>42,067,924</b>
	<b>DEFERRED INCOME (TOTAL 4)</b>	<b>24,000,000</b>	<b>-</b>
<b>GRAND TOTAL (1+2+3+4)</b>		<b>108,415,888</b>	<b>82,944,053</b>

TABLE 2.  
AMF Income Statement as at 31 December 2018

Income Statement	2018 Financial Year	2017 Financial Year
<b>OPERATING INCOME</b>		
<b>Special income (fees):</b>	<b>110,067,207</b>	<b>112,083,807</b>
Payments for corporate financing transactions and disclosures	38,439,178	37,478,365
Payments from investment services providers and on savings products	69,906,619	72,987,282
Payments from market infrastructures	1,721,410	1,618,160
<b>Voluntary contributions</b>	<b>6,000,000</b>	-
<b>Other income (conferences and seminars, databases, various rentals, etc.)</b>	<b>2,170,322</b>	<b>1,613,887</b>
<b>Reversals of amortisation and provisions</b>	<b>8,215,681</b>	<b>5,361,526</b>
<b>TOTAL I</b>	<b>126,453,210</b>	<b>119,059,221</b>
<b>OPERATING EXPENSES</b>		
Purchase of non-inventoried items and supplies	1,179,546	974,930
<b>Other external expenses, of which:</b>	<b>32,769,601</b>	<b>32,782,278</b>
General subcontracting	211,768	219,746
Rent (real estate, furniture and equipment) and rental charges	6,078,483	6,112,759
Upkeep, repair and maintenance	2,366,030	2,331,377
Documentation, conferences and seminars	1,766,469	1,823,482
Payments to intermediaries, fees and secondments	1,800,097	1,591,428
Other (insurance, travel and entertainment, subsidies, postage, training, telecoms, etc.)	20,546,755	20,703,486
Other expenses	1,100,892	1,917,056
Taxes and similar payments	7,342,624	7,468,281
Wages and salaries	37,462,035	37,154,106
Welfare charges, employee benefits, matching payments, other	16,490,725	16,464,987
Employee profit-sharing	2,145,765	2,235,424
Depreciation, amortisation and provisions	12,790,430	10,456,477
<b>TOTAL II</b>	<b>111,281,618</b>	<b>109,453,538</b>
<b>OPERATING EXPENSES (I+II)</b>	<b>15,171,592</b>	<b>9,605,682</b>
<b>INTEREST INCOME (III)</b>	<b>57,891</b>	<b>67,390</b>
Income from investment securities, net proceeds from sale of investment securities	57,891	67,390
<b>INTEREST EXPENSE (IV)</b>	<b>1,558</b>	<b>1,172</b>
<b>NET FINANCIAL ITEMS (III+IV)</b>	<b>56,332</b>	<b>66,218</b>
<b>PRE-EXCEPTIONAL SURPLUS/DEFICIT (I+II+III-IV)</b>	<b>15,227,924</b>	<b>9,671,900</b>
<b>NON-RECURRING INCOME (V)</b>	-	-
On management operations	-	-
On equity transactions	-	-
<b>NON-RECURRING EXPENSES (VI)</b>	<b>15,423,267</b>	<b>16,515,175</b>
On management operations	14,991,841	16,332,769
On equity transactions	431,426	182,407
<b>NET EXCEPTIONAL ITEMS (V+VI)</b>	<b>-15,423,267</b>	<b>-16,515,175</b>
<b>TOTAL INCOME (I+III+V)</b>	<b>126,511,101</b>	<b>119,126,611</b>
<b>TOTAL EXPENSES (II+IV+VI)</b>	<b>126,706,444</b>	<b>125,969,886</b>
<b>DEFICIT (-) OR SURPLUS</b>	<b>-195,343</b>	<b>-6,843,276</b>

# 2019 PRIORITIES FOR ACTION

**EUROPE: PREPARE FOR NEW  
REGULATORY AND  
SUPERVISORY CHALLENGES**

**SUPPORT MARKET PARTICIPANTS**

**IMPROVE THE AMF'S  
SUPERVISORY TOOLS AND  
APPROACH: YEAR 2**

**IMPLEMENT THE NEW CRYPTO-ASSET  
REGIME  
AND CONTINUE TO SUPPORT  
INNOVATION**

**THE REGULATOR'S CONTRIBUTION  
TO THE DEVELOPMENT OF  
SUSTAINABLE FINANCE**

**OUR WORK FOR  
RETAIL INVESTORS:  
PROTECTING AND  
SUPPORTING**

**CONTINUE THE AMF'S  
TRANSFORMATION**



## Europe: prepare for new regulatory and supervisory challenges

### Developing a new roadmap for a 27-member Europe

2019 is a year of review and transition for the EU, characterised by discussions on the exit of the United Kingdom, the European elections in May and the establishment of a new Commission on 1 November 2019. The start of the Commission's new term of office should enable Europe's financial markets to define their new roadmap. This roadmap needs to take into account the real resistance to a more integrated European model, as expressed again in 2018, while meeting the challenges that Europe faces.

