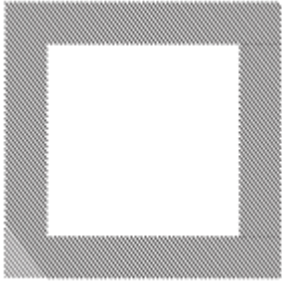
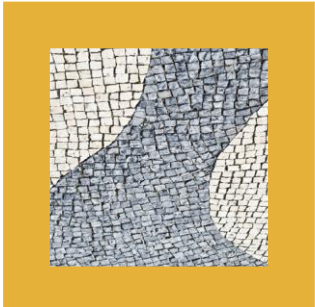
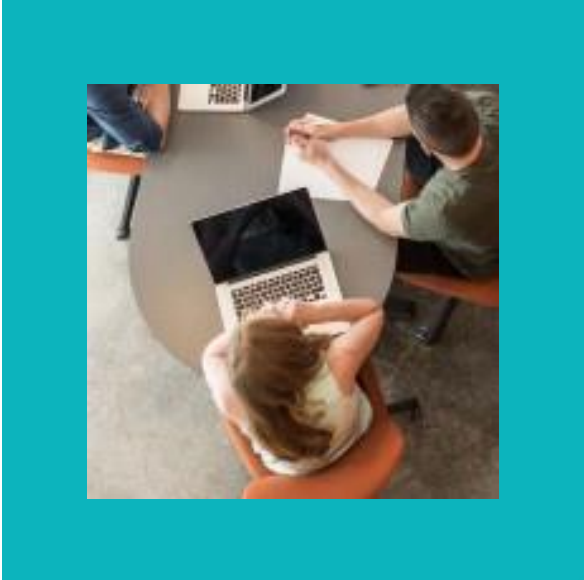
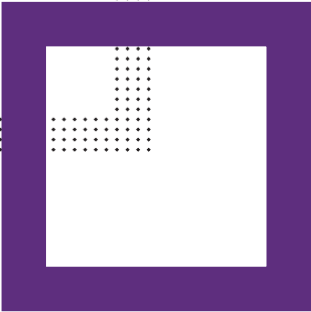
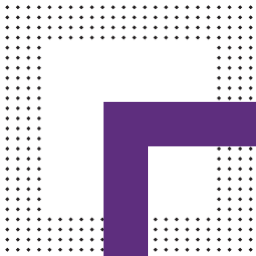


2020 PRIORITIES
FOR THE AUTORITÉ DES MARCHÉS FINANCIERS







#Supervision2022: Year 3 of the AMF’s Strategic Plan

At the beginning of 2018, the AMF published its five-year vision, #Supervision2022, setting a new course on how to fulfil its remit until the end of 2022. This medium-term vision, structured around four strategic guidelines, is broken down each year into priorities that reflect the progress made to date and the changes in the political, institutional or market environment. This approach is designed to make the AMF’s actions more transparent for its various stakeholders. It is also designed to enable the strategy to evolve dynamically in response to any new major challenges that may arise and to lay the groundwork for future transformations.



#SUPERVISION2022: 4 KEY POINTS TO REFOCUS OUR ACTIONS ON TOP CHALLENGES AND PREPARE FOR THE FUTURE

1. Commit to a strong, more integrated, more competitive EU27
2. Rethink our supervision and our intervention tools
3. Assist market participants, promote innovation and contributing to the financing of the economy through an attractive financial centre and markets
4. A modernised, more open and more agile AMF



2019 Review and Key Achievements

■ First proposals for the new European legislature against a political backdrop still dominated by the challenges of Brexit

In 2018, Europe’s capital markets completed ten years of intense regulatory output that have considerably strengthened the robustness of the European framework. Difficulties are nevertheless emerging (complexity of standards, differences in interpretation, difficulties in changing the rules quickly, etc.) and new challenges are looming for the 27-member EU, including the attractiveness and competitiveness of European markets, financing the energy and environmental transition, and the digitalisation of financial services, etc.

Against this backdrop, in June 2019 the AMF published its initial proposals for a new way of developing Europe’s financial markets that is both pragmatic and ambitious and will provide the AMF with the strength it needs to face the challenges of tomorrow on the international stage. The ideas include practical solutions to facilitate supervisory work at the European Union level and proposals for adjustments to existing legislation to make the rules simpler and more effective. The vision outlined also sets the objective of financing the real economy and developing common responses to tomorrow’s challenges as a way of breathing new life into the Capital Markets Union project.

