

CHAPTER 8

The AMF and Professionals

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1 – Cooperating and consulting with the financial community

A – "Better Regulation" update

In 2006, following wide-ranging consultations with the financial community, the AMF made a series of commitments as part of its "Better Regulation" initiative. The regulator's aim was to ensure that its actions were proportional to its responsibilities in protecting savings and ensuring the orderly operation and integrity of markets, without handicapping the efficiency and competitiveness of the financial community and its various sectors.

Two years after the initiative was launched, the AMF submitted an initial report to the market on the steps it had taken thus far, along with its work programme for the next two years.

Published on 25 April 2008, the document¹ includes:

- > an initial report on the Better Regulation initiative, commitment by commitment;
- > internal reforms undertaken at the AMF;
- > measurements of the results;
- > the next steps in the initiative;
- > a two-year programme of work on financial regulation.

The steps announced in 2007 and effected in 2008 are presented in detail in other sections of this report. They concern in particular the adjustment of procedures and regulations for smaller firms and the publication of a summary of decisions of the Enforcement Committee and appeals courts.

Apart from the measures adopted in the past two years, the general policy settings that underlie the Better Regulation approach have become second nature in day-to-day regulatory management operations. They include optimising resources and matching them to the importance of each task, adapting rules and procedures to the diversity of current situations and future developments, applying European directives and regulations consistently with the AMF's counterparts and making better assessments of the impact of its regulation.

B – The Work of the Consultative Commissions²

1 > The Consultative Commission on Disclosures and Corporate Finance

Commission members:

Yves Mansion, Chair
Bernard Field, Vice-Chair

Olivier Assant (Bredin Prat), Olivier Azières (Cabinet Azières Conseil), Jean-François Biard (BNP Paribas), Philippe Bougon (Schneider Electric), Jean-Régis Carof (L'Oréal), Franck Ceddaha (Oddo Corporate Finance), Jean Cedelle (Calyon), Martine Charbonnier (NYSE Euronext Paris), Christophe Clerc (Marcus Partners), Marie-Noëlle Dompé (Darrois), France Drummond (Paris II University), André Dupont-Jubien (Lazard Frères et Cie), Jacques Espinasse (director), Frédéric Gasnier (Léger et Associés), John Glen³, Philippe d'Hoir (Fidal), Christian Labeyrie (Vinci), Philippe Lagayette (JP Morgan), Michel Léger (Léger et Associés), Alain de Marcellus (Cap Gemini), Patrice Marteau (Acteo), Marie-Christine de Nayer (Freshfields), Hervé Philippe (Havas), Gilles Requillart (PSA Peugeot Citroën), Jacques Rossi (Cabinet Rossi), Eliane Rouyer (Accor/CLIFF), Lionel Verdouck (Bouygues), Caroline Weber (MiddleNext).

The Consultative Commission on Disclosures and Corporate Finance met nine times in 2008.

At the beginning of the year, its advice was sought on two proposed changes to internal AMF procedures relating to document approvals. One was aimed at improving the predictability of approvals for financial offering prospectuses via the introduction of a simplified procedure, the other related to the inspection of registration documents.

¹ Available on the AMF website (www.amf-france.org) under Consultationss > AMF Consultations

² The work of the Commission on Retail Investors is covered in Chapter 7 of this report

³ Left the Commission in the second half of 2008

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At its March 2008 meeting the Commission decided to set up a working group to address topics related to public offerings of securities. The group's remit was to make concrete proposals to the AMF Board and the government in connection with the Economic Modernisation Act.

The Commission was also consulted on changes to the AMF's General Regulation concerning rules on share buybacks and on trading in securities involved in a takeover bid during the offer period. It was also consulted on a proposal to abolish the standing offer procedure on regulated markets and redefine it for organised markets (Alternext).

In addition the Commission commented on the report of a working group on major holding notifications and statements of intent⁴ as well as on the draft executive order concerning these issues

At the same time the Commission was closely involved with the AMF's efforts to clarify its regulations and some of its policies on financial offerings and disclosures. Its advice was sought on a number of topics, including updating the Q&A on management disclosures and financial reporting requirements for companies listed on Euronext Paris; proposals to relax rules for IPOs on regulated markets; recommendations on quarterly financial reporting; recommendations regarding financial statements for 2008; and updating the AMF's interpretation of the executive compensation disclosures to be included in registration documents.

In October and December 2008 the Commission reviewed the draft 2008 AMF report on corporate governance and internal control procedures for listed companies, which was published in November 2008⁵, and the AMF report on rating agencies, issued in January 2009⁶.