There are a number of questions that need to galvanise the collective thinking of both private and public stakeholders. What are the main lines of action for the 2019-2024 vision given that the Capital Markets Union (CMU) project is losing momentum? What is Europe's role and vision with regard to other major financial centres in the world? How should Europe be organised – particularly in terms of supervision – in response to a less geographically concentrated European financial landscape? How can European standards evolve to provide a guarantee of quality and adaptability in a financial environment that continues to change rapidly? What changes should be made to legislation that needs to be reviewed (the founding texts on asset management in particular, with the review of the UCITS and AIFM directives) or to those that, as a result of Brexit (for MiFID in particular) or other developments (technological, industrial, etc.), require at least a partial rethink?

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#### OBJECTIVE FOR 2019

- Contribute to the discussions to define the key priorities for Europe's financial markets for the next term of office 2019-2024
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### The transition period before the United Kingdom's exit from the European Union

In 2019, many resources will continue to be involved in preparing for the United Kingdom's exit from the European Union. If the draft withdrawal agreement is ratified by the European Union and the United Kingdom, a transition period of 20 months (or more) will begin, which will involve continuing the work already underway at both industry and government levels. The future framework for relations between the London marketplace and the 27-member European Union will be crucial and involves many regulatory and supervisory issues.

The relationship between the European Securities and Markets Authority (ESMA) and the UK Financial Conduct Authority (FCA) will also need to be defined, as will the relationship between national authorities and the FCA. This will have significant operational implications in areas such as data exchange for market supervision.

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#### OBJECTIVE FOR 2019

- Continue to support entities wishing to set up or start activities in Paris as well as French institutions that need to prepare for the United Kingdom's exit from the European Union
- Contribute to the work on the future relationship between the United Kingdom and the EU



## Supporting market participants

— In its #Supervision2022 strategic plan, the AMF committed itself to helping market participants implement a regulatory framework that has become very complex. The aim of the regulator is also to assess the changes brought about by the new regulations and ensure the attractiveness of the markets. After the entry into force in 2018 of MiFID and several other major pieces of legislation (PRIIPs, Indices, Money Market Funds and Market Abuse), a significant amount of implementation work is expected in 2019, including the entry into force of another major reform, Prospectus 3, which is significant for listed companies.

— While the French government carried out work during 2018 to identify any “gold-plating” of European directives that have led to increased regulation of the financial sector in France, the AMF will also seek to identify measures within the body of rules issued by the Authority that would impose excessive constraints and no longer appear relevant today. This exercise reflects the objective of contributing to the attractiveness of the markets and the stock exchange and is consistent with the commitment made by the AMF in its #Supervision2022 plan to avoid creating additional constraints.

### Supporting professionals and monitoring market developments

— The implementation of several new obligations will be a major focus for the AMF's teams in 2019:

- firstly, the authorisation (before 21 January 2019) and monitoring of all French funds affected by the new classification introduced by the European Money Market Fund Regulation (MMFR), and the authorisation and monitoring of benchmark administrators as per the EU Benchmark Regulation before the end of 2019;
- secondly, support for participants in complying with the new reporting obligations arising from the two regulations on Central Securities Depositories (CSDR) and, according to the timetable adopted at the European level, on Securities Financing Transactions (SFTR).

The AMF will also complete the work required to update its policy to comply with the Markets in Financial Instruments Directive (MiFID 2). One year after the entry into force of this directive, the AMF will also work with the relevant market participants to assess the directive's impact on the main objectives set out in the European legislation, particularly in terms of transparency, market structure and marketing. Discussions are already underway in Paris as part of the MiFIDVision platform. They will have to be extended, in particular to ensure the availability of research on small and medium-sized companies, an area of concern identified and studied by the European Commission. This assessment will also serve to identify aspects of the various MiFID-related texts that will have to be updated as a result of the United Kingdom's exit from the European Union.