In 2019, the AMF also continued to rally its efforts in response to the challenges of Brexit, working alongside financial players (preparatory measures, support for applications to set up operations, etc.) and drawing up concrete proposals for maintaining orderly financial markets (for example, on the issue of equity and derivatives trading obligations applicable to European companies operating in the United Kingdom).

■ Important milestones reached in the AMF’s sustainable finance roadmap

European work associated with the European Commission’s Action Plan for Sustainable Finance accelerated in 2019. Major legislative projects were completed (taxonomy, low-carbon indices, transparency requirements for investors and asset managers) and Level 2 work, in which the AMF is actively involved, began in the summer of 2019.

At the national level, the AMF set up a Climate and Sustainable Finance Commission in September 2019, consisting of experts from financial markets, civil society and academia. The Commission is responsible for providing advice and recommendations to the AMF Board and was consequently consulted on two AMF reports announced for 2019: the report on corporate social, societal and environmental responsibility, to highlight best practices in non-financial reporting; and the report on responsible management, to support the development of responsible product ranges, following the publication in July 2019 of the findings of the short SPOT inspections on the SRI management systems of asset management companies. The Commission will also contribute to the arrangements announced jointly by the AMF and the ACPR (the French Prudential Supervisory and Resolution Authority) in the summer of 2019 for the monitoring and evaluation of the climate-related commitments made by financial institutions.

■ **Entry into force of the Prospectus 3 Regulation and the provisions of the PACTE Law relating to simplifying companies' access to financial markets**

The Prospectus 3 Regulation, adopted in June 2017 by European legislators, is a key step towards the Capital Markets Union, simplifying the presentation of information for issuers while improving the usefulness of the document for investors. Its entry into force on 21 July 2019 was a considerable challenge. National law and AMF policy have been amended following consultations, including the Order of 21 October 2019 provided for by the PACTE Law of 22 May 2019, the Decree of 28 October 2019 and amendments to the AMF General Regulation. At the same time, efforts have been directed towards issuers to help them day-to-day with implementing the new rules and by educating them about the legislation, including through organising a press briefing and several workshops with listed companies, in particular SMEs and mid-tier firms, publishing guides and practical information sheets, and creating specific pages on the website. The AMF continued to raise awareness among listed companies about the European Single Electronic Format (ESEF) reporting requirements from 2020.

The AMF also supported various provisions of the PACTE Law (via the Order of 21 October 2019) relating to simplifying companies' access to financial markets, including several "de-overtransposition" measures concerning issuers and the reform of the lower threshold for squeeze-out offers. As part of this reform, the AMF Board set up a working group to review the protection of minority shareholders involved in these transactions and propose areas for improvement, particularly with regard to the independent expert assessment procedure. The working group's conclusions in September 2019 led, after consultations, to an amendment to the AMF General Regulation.

■ **New measures to promote employee and retirement savings**

Also linked to the PACTE Law, the AMF helped to define the new provisions applicable to employee and retirement savings to ensure that retail investors are properly informed and supported. The AMF is actively communicating on these subjects with company managers and employees, for example, during the "employee savings week".

■ **Operational implementation of a pioneering regulatory framework for digital assets**

Thanks to the PACTE Law, France has a pioneering framework in Europe for regulating digital assets, which, unlike financial instruments, have until now generally evolved in a legal vacuum at the European and international level. This is therefore a substantial improvement in terms of protecting investors who wish to invest in digital assets, as they will now be able to call on the services of providers registered with or authorised by the AMF or subscribe to fundraising through AMF-approved initial coin offerings (ICOs). This framework is based on an innovative approach that is the result of efforts by the AMF and the French authorities to understand an emerging ecosystem and to provide the most appropriate response to the new issues raised while taking into account the risks involved. While it offers optional authorisations (approval for ICOs and authorisation for service providers), it does include a robust anti-money laundering and counter-terrorist financing mechanism. The AMF took action very early on to ensure that the framework was quickly operational, by amending its General Regulation and issuing the instructions needed to implement it.

■ Stepping up the fight against financial scams

The phenomenon of financial scams is becoming more industrialised and has increasingly far-reaching consequences for retail investors. The AMF estimates that cumulative losses between 1 July 2017 and 1 July 2019 amount to at least €1 billion. As investors seek higher returns on their investments and are confronted with scammers using particularly effective techniques, the AMF is working closely with the ACPR and the Paris Public Prosecutor's Office to bolster its detection and alert capabilities and its response tools. More than 150 addresses of fraudulent websites were added to the blacklists published on the AMF website in 2019. In summer 2019, the AMF also decided to permanently extend the measures introduced in 2018 by the European regulator (ESMA), banning or restricting the marketing, distribution and sale of binary options and Contracts for Difference (CFDs) to retail investors. The AMF has also launched the *Protect Epargne* service to provide all retail investors with access to the AMF's blacklists from their smartphone. Lastly, the AMF continued its legal action to block access to sites offering financial products unlawfully.