2 > The Consultative Commission on Markets and Exchanges

Commission members:

Jean-Michel Naulot, Chair
Jean-Pierre Pinatton, Vice-Chair

Jean-François Bay (Seeds Finance), Jean-François Biard (BNP Paribas), Françoise Bonfante (UBS Securities France SA), Jean-Pierre Bornet (Banque Fédérale des Banques Populaires), Alban Caillemer du Ferrage (Gide Loyrette Nouel), Didier Demeestere (Amplégest), Gérard Harlin (AXA), William Higgons (Siparex), Catherine Langlais (NYSE Euronext), Jean Bernard Laumet (HSBC Securities (France)), Patrice Marteau (Acteo), Hubert Massiet du Biest (LCL Crédit Lyonnais), Jean-Pierre Mattout (Kramer Levin Naftalis & Frankel LLP), Alain Moynot (SCS Almo Finances), Christian Nesi (Banque de France), Bertrand Patillet (CA Cheuvreux SA), Hubert de Vauplane (Calyon).

The Consultative Commission on Markets and Exchanges met nine times in 2008.

The Commission gave a second reading to draft amendments to the AMF's General Regulation on the handling of inside information and Chinese walls at investment services providers (ISPs), as well a proposal to alter the General Regulation on trading in securities involved in a takeover bid. The latter proposal generated numerous reactions during consultations with the financial community and was debated by the Commission both before the consultation phase and during the final drafting process.

The Commission also reviewed a draft amendment to the instruction relating to the reporting of suspicious transactions to the AMF. The amendment, which sought to clarify the information to be supplied in such reports, raised lively but constructive debate on the due diligence expected from ISPs when conveying their suspicions.

In connection with the recent transposition of the Markets in Financial Instruments Directive (MiFID) and the AMF's decision to web-post a MiFID FAQ⁷, two sets of questions and answers were submitted to the Commission. Particular attention was paid to the Q&A on personal transactions, client assessment and categorisation, and execution only as applied to trade orders with deferred settlement.

Euronext Paris pursued initiatives to adapt to heightened competition in the post-MiFID world. The Commission dialogued extensively with Euronext on proposals for a new market model for warrants, and Euronext took account of the Commission's comments when completing its initial revision of its proposal during the summer. The Commission also examined the new order types and arrangements for managing price ranges on Euronext's

⁴ A working group chaired by Bernard Field, see chapter 3

⁵ Available on the AMF website (www.amf-france.org) under Publications > Annual Reports > Report on Corporate Governance and Internal Control

⁶ Available on the AMF website (www.amf-france.org) under Publications > Annual Reports > Report on Rating Agencies

⁷ (www.amf-france.org) Texts > AMF Positions

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new Universal Trading Platform, scheduled to come on stream in December 2008 for bonds and in February 2009 for equities and exchange traded funds.

Lastly, the Commission was asked for its opinion on two draft reports, one from Jean-Pierre Pinatton on a skill certification system for financial industry professionals⁸, the other from a working group chaired by Bernard Field on major shareholding notifications and statements of intent⁹.

3 > The Consultative Commission on Asset Management

Commission members:

Philippe Adhémar, Chair

Jean-Pierre Hellebuyck, Vice-Chair

Francis Ailhaud (Groupama Asset Management), Christian Boisson (Crédit Agricole Asset Management), Dominique Carrel-Billard (AXA-IM), Raymond de Courville (AM Capital), Gilles Glicenstein (BNP Paribas Asset Management), Guillaume Jalenques de Labeau (SPGC)¹⁰, Pierre Jolain (Haas Gestion), Jean-Louis Landais (Banque de France), Gérard Pfauwadel (Unigestion AM), Alain Pietrancosta (Paris I Sorbonne University), Hélène Ploix (Pechel Industries), Bruno Prigent (Société Générale), Antoine de Salins (FRR)¹¹, Patrick Sellam (Cabinet Patrick Sellam), Etienne Stofer (CRPN)¹².

The Commission is a forum for dialogue with professionals from all sectors of the asset management industry, comprising not just asset managers but also depositaries and institutional investors. It met nine times in 2008.

The European dimension of financial regulation was particularly noticeable in the work done by the Commission in 2008. It considered the AMF's response to the European Commission's call for evidence on substitute investment products, the report of a European Commission working group on real estate investment funds in the European Union, effective supervision of the fund management passport in light of the finalisation then adoption of the UCITS IV directive, the implications of MiFID for fund promoters and distributors, and technical questions on the eligibility of certain derivative products for UCITS investment. It also monitored the work done by CESR on the fund management passport and on risk management at fund management companies.