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### OBJECTIVE FOR 2019

- Authorisation and monitoring of entities concerned by the MMF and Index regulations
  - Support for the early implementations and reporting requirements from CSD and SFT regulations
  - Completion of the overhaul of the AMF policy to comply with MiFID 2
  - Contribution to the MiFID 2 assessment and identification of changes in the various MiFID texts required as a result of Brexit
-

For listed companies, prepare for the implementation of Prospectus 3 and continue the strategy launched for SMEs and mid-sized enterprises

For listed companies and issuers of financial securities, the entry into force of the Prospectus 3 Directive on 21 July 2019 involves some major changes. In 2019, the AMF will continue the communication initiatives already underway with companies and will undertake major work to update the AMF policy. Awareness-raising initiatives will also continue to be undertaken, following an initial workshop at the AMF's premises in June 2018, to prepare companies for the launch on 1 January 2020 of the European Single Electronic Format (ESEF), which will be mandatory for all issuers listed on a regulated market for the submission of their annual financial reports. The objective is to increase the transparency of companies' financial statements and to make them more accessible to investors and analysts.

Other projects will involve AMF teams, in particular the launch of a working group to lower the threshold for compulsory buyout offers with squeeze out to 90%, following the measures proposed under the PACTE Bill. The working group will consider possible improvements to the rules on pricing and independent expertise, for example. The AMF also wishes to overhaul the ad hoc prospectus used for public offerings of shares in mutual banking groups. The objective here is to shorten and simplify it, making it more readable for investors.

Finally, several initiatives concern listed SMEs and intermediate-sized enterprises (defined as companies whose market capitalisation does not exceed €1 billion). There are nearly 500 of these enterprises spread throughout the country, representing 78% of all listed companies in France. Of these, 324 SMEs and intermediate-sized enterprises are listed on the regulated market. For this group, which faces numerous listing requirements, the AMF seeks to encourage direct dialogue with

the regulator, in particular to gain a clear understanding of the strategic issues facing SMEs and intermediate-sized enterprises, to support companies throughout their stock market journey, including with dedicated contacts and appropriate tools (guides, etc.), and finally to consider changes in the regulatory and appropriate supervisory framework.

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### OBJECTIVE FOR 2019

- Continue awareness-raising and educational initiatives with issuers before Prospectus 3 comes into force and update the AMF policy
- Support listed companies before the European Single Electronic Format (ESEF) for reporting comes into force in 2020
- Continue actions aimed at helping listed SMEs and mid-sized enterprises meet their regulatory obligations and address their specific issues
- Support the lowering of the threshold for compulsory buyout offers with squeeze out

## Improve the AMF’s supervisory tools and approach: year 2

— The medium-term vision defined for the AMF at the beginning of 2018 brought about significant changes, not only by strengthening the resources allocated to supervision, but also to improve its approach. These included strengthening our presence on the ground, increasing the visibility of our initiatives (by publishing our supervision priorities in particular), empowering market participants and investing in new areas of supervision.

### Strengthening the effectiveness of monitoring and investing in new areas of supervision

— The work carried out in 2017 and 2018 sought to evaluate the regulator’s initiatives, building on the progress observed. The objective is to streamline some of the regulator’s tasks in order to free up resources to invest in new areas of supervision or strengthen efforts in specific areas. After carrying out a review of its approach to commercial documents in 2018, the AMF will assess the monitoring of newsletters to investment fund unit holders in 2019. This involves reviewing several hundred documents per year, with a focus on efficiency gains in carrying out the controls and possible improvements in the information provided in the documents. Among the areas that will receive specific attention in 2019 is the monitoring of distributors, including the deployment of new reporting and the strengthening of the unit in charge of this monitoring. The STS Regulation, which creates a specific framework for “simple, transparent and standardised” securitisations, will also require the necessary mechanisms to be put in place to collect the information required by the European framework.

Anti-money laundering and combating the financing of terrorism (AML/CFT) is also one of the supervisory priorities for 2019. In addition to updating the AMF policy in this area, the regulator will have to strengthen monitoring of these risks in 2019, in particular by introducing new information-gathering mechanisms. The last objective is to strengthen the risk-based approach to individual monitoring and develop tools to assist supervisory authorities.

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### OBJECTIVE FOR 2019

- Update the AMF policy on AML/CFT and strengthen the current risk monitoring system
- Continue efforts to monitor distributors
- Continue the changes initiated in our approach to supervision to improve the effectiveness of monitoring

## Continued efforts with data

Since MiFID came into force on 3 January 2018, the AMF has received some 35 million transaction reports per month from French institutions (more than twice as many as under MiFID 1) and 100 million from other European institutions (received via their national regulators). Each report also contains four times more fields. Added to this is the reporting of orders and transactions from market infrastructures and various other sources. While the previous AMF surveillance system received about 15 TB of data in more than 20 years of existence, it is estimated that the new ICY platform will store almost 100 TB in 10 years (not including the project to load unstructured data such as information flows).