■ Strengthening data-driven supervision

Following the successive introduction of new reporting requirements, the AMF is receiving an increasing volume of data for financial market supervision purposes. In 2019, 19 billion new data rows were stored on the new ICY market supervision platform, compared with 10 billion rows in 2018. The projected volume for 2020 is around 55 billion rows. To handle these volumes, the AMF has allocated substantial resources to deploying its new platform, which permanently replaced the old system on 1 July 2019. Data collection is also being improved in other areas, for example with the implementation in 2019 of the new reporting requirements arising from the Central Securities Depositories Regulation (CSDR) and the Securities Financing Transactions Regulation (SFTR). Data collection is used to support supervisory work, for example by using Alternative Investment Fund Managers Directive (AIFMD) and European Market Infrastructure Regulation (EMIR) data.

Data-driven supervision is also an ambition being pursued at the European level. The AMF took part in work coordinated by ESMA on data quality for EMIR and MiFID 2 reporting. ESMA also conducted a peer review of EMIR reporting, which found the AMF's supervisory practices to be satisfactory.

Processing this massive volume of data is therefore a major challenge for the AMF. The recruitment of a cross-functional data manager and the adoption of a data roadmap covering the period up to 2022 were important steps in 2019 to move the AMF forward in this area. The aim is to establish and promote a data culture, facilitate data cross-referencing, develop usage scenarios and standardise experimentation, while at the same time leveraging the most advanced technologies such as artificial intelligence.



Five priority areas for action in 2020 and a need for transformation

Five priority areas for action have been defined for 2020 to implement the #Supervision2022 strategy. Accelerating the AMF's transformation is a prerequisite for achieving its strategic objectives and therefore forms a final group of priorities for the coming year.

- Attractiveness of financial markets
- Regulation and supervision of asset management
- Preparation for the post-Brexit era
- Transition towards sustainable finance
- Competitiveness of European markets in the digital sector
- AMF transformation

1

Attractiveness of financial markets

Compared with the rest of the world, the French and European financial markets are less attractive. At one end of the scale, companies, especially SMEs and mid-tier firms, are moving away from listings, maintaining their preference for bank debt and increasingly turning to private equity when they need capital to develop and innovate. At the other, households are focusing their financial savings on bank or insurance investments, which are mostly invested in risk-free and low-profit vehicles. The attractiveness of financial markets, an issue clearly identified in the AMF's #Supervision2022 strategic plan, therefore remains a priority.

The AMF will take advantage of the announced revisions to European legislation, including the Markets in Financial Instruments Directive and Regulation (MiFID), the Benchmark Regulation (BMR) and the Market Abuse Regulation (MAR). The aim is to clarify and refocus the legislation on its key provisions and to simplify the requirements where they are not in line with the objectives pursued, thereby ensuring the efficiency and orderly operation of markets.

The shrinkage of the Paris list is a trend that is of concern to the regulator. The AMF will continue to contribute to discussions on the reasons behind this trend and ways of remedying it. Particular attention will be paid to the access of SMEs and mid-tier companies to capital markets, especially following the AMF's review of the research market and the coverage of small and mid-caps, launched in autumn 2019. The AMF will also renew initiatives aimed at SMEs and mid-tier companies. Lastly, the quality of shareholder dialogue, as a factor in the attractiveness of equity markets, is a priority objective for 2020. The subject of shareholder activism will also be addressed in this context, following the parliamentary fact-finding report published in October 2019 and ongoing discussions in the marketplace.

With regard to retail investors, the AMF wants to encourage greater mobilisation of savings in order to better meet their medium- and long-term needs and their expectations in terms of sharing value creation. The AMF will therefore support the objective of developing retirement and employee savings contained in the PACTE Law, with the introduction of the new Retirement Savings Plan (*Plan Épargne Retraite* - PER) on 1 October 2019 and measures to promote employee savings. A particular focus will be on helping retail investors in their decisions when investing or divesting. Lastly, it will be necessary to ensure that the French PER is linked to the future pan-European Personal Pension (PEPP) product.