The Commission was consulted on the main regulatory developments affecting areas within its remit. Among the many issues addressed, the following are particularly noteworthy: draft instructions on managing real estate collective investment funds (OPCIs), amendments to the regulatory framework for hedge funds, reforms to the fund authorisation procedure, new rules on asset management pursuant to the Economic Modernisation Act, changes to the AMF's General Regulation concerning the frequency of calculation of fund net asset values, and a proposed change to the Monetary and Financial Code relating to the introduction of a procedure to identify holders of fund units or shares.

The Commission's work had a strategic dimension, too. A far-reaching debate that stretched over several meetings covered the consequences of the financial crisis and the lessons to be learned from it.

The Commission also gave its opinion on AMF projects such as the draft instruction on fund marketing by management companies and the new standard authorisation application for management companies.

The Commission received regular briefings from the chairmen of working groups dealing with issues of special importance to the fund management industry, in order to ensure effective coordination. This was notably the case for the working group on approving retail OPCIs, chaired by Philippe Adhémar and Jean-Pierre Hellebuyck, and the study group led by Jean de Demandolx Dedons on scaling the AMF's requirements to small management firms and other ISPs.

⁸ See page 8, available on the AMF website (www.amf-france.org) Consultations > AMF Consultations > Other Subjects

⁹ Available on the AMF website (www.amf-france.org) Consultations > AMF Consultations > Other Subjects

¹⁰ Private asset management and advice firm

¹¹ Pension reserve fund

¹² Airline pilots' pension fund

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4 > The Consultative Commission on Clearing, Custody and Securities Settlement

Commission members:

Dominique Hoenn, Chair
Jean de Demandolx Dedons, Vice-Chair

Robert Bacconnier (ANSA), Philippe Castelanelli (HSBC Bank PLC), Emmanuel de Fournoux (AMAFI)¹³ (13), Michel Germain (Paris II University), Christophe Hémon (LCH.Clearnet SA), Anne Landier Juglar (CACEIS), Philippe Langlet (Société Générale), Christophe Lepitre (ADI Alternative Investments), Yvon Lucas (Banque de France), Guy Mengin (Crédit Suisse), Daniel Mesure (Crédit Agricole Titres), Philippe Pauzet (Arlis), Marcel Roncin (AFTI), Yann de Saint-Meleuc (Groupama Asset Management), Pierre Slechten (Euroclear France).

The Commission met twice in 2008.

It examined a draft amendment to the AMF's General Regulation on custody account keepers, aimed at achieving consistency with the new, MiFID-inspired version of Book III relating to investment services providers. The Commission's remarks on the structure of the General Regulation were taken into account. It also recommended dialoguing with professional associations such as AMAFI and AFTI regarding substantive amendments such as the introduction of a specific reference to account keeping for payment flows and derivative instruments. That dialogue was initiated during the summer but had not resulted in agreement on the text of an amendment by the end of 2008.

The Commission was also consulted on the issue of central depository responsibility for corporate actions when the procedure for such actions is not in accordance with applicable law in France. As the Commission suggested, the discussion was extended to the relevant professional associations. While all participants strongly emphasised the issuer's primary responsibility in this matter, it was not felt necessary to alter the AMF's General Regulation.

Two European Commission representatives from the Internal Market and Services Directorate General were invited to present draft revisions to the Collateral and Settlement Finality directives to Consultative Commission members. Ongoing discussions on harmonising securities law in the EU were also reviewed.

C – Market Advisory Groups

1 > Admitting Islamic bonds (sukuk) to trading on French regulated markets

The recent expansion of the Islamic finance market prompted several issuers to request the listing of sukuk, or Islamic bonds, in Paris. Following an examination of the subject by a working group led by Dominique Hoenn, the AMF published on 2 July 2008 its position on admitting sukuk to trading on a French regulated market¹⁴.

Sukuk are financial certificates linked to an underlying asset via various structures. The two main categories are those where the return and redemption are based mainly on the underlying (and which therefore resemble securitised assets) and those whose return and redemption are based on the underlying but where investors rely mainly on the guarantee of one or several entities for some or all of the payments due from the certificate.

The working group led by AMF Board member Dominique Hoenn and composed of market professionals examined the specific characteristics of sukuk in light of the Prospectus Directive. It initially restricted its work to certificates that had been issued via private placement or internationally and were therefore intended for professional investors.