The challenge is therefore considerable for the AMF, which has made very substantial investments in order to store and use this new data. For market supervision, 2019 is the scale-up phase of the ICY platform after its launch in 2018 and the implementation of the first MiFID reports. In other areas (AIFM and EMIR reporting in particular), analysis on the data collected is becoming more valuable as it now covers longer periods. Regardless of the type of data and the intended objectives (supervision, monitoring of participants and risks, trend analysis, etc.), issues related to the quality, protection and governance of data are still crucial and require the development of a comprehensive strategy.

In parallel, after promising initial trials in 2018, the projects developed within the AMF Data Lab will continue in 2019 and some will become fully operational.

These projects – which combine the data with new possibilities offered by artificial intelligence – cover a wide range of issues, from monitoring the unregulated products and services (to detect trends and possible scams more easily) to applications used to increase the effectiveness of investigative work. The projects are developed around the issues identified for the regulator’s various functions and aim to save time, process information more comprehensively and improve accuracy.

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### OBJECTIVE FOR 2019

- Complete the operational deployment of the AMF’s new surveillance system (ICY) and ready the various alerting and analysis tools for production use
- Continue leveraging on the new reporting regimes, particularly those resulting from the AIFM Directive and EMIR Regulation
- Develop a comprehensive data strategy (objective deferred from 2018)
- Continue the experimentations within the AMF Data Lab and develop the first prototypes.

## Implement the new crypto-asset regime and continue to support innovation

### Supervision of issues and the secondary market for crypto-assets

The AMF made a major contribution to the work carried out in 2018 to develop the French legal framework for initial coin offerings (ICOs) and the secondary market for crypto-assets. The mechanism proposed in the PACTE Bill is pioneering at the international level in many respects and gives the AMF an important role. In particular, it proposes an optional approval of trading platforms and other services from digital asset service providers, as well as the authorisation of professional specialised funds for investing in crypto-assets. The implementation of this new regime will require extensive regulatory and operational work. At the same time, given the significant risks for retail investors, the AMF believes it is necessary to reform the legislation governing direct marketing in order to ban it in relation to crypto-assets.

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#### OBJECTIVE FOR 2019

- Implement the new French regime (regulatory approvals and authorisations, etc.)
  - Continue the work at the international level and focus on the French framework
  - Direct marketing reform to ban it for crypto-assets under certain conditions
- 

Monitoring the developments made possible by technological innovation, particularly with regard to **blockchain**, artificial intelligence and RegTech

Supporting innovation is a firm commitment made in the AMF's #Supervision2022 strategic plan. Less than ten years after the emergence of fintech and the first blockchain applications in the financial sector, the possibilities inherent in these technologies are still enormous, whether they come from new operators or are deployed within established institutions. For regulators, the ability to monitor developments, identify potential risks and support market participants must be a priority. This requires developing or acquiring new expertise, prioritising the topics to be explored, broadening the traditional base of talking partners and opening up dialogue with regulated entities to include these key topics. The work carried out in the area of ICOs and crypto-assets contributes to these efforts. This also represents a significant competitive challenge for European participants and markets.

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#### OBJECTIVE FOR 2019

- Continue to support the transformations in the financial sector made possible by new technologies

## The regulator's contribution to the development of sustainable finance

Deploying the AMF's roadmap for sustainable finance

■ In November 2018, the AMF published a roadmap detailing its vision for the regulator's role in encouraging and accelerating the development of a more sustainable financial model. In 2019, the first initiatives will be deployed, focusing on listed companies, asset managers and retail investors. The AMF will also remain involved in discussions at the European level (work associated with the European Commission's Action Plan for Sustainable Finance) and at the international level (setting up a working group within the International Organization of Securities Commissions).