2020 OBJECTIVES:

- Promote simpler and more proportionate European regulations for the organisation of financial markets in the context of future revisions (MiFID, BMR and MAR in particular)
- Facilitate the access of SMEs and mid-tier companies to capital markets and continue actions to assist listed SMEs and mid-tier companies in meeting their regulatory obligations and addressing their specific issues
- Monitor the proper functioning of general meetings, promote shareholder dialogue and make proposals regarding shareholder activism
- Encourage better mobilisation of savings and facilitate the adoption of new French or European retirement savings schemes and the development of employee savings

2

Regulation and supervision of asset management

The asset management industry is playing an increasingly important role in financial intermediation, with assets under management sometimes exceeding the balance sheets of major banks. This rise in importance brings with it new expectations and new responsibilities, especially for the European industry, which manages more than one-third of global assets under management in collective investment funds.

The European framework, although robust, has become more complex over the last ten years. It also suffers from an implementation that can vary from one Member State to another and is not well suited to the model of the

various management activities (asset manager, delegatee, depository and distributor), which is fragmented in several countries. The AMF is in favour of defining a common set of rules for asset management industry participants and modernising the Eligible Assets Directive applicable to UCITS with a view to uniform implementation in all Member States. The AMF remains involved in work relating to industry risks – particularly liquidity risk and the use of leverage – in conjunction with the French High Council for Financial Stability (HCSF), the European regulator (ESMA) and the European Systemic Risk Board (ESRB), the International Organization of Securities Commissions (IOSCO), and the Financial Stability Board (FSB).

The anti-money laundering and counter-terrorist financing system (AML/CFT) will also be strengthened in the area of asset management. The AMF is preparing to update its guidelines as part of the transposition into national law of the fifth AML/CFT Directive scheduled for early 2020. It is also actively involved in the ongoing review by the Financial Action Task Force (FATF), which provides an opportunity to strengthen France's prevention framework.

More generally, the AMF's priority will be to identify the far-reaching changes facing the asset management industry and their consequences for investor protection and the orderly operation of financial markets. These changes include the reallocation of the value chain, with a tightening of regulatory requirements, technological developments and the growing role of data and passive management, and new marketing methods, including those brought about by exchange-traded funds, etc.

2020 OBJECTIVES:

- Support a clearer architecture and greater convergence of European asset management regulations
 - Further strengthen the regulatory framework and anti-money laundering and counter-terrorist financing (AML/CFT) systems
 - Contribute to French, European and international work on risks in the non-banking financial sector, in particular risks relating to liquidity and the use of leverage
 - Identify and support changes in the asset management business model and consider the implications and opportunities for retail investors
-

3

Preparation for the post-Brexit era

There is still some uncertainty about the timing and arrangements for the United Kingdom's exit from the European Union. However, regardless of the outcome of the negotiations and any changes in the British position, the 27-member EU will have to define its financing model and its relationship with the London financial centre and other third countries. Throughout 2019, calls for proposals and contributions have multiplied, including from the AMF with the publication in June 2019 of a series of proposals to breathe new life into the Capital Markets Union as a new European legislature is beginning. The AMF will continue to bring its perspective to discussions on assessing the impact of Brexit, identifying pragmatic solutions for market participants and supervisory authorities, and working to make the 27-member markets more attractive and better equipped on the international stage to serve the needs of the EU's economy and pool of savings. The effectiveness of supervision will also be a test case for the EU, leading to a rethinking, streamlining and deepening of the ways in which authorities cooperate.

■ Defining balanced relations with the United Kingdom and other third countries

2020 OBJECTIVES:

- Contribute to the work on the future relationship between the UK and the EU and to the necessary review of the various equivalence regimes
 - Continue to support companies wishing to set up operations or start a business in France and open up market bodies to companies that make a long-term commitment to the Paris marketplace
-

■ Strengthening financial markets in the 27-member EU

2020 OBJECTIVES:

- Support initiatives for the development of more competitive and self-sustaining capital markets in the EU27 and ensure that European regulation is aligned with the changing financial landscape resulting from the exit of the UK market
- Support the convergence of financial market supervision in the EU27, focusing on the key issues, by strengthening the ways in which national authorities cooperate with each other and with European bodies

4

Transition towards sustainable finance

Sustainable finance will continue to be a major focus in 2020. The European Commission is working to define a new strategy for green finance, and technical standards are expected to be published for implementing the new reporting requirements for investors. These new requirements will partly replace those provided for in France by Article 173 of the Law on Energy Transition for Green Growth. Work will also continue on the non-financial reporting framework and the use of environmental, social and governance (ESG) data.