The working group recalled that although the AMF has a responsibility to ensure that prospectuses are drawn up in accordance with European regulations, it is not responsible for verifying that a securities issue is consistent with Sharia law. It is for issuers and their advisers to include the relevant considerations in the prospectus. Moreover, and as far as the content of the prospectus is concerned, the European Regulation makes no specific provisions for sukuk; however Article 23(2) of the Regulation does say that issuers may adapt the content of the prospectus to the particular characteristics of their securities on the basis of existing note schedules. The AMF position, published in July 2008, therefore suggested several possibilities for determining how the prospectus should be prepared, given the structure of sukuk and the schedules contained in the European Regulations. In cases where redemption is based mainly on the underlying assets, the prospectus should be drawn up in line with schedules

¹³ Association française des marchés financiers

¹⁴ Available on the AMF website (www.amf-france.org) Texts > AMF Positions

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for asset-backed securities. Where a third party is involved in all or part of the payments due under the certificate, appropriate information on that entity should also be included, in accordance with point 2.2.11 of Annex VIII.

2 > Proposed changes to Alternext

In connection with the reform of the public issuance regime, the AMF reviewed in the second half of 2008 the legislative and regulatory environment in which Alternext operates. The aim was to identify changes that could guarantee the overall balance of the French market.

A working group, led by Jean-Pierre Pinatton and composed of representatives of listed companies, intermediaries, investors and Euronext, came up with a series of consensus proposals. The working group suggested easing certain rules applicable to Alternext – for example, abolish the report on corporate governance and internal control, relax provisions on the reporting of voting rights – while aligning others with the rule relaxations proposed for other regulated markets. These include extending the objectives of buyback programmes, reporting on breaches of the 50% and 95% shareholding thresholds, introducing a squeeze-out procedure, applying certain rules relating to capital increases and to option and bonus share programmes, and extending the market practice of liquidity contracts.

The group also called for discussions on the standing offer procedure applicable on Alternext and on the requirements for transferring a Eurolist company to Alternext without a squeeze-out. On the latter point, the report specified that an ad hoc group would shortly propose more detailed solutions.

The report was put out to public consultation from the beginning of October to the end of November 2008 and was also sent to the Ministry of the Economy, Industry and Employment. Respondents to the consultation welcomed the AMF's initiative to review the regulations applicable to Alternext. Above all they stressed the importance of letting the market play its full role in financing the economy, while striking a proper balance between flexibility for mid-sized issuers and guarantees for investors.

In October and November 2008 the AMF convened meetings of a smaller ad hoc group to:

- >establish the conditions and procedures whereby a Euronext-listed company could transfer to Alternext while ensuring fair valuation of its securities, liquidity for any shareholders wishing to sell up, and proper public disclosure, and
- >propose ways in which Alternext could raise its international profile, in particular by ensuring that as many European institutional investors as possible would be eligible to purchase shares on its market and by making the market attractive to issuers from outside France.

In light of its analysis, the ad hoc group suggested that the rules on takeover bids for Euronext companies wanting to transfer to Alternext should be maintained as a regulatory precondition for that transfer. The group identified two other requirements: informing shareholders prior to the transfer and securing approval for the transfer from the general meeting of shareholders. Euronext thus took steps to include these provisions in its rules. Lastly, the ad hoc group proposed that the AMF should allow Euronext to establish an official list in a formal regulatory framework.

The ad hoc group's proposals were put out to public consultation until 27 February 2009¹⁵.

3 > Major holding notifications and statements of intent

The conclusions of the working group chaired by Bernard Field on these issues are detailed in Chapter 3.

¹⁵ Available on the AMF website (www.amf-france.org) Consultations > AMFConsultations > Other Subjects

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D – Follow-up to the Market Advisory Groups' work in 2007

1 > Introducing a simplified review and approval procedure

At the end of 2007 a working group drawn from the Disclosures and Corporate Finance Commission and chaired by AMF Board member Bernard Field proposed a procedure to give issuers with a sufficient track record (three annual registration documents, respect for market disclosure rules, etc.) better visibility on the arrangements and timescale for reviewing and approving standard financial offerings. This procedure was to be contingent on declarations made by the issuer and by the ISP participating in the offering.

Following public consultation on this simplified review and approval procedure for listed companies, the AMF published on 12 March 2008 an amendment to Article 5 of AMF instruction 2005-11 of 13 December 2005 on disclosure requirements for public offerings pursuant to Book II, Title I of the AMF General Regulation. The amendment sets forth the new procedure.