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### OBJECTIVE FOR 2019

- Participation in European and international work related to sustainable finance
- Awareness-raising initiatives with listed companies and asset managers (in particular through the publication of new reports on socially responsible investment (SRI) management and in the areas of corporate social responsibility (CSR) and non-financial information) and their supervision
- Monitoring of trends and the development of team expertise

## Our work for retail investors: protecting and supporting

Remaining vigilant in the face of constantly recurring scams

■ Strong action by the regulator against attempted financial fraud is essential, as the commercial strategies implemented can be effective (the "seriousness" of websites, the economic and "emotional" arguments of sales representatives, confidence-building strategies, etc.) and the potential losses significant. The ability to detect potential fraud is fundamental (see the use of artificial intelligence above, for example), as are response tools. Possible responses include blocking websites and close collaboration with public authorities (the police, the General Directorate for Competition, Consumer Affairs and Fraud Control, etc.).

■ After the implementation of the European product intervention measures in 2018 (currently applicable to binary options, forex and contracts for difference (CfDs)), the AMF will work towards introducing the national regime in 2019. This mechanism allows the regulator to take measures to permanently block the marketing of products deemed toxic to the general public.

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### OBJECTIVE FOR 2019

- Continue to strengthen the effectiveness of monitoring and alerting tools and response mechanisms (blocking websites, bans, etc.)
  - Implement the national product intervention regime
-

Help retail investors be more informed

Various educational or alerting initiatives (for example, via social media or by using new communication tools such as video testimonials) will continue to be deployed in 2019 by the AMF or in partnership with the other authorities and the *Finance Pour Tous* (Finance for All) institute (IEFP). In 2019, as part of the PACTE Bill, the AMF will continue to support the development of employee savings.

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**OBJECTIVE FOR 2019**

- Financial education tools and new communication modes and media
  - A new website for retail investors (objective deferred from 2018)
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Listen to retail investors and better understand their behaviours

The needs, expectations and behaviours of retail investors is changing rapidly, reflecting the current age pyramid, societal changes, the changing range of financial products and new technological habits. This is an important aspect to consider when defining or assessing the appropriate rules for marketing to retail clients and the potential risks. Monitoring and understanding these changes, as well as informing investors about them, is an integral part of the regulator’s work. In 2018, the AMF added a savings and investment barometer to its Observatory for Savings. It will publish analysis of behavioural changes over time. In 2019, the AMF will also equip itself with tools for testing the documents and messages for retail clients in order to assess the information actually received.

Finally, employee and retirement savings, which are covered by several provisions of the PACTE Law, and the work carried out at the European level on the PEPP (the pan-European individual retirement savings product) will be important topics in 2019, particularly when it comes to the educational support of these measures.

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**OBJECTIVE FOR 2019**

- Publish new information to better understand retail investor behaviour, through the Observatory for Savings or specific studies (particularly using mystery visits)
  - In conjunction with the ACPR, continue to gather and discuss business practices in respect of vulnerable older people by drawing on the insights from academic research on the vulnerability criteria in financial decision-making
  - Contribute to the work on employee and retirement savings
-

## Continue the AMF's transformation

— A year after the publication of our [#Supervision2022](#) strategic plan, the need to transform the way we work and develop new skills becomes even more apparent. Three main areas will serve to guide our efforts in 2019: digitalisation, communication and skills.

### Acceleration of the AMF's digital transformation

— The AMF's digital transformation must improve both its internal operations and its relations with the outside world, to increase its efficiency and fluidity. For regulated participants, 2019 will be the year in which the new tool for interfacing with management companies will be introduced, modernising and simplifying exchanges with the AMF. Work to simplify the fees due from regulated firms will also continue in 2019. Internally, a digital transformation plan will be gradually rolled out. This will include a wider use of remote working, which was trialled in 2018.

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#### OBJECTIVE FOR 2019

- First implementation of our new tool for interfacing with management companies (BIO3)
  - Simplification of our funding mechanisms
  - Changes to working methods based on new technologies and the implementation of "Digital PASS" for employees
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A more transparent regulator, broader communication

— [#Supervision2022](#) sets a transparency and visibility objective for the AMF's work. Several initiatives are underway to meet this objective, to explain our work and expand our communication channels. This is all the more important in a context where new market participants will set up activities in Paris following Brexit. All documents published on the AMF website are now translated into English.

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#### OBJECTIVE FOR 2019

- Communicate consistently and with an educational purpose about the decisions of the AMF Enforcement Committee and consider the need for providing information tools to the public on sanctions
  - Continue to strengthen our social media presence
  - Consider how we need to adapt the way we communicate to a changing financial market in Paris
- 

### New skills

Technologies, data, cybersecurity, climate risk and climate finance are among the areas in which the regulator must now be proficient. This is reflected in the training policy and the skills profiles sought.

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#### OBJECTIVE FOR 2019

- Continue efforts in terms of training on the new skills essential to the regulator's activities and in terms of recruitment
-





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