In 2020, the AMF will also continue its ambitious roadmap for sustainable finance, including supervising and raising the awareness among market participants (asset managers, intermediaries, listed companies, etc.), collaborating with its counterparts and as part of the ESMA and IOSCO sustainable finance networks, producing educational materials for retail investors, and preparing for the new responsibilities given to supervisory authorities by European legislation. This will be guided by two main considerations: supporting change, encouraging best practices and fostering innovation in favour of sustainable finance; and preventing the risks of greenwashing and safeguarding the conditions for trust in a fast-changing environment.

2020 OBJECTIVES:

- Contribute to defining a more robust framework for the quality and comparability of the non-financial reporting of listed companies (reporting requirements, rating agencies and non-financial data providers)
- Encourage greater clarity on ESG approaches in asset management, which could pave the way for proposals for minimum standards or labels at the European level, and help retail investors better understand green and responsible investment products
- Implement monitoring of the climate-related commitments made by Paris financial centre entities, in conjunction with the French Prudential Supervisory and Resolution Authority (ACPR)
- Support market participants in their implementation of new European regulations, in particular those on transparency in sustainable investments and sustainability risks (Disclosures Regulation)

5

Competitiveness of European markets in the digital sector

In 2016, the AMF set up a team dedicated to financial technology, innovation and the competitiveness of the Paris financial market in this area. Since then, while the trends triggered by digital transformation are still emerging, they can spread rapidly and on a global scale. As these trends are not linear, it is all the more important that France and the EU do not lag behind. The AMF is therefore making a number of proposals to build a European framework that fosters innovation. These include setting up areas for regulatory experimentation, a framework for crypto-assets based on the model developed in France, and adapting regulations for the tokenisation of securities.

Building a framework that fosters innovation will also go hand in hand with all actions aimed at supporting innovative players, including in relation to potential risks, and at maintaining confidence in a financial system shaken by new uses enabled by technology.

2020 OBJECTIVES:

- Support the creation of a European framework that fosters financial innovation, including areas for regulatory experimentation and a framework for crypto-assets and financial instruments traded on a distributed ledger (blockchain)
- Ensure proactive monitoring of financial sector innovations enabled by technology (artificial intelligence, RegTech, big data, etc.)
- Promote the adoption of the French framework for initial coin offerings and digital investment services providers, taking into account the issues relating to AML/CFT
- Maintain retail investor confidence in new investment offers by stepping up the fight against financial scams
- Support market participants in addressing cyber risk

6**AMF transformation**

At a time when the financial industry and society are transforming at an accelerated pace, the AMF must also reconsider its working methods and tools. This is a way to review its commitment to stakeholders to improve its effectiveness in carrying out its remit and also to meet the expectations of its employees. The digitalisation of processes and the use of data are two key areas of transformation for the AMF, which is able to leverage investments made over many years in its supervisory systems. Efforts over the past two years to develop new approaches and acquire new skills, for example in cybersecurity and climate risk, will continue. The success of its initial trials using artificial intelligence (*e.g.* to identify fraudulent websites) illustrates the range of possibilities for regulators.

Specific objectives have also been set for the coming year to reduce the time taken by the entire law enforcement community, to reorganise critical IT functions and to complete the implementation of the AMF's new interface tool for management companies (BIO3), the deployment of which is behind schedule. Lastly, the AMF will conduct a study in 2020 to identify further concrete proposals for improving its operating procedures. Adjustments to the schedules for mandatory contributions levied for the AMF may also be assessed to supplement the work carried out over in the area in the past two years.

■ **Review and improve the AMF's organisation and processes**

2020 OBJECTIVES:

- Conduct a collective review of processes and operating procedures
- Increase efforts to reduce the length of law enforcement proceedings
- In-source critical IT functions to improve the security and resilience of AMF information systems
- Continue training and recruitment initiatives to acquire additional skills essential to the AMF's work

■ **Accelerate the digital transformation and take advantage of new technological tools**

2020 OBJECTIVES:

- Continue the deployment of the new tool for management companies (BIO3), in particular the interface function for asset managers
- Integrate new reporting data (SFTR) into the market supervision tool (ICY) and make the most of its technological possibilities to strengthen data-driven supervision
- Deploy the Data Lab's new intelligent detection tool for fraudulent websites and continue to develop trials using the data
- Develop internal collaboration tools to support the digitisation of procedures
- Provide clearer information to retail investors and professionals through the launch of the new website