Concomitantly, and in agreement with the AMF, AMAFI¹⁶ published the first standard securities note (including the summary) for share issues with preferential subscription rights. Two other standard notes are scheduled for publication before mid-2009, one on capital increases without preferential subscription rights and the other on issues of convertible bonds redeemable in new or existing shares (without rights, with or without a priority subscription period). Periodic reviews will be carried out to check whether the new procedure has been duly implemented and is working properly.

2 > Changes to the financial regulations applicable to small-cap and mid-cap issuers

AMF Board member Yves Mansion was appointed to the chair of a working group on this issue in mid-2007. Its report was published in November 2007¹⁷. The group drafted a series of measures to take account of the specific features of small-cap and mid-cap issuers that the AMF adopted in a position paper published on 9 January 2008¹⁸.

Among the recommendations for fiscal years starting on or after 1 January 2007 was the introduction of a special guide to help small-cap and mid-cap issuers prepare their internal control reports. The guide was produced along with a reference framework for using it¹⁹. In the AMF's 2008 report on corporate governance and internal control, it noted that about half of all small and mid-cap issuers had availed themselves of the reference framework –a significant number – whereas only a tiny proportion of them had used a framework of any sort one year earlier.

Also in 2008, in accordance with the working group's recommendations, the AMF attended contact meetings with small-cap and mid-cap issuers organised by MiddleNext in Lyon, Marseille, Nantes, Toulouse, Strasbourg and Paris. The AMF took these opportunities to explain its remit and organisational structure and to reply to questions from numerous companies and professionals having dealings with the regulator.

¹⁶ Association française des marchés financiers

¹⁷ See 2007 Annual Report, available on the AMF website (www.amf-france.org) Consultations > AMFConsultations > Other Subjects

¹⁸ Available on the AMF website (www.amf-france.org) Texts > AMF Positions

¹⁹ Available (in French) on the AMF website (www.amf-france.org) Publications > Guides > Guides professionnels

2 – The Scientific Advisory Board

A – Meetings

The AMF Scientific Advisory Board²⁰ met three times in 2008. Research papers directly related to the regulator's concerns were presented at each meeting.

The Board's first meeting took place on 11 April, when two members presented papers. Firstly, Christian Gourieroux (CREST and Toronto University) raised issues related to credit rating migration. He started by reviewing the main principles underlying credit ratings and the uses to which they were put. He then emphasised the sheer number of ratings, which have to be classified by the type of risk, the information available and the risk horizon. In this context, credit rating migration consists in regularly updating the risk levels associated with products or borrowers. Mr Gourieroux outlined a method for modelling the migration process.

Secondly, Rama Cont (CNRS and Columbia University) presented 'a critical examination of rating methods for structured credit products'. Having recalled the principles behind collateralised debt obligations (CDOs), he highlighted the significant interdependence between the rating process and the way that structured products are constructed. He then showed that CDO tranche ratings are far more unstable over time than those for traditional debt products; and he emphasised the need both to analyse the probabilities of rating migration among tranches for different horizons and to update these ratings yearly.

The Board met again on 4 July 2008, when three research papers were presented. Luc Arrondel (CNRS and PSE), a specialist in saving and personal finance, submitted a paper that sought to paint a clearer picture of individuals' attitudes to saving. Relying on a survey covering a broad sample of individuals, and based on solid theoretical foundations, he showed that the psychological characteristics of individuals in terms of risk aversion and present preference explain about 10% of wealth inequalities. Albert Menkveld (Amsterdam University) then presented a study on the consequences of algorithmic trading for stock market liquidity. He analysed the correlation between the two variables, using NYSE share price data from 2001 to 2005, and concluded that by reducing the risk of adverse selection and the costs of researching information, algorithmic trading seemed to enable liquidity providers to significantly reduce their bid-ask spreads for large caps.

Lastly, Olivier Davanne (DPA Invest) revisited the subprime crisis with an attempt to draw conclusions on liquidity risk and how it is assessed by financial institutions and regulators. Among the issues he raised was the possible inadequacy of rules governing the liquidity of open-ended investment funds, which may be forced into excessive 'maturity mismatching' with regard to the sometimes illiquid assets in which they invest.

The slides for these two meetings are available on the AMF website (Who we are > Scientific Advisory Board > Sessions).

The final Scientific Advisory Board meeting of 2008 was held on 14 November. Serge Darolles (SGAM) presented the results of research on measuring the performance and risk of hedge fund strategies. Starting with the observation that conventional indicators are not suitable for capturing hedge fund risk profiles, mainly because of the presence of tail risk, he suggested an alternative performance measure based on an improved Sharpe ratio²¹. Carole Gresse (Paris Dauphine University) then tackled the subject of short- and medium-term IPO performance. Referring to a sample of companies admitted to listing on Euronext between 1995 and 2004, she revealed a positive relationship between the level of undervaluation of companies in the very short term and the share's post-IPO liquidity. Lastly, Noël Amenc (Edhec) presented the main findings of a Europe-wide survey of asset managers' practices for portfolio construction and monitoring. He showed that managers make insufficient use of the most effective and elaborate performance indicators, derived from progress in academic research.

²⁰ Membership: Michel Aglietta (Paris Ouest Nanterre-la Défense), Michel Albouy (Grenoble University PMF-ESA), Noël Amenc (EDHEC), Patrick Artus (Natixis), Christian de Boissieu (Paris I University), François Champarnaud (Agence des Participations de l'Etat); Patricia Charlety (ESSEC), Jean-Philippe Cotis (INSEE), Olivier Davanne (DPA Invest), Thierry Foucault (HEC), Olivier Garnier (Société Générale Asset Management), Edith Ginglinger (Paris-Dauphine University), Christian Gourieroux (Paris IX University and ENSAE), Carole Gresse (Paris Dauphine University-CEREG), Pierre Jaiillet (Banque de France), Ruben Lee (Oxford Finance Group), Jean François Lepetit (Conseil national de la comptabilité), François-Serge Lhabitant (HEC Lausanne University), Albert Menkveld (Vrije Universiteit Amsterdam), André Orléan (CNRS), Olivier Pastré (Paris VIII) university, GP Banque), Jean-Charles Rochet (Toulouse University -Institut d'économie industrielle), Benn Steil (Council on Foreign Relations), Xavier Vives (IESE Business School).

²¹ The Sharpe ratio measures the excess return on a portfolio of financial assets relative to a risk-free rate, divided by the portfolio's risk (measured as the standard deviation of its return).

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B – The Scientific Advisory Board conference

The AMF Scientific Advisory Board held its third one-day conference in Paris on 2 October 2008 to address the implications of structured finance products for the markets and for regulators²². As this theme covered both market regulation and prudential and banking regulation, the conference was organised in partnership with the Banque de France and co-chaired by Michel Prada, AMF Chairman, and Christian Noyer, Banque de France Governor.

The conference was in two parts:

- > the first was devoted to the specifics of structured finance products and their role on the financial markets. Adrian Blundell-Wignall (OECD) and Rama Cont raised risk allocation issues, while Jean-Charles Rochet (Toulouse University) ND and Amadou N.R. Sy (IMF) concentrated on the difficulties of rating and valuing these products;
- > the second part was devoted to liquidity, contagion and credit risk. The liquidity problem was discussed successively by Charles Goodhart (London School of Economics and Political Science), Shi Wu (Imperial College of London) and Julien Idier (Banque de France). The main issues relating to credit risk were then presented by Richard Cantor (Moody's) and Andrew Sheets (Morgan Stanley).

The conference wound up with a panel discussion chaired by Michel Prada on the implications of financial innovation for regulators. Judith Gruttman (New York Fed), Sylvie Mathérat (Banque de France) and Michel Aglietta (Paris X Nanterre University) expressed their views on the present financial crisis. The closing address was delivered by Jean-Paul Redouin, First Deputy Governor of the Banque de France.

3 – Education and information

Market professionals certification

Reforms to the regulatory framework for European financial services, notably the implementation of MiFID, have made ISPs more accountable with regard to protecting clients' interests and market integrity. More specifically, ISPs are required to employ personnel with the skills, knowledge and expertise needed to carry out their duties.

AMF Board member Jean-Pierre Pinatton was therefore asked to lead a mission to develop a procedure for certifying the regulatory knowledge of market professionals occupying key posts at ISPs in the French markets. Having opened public consultations on this issue, the AMF Board decided to introduce a scheme that would lead ISPs to check more systematically that their key staff (in trading, sales, investment research, fund management, clearing and post-trade services, and compliance) have a minimum level of knowledge. ISPs can carry out the verification either in-house, by any means they see fit but in accordance with a formal procedure, or by checking that the employee has passed a certified external examination providing them a professional "passport", with a view to mutual recognition of qualifications between France and other countries.

The AMF will ask the Financial Skills Certification Board, a new body composed of independent members, to advise it on the practicalities of certifying knowledge and examinations.

This measure²³, associated with a so-called grandfather clause benefiting professionals already carrying out the functions concerned, is expected to enter into force in July 2010.

4 – Cooperation with the Banque de France

The AMF and the Banque de France work closely together. A representative of the Banque de France appointed by the Governor sits on the AMF Board. Likewise, the AMF Chairman is a member of CECEI, the committee that authorises investment firms and credit institutions. AMF personnel have a long-standing history of cooperation with their Banque de France counterparts in the areas of banking disclosure, and have traditionally worked closely with the staff of the Commission bancaire. The institutions share reports, exchange views and provide each other with specialised personnel on secondment. This partnership can also involve joint organisation of events such as

²² Conference Papers available on the AMF website under the heading Who we are > Scientific Advisory Board > Conference

²³ The amendments to Book III of the AMF General Regulation related to this measure were approved by the Executive Order of 30 January 2009 and published in the Official Journal of the French Republic on 6 February 2009.

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the third one-day AMF Scientific Advisory Board conference in Paris, devoted to the implications of structured finance products for markets and for regulators (see page 8).

Cooperation between supervisory authorities, governed by statutory provisions on shared secrecy, generally falls into one of three categories:

- > information sharing;
- > regional cooperation;
- > oversight of investment services providers.

In 2008 cooperation between the AMF and the Banque de France proved effective, particularly in managing the crisis. The two institutions worked together, along with ACAM²⁴ and the CNC²⁵, on joint initiatives such as checking financial reporting by listed financial institutions, reviewing French rules on securities settlement periods and placing restrictions on short selling in the fourth quarter of 2008.

Representatives of the AMF, CECEI and Commission bancaire meet every month to examine the interpretation of the rules that concern them. Many of the issues addressed in 2008 concerned the consequences of MiFID implementation, such as classifying financial instruments, identifying multilateral trading facilities, supervising tied agents, issuing passports for the right of establishment, and overseeing subsidiaries. The meetings also provided an opportunity to share information on individual cases in order to examine new activities from the perspective of investment service provision.

Lastly, the AMF and the Commission bancaire meet regularly to discuss matters relating to joint supervision of investment firms and credit institutions.

A – Information sharing

The AMF and the Banque de France share information in a number of areas. The exchanges can either be informal (e.g. with the Commission bancaire on the appointment and re-appointment of statutory auditors of publicly listed credit institutions) or formalised through memoranda, agreements, charters and other such instruments. In this context, the following have been signed:

- > an agreement (now being updated) between the Banque de France and the COB on fund registration (1998);
- > a memorandum of understanding establishing the arrangements for using FIDEC, a database that holds details of senior executives and shareholders of credit institutions and investment firms (2000);
- > an agreement on administering FIDEM, the database of direct marketers (2004)²⁶;
- > a cooperation charter between regulators of cross-sector financial groups (2005);
- > an agreement between CECEI, the Commission bancaire and the AMF on the legal and accounting information needed by the AMF to oversee ISPs and collect fees and contributions from them (2007).

B – Regional cooperation

Under an agreement signed in 2005, the regional directors of the Banque de France are also the regional representatives of the AMF and can take part in AMF missions within the limits of the activities that the AMF is entitled to delegate to them. These include:

- > financial reporting. Regional delegates are the AMF's correspondents for all matters relating to periodic and ongoing disclosures by listed companies operating within their bailiwick. They inform the AMF if any of these companies runs into difficulties. And they are consulted systematically when a new company in their region plans to go public;

²⁴ ACAM (Autorité de contrôle des assurances et des mutuelles) is the insurance industry supervisor.

²⁵ CNC (Conseil national de la comptabilité) is the national accounting board.

²⁶ <https://www.demarcheurs-financiers.fr>.

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- > supervising the direct marketing of financial instruments, financial investment advice, and the marketing of investment services;
- > market surveillance;
- > questions and complaints from retail investors, which are forwarded to the Ombudsman.

If the query does not come within the AMF's jurisdiction, the regional delegate refers it to the appropriate agency or government department.

Moreover, under the terms of a memorandum of understanding with the Banque de France, the AMF can call on the Banque de France's regional divisions for supervisory missions. In 2006, for example, this provision was used to conduct 28 assignments concerning the marketing of EDF shares to the public by institutions owned by the main French banking groups²⁷.

Several Banque de France regional offices also operate public documentation centres, supplying members of the public with reference materials, including AMF publications and, in many cases, information on listed companies.

Furthermore, the AMF Chairman can ask the regional delegate to represent him at regional events relating to financial markets.

Annual meetings are organised with regional delegates to review AMF/BdF cooperation and the events of the past year, and to inform them about major regulatory developments. In the course of these meetings, the regional delegates are briefed by the heads of AMF divisions. The meetings are also an opportunity to provide information about the year's main events and about work in progress that may impact current cases. The main items on the agenda of the 2008 meeting were the crisis and initial stages of MiFID implementation.

A quarterly liaison bulletin was launched in 2008 in response to a request from regional delegates for closer ties to the AMF. The first issue, published in September 2008, contained a round-up of AMF news.

C – Cooperation on the oversight of investment services providers

The AMF shares responsibility for ISP oversight with the Commission bancaire. The AMF is responsible for enforcing the rules on investment service provision, while the role of the Commission bancaire is mainly to monitor the security of cash deposits and of banks generally. The Commission bancaire is also in charge of making sure that reporting institutions comply with the regulations on anti-money laundering and terrorist financing. The Commission bancaire informs the AMF of matters likely to breach the General Regulation, and vice-versa. The two authorities cooperate closely together and with other financial authorities, especially CECEI, which is responsible for authorising ISPs other than asset management firms.

The AMF can ask the Commission bancaire to inspect authorised services providers on its behalf. In most cases, the team appointed by the General Secretariat of the Commission bancaire to inspect an ISP carries out work for both authorities at the same time. The AMF and the Commission bancaire can also set up joint teams.

Regional delegations

Alsace		
Henri Jullien	3, place Broglie – BP 20410 – 67002 Strasbourg Cedex	03 88 52 28 40
Aquitaine		
Bernard Tedesco	13, rue Esprit des Lois – Cs 80001 – 33001 Bordeaux Cedex	05 56 00 14 14
Auvergne		
Catherine Boucher	15, cours Sablon – 63058 Clermont Ferrand Cedex 1	04 73 40 69 40
Basse-Normandie		
Maxime Maury	14, avenue de Verdun – 14051 – Caen Cedex	02 31 38 33 00
Bourgogne		
Gérard Aumas	2-4, place de la Banque – BP 126 – 21004 Dijon Cedex	03 80 50 41 41
Bretagne		
Alain Pineau	25, rue de la Visitation – Cs 56431 – 35064 Rennes Cedex	02 99 25 12 12
Centre		
Jean-Claude Bach	30, rue de la République – BP 1657 – 45006 Orleans Cedex 1	02 38 77 78 78
Champagne-Ardenne		
Alain Debiasi	1, place de l'Hôtel de Ville – BP 2728 – 51057 Reims Cedex	03 26 89 52 52

²⁷ See AMF 2006 Annual Report

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Corse		
Jean-Pascal Prevet	8, rue Sergent Casalonga – BP 315 – 20177 Ajaccio Cedex 1	04 95 51 72 40
Franche-Comté		
Patrick Bernard	19, rue de la Préfecture – 25044 Besançon Cedex	03 81 65 21 21
Haute-Normandie		
Patrice Lenoble (Deputy, standing in for Mr Lasserre)	32, rue Jean Lecanuet – BP 896 – 76005 Rouen Cedex 1	02 35 52 78 78
Ile-de-France		
Guy Castelnau	48, boulevard Raspail – BP 8406 – 75261 Paris Cedex 06	01 49 54 27 27
Languedoc-Roussillon		
Bernard Ramette	98 ter, avenue de Lodève – 34061 Montpellier Cedex 2	04 67 06 79 79
Limousin		
Pierre du Peloux de Saint-Romain (until April 2009) Jeannine Roghe (from May 2009)	8, boulevard Carnot – Bp 414 – 87012 Limoges Cedex	05 55 11 53 00
Lorraine		
Jean-Pierre Jubin	12, avenue Robert Schuman – BP 20450 – 57017 Metz Cedex 1	03 87 39 94 00
Midi-Pyrénées		
Chantal Boucher	4, rue Deville – BP 90103 – 31001 Toulouse Cedex 6	05 61 61 35 35
Nord-Pas-De-Calais		
Maurice Wonner	75, rue Royale – BP 587 — 59023 Lille Cedex	03 20 40 47 47
Pays de la Loire		
Gérard Laurent	14, rue La Fayette – BP 20725 – 44007 Nantes Cedex 1	02 40 12 53 53
Picardie		
Philippe Guislin	57, rue de La République – BP 0902 – 80009 Amiens Cedex 1	03 22 82 28 00
Poitou-Charentes		
Elisabeth Tanguy	1, rue Henri Oudin – BP 325 – 86008 Poitiers Cedex	05 49 55 88 00
Provence-Alpes-Côte d'Azur		
Bernard Gamel	1, place Estrangin Pastré BP 91 – 13254 Marseille Cedex 6	04 91 04 10 10
Rhône-Alpes		
François Gaudichet	14, rue de la République – 69268 Lyon Cedex 02	04 72 41 25 25