

Paris, 29 June 2009

The effects of the crisis that began in summer 2007 intensified in 2008. Against this turbulent backdrop the AMF stepped up the monitoring of investment management companies and financial reporting by listed companies, especially financial institutions. Investigations were ordered whenever necessary.

The AMF also took a number of support measures prompted by the crisis:

- it authorised hedge fund managers exceptionally to use certain tools to manage the liquidity of their funds and protect investors more effectively;
- in a recommendation issued jointly with the banking and insurance supervisors (Commission Bancaire and ACAM) and the national accounting board (CNC), it stipulated how to use accounting methods for measuring certain financial instruments at fair value;
- starting on 19 September 2008, it regulated short selling of financial stocks traded on French regulated markets. These measures were renewed pending the outcome of European-level work on the regulation of short selling.

The exposure in mid December of a massive fraud in the United States had major repercussions in Europe. The AMF acted as soon as the news broke and was quickly able to announce that French funds' exposure to "Madoff" risk amounted to some €500 million, more than 90% of which was concentrated in funds catering to high net worth individuals or institutional investors.

In view of the exceptional circumstances, the AMF issued a recommendation containing guidance for investment management companies on implementing the solutions they considered the most appropriate. It also reminded them that were required to act solely in the interests of investors and to treat them fairly.

The AMF is closely following the legal developments in this affair and has taken the debate on extending and harmonising European regulations on depositaries to the European Union. It has put a special effort into the discussions that are now underway on this issue at the Committee of European Securities Regulators.

## **Intermediation and asset management**

The asset management industry, which had escaped relatively unscathed from the financial crisis in 2007, suffered in 2008. Gross assets under management in funds declined 13% to €1,246.4 billion at 31 December 2008, compared with €1,415 billion at 31 December 2007.

At the same time the number of funds increased from 12,063 at the end of December 2007 to 12,293 at end-December 2008. There was, however, a slight decline in the number of new funds created, from 1,360 in 2007 to 1,279.

## 2008 KEY FIGURES

### Entities reporting to the AMF at 31 December 2008

|   |     |
|---|-----|
| Investment management companies                   | 571 |
| ISPs (other than investment management companies) | 394 |

### Authorisations and approvals issued in 2008

|   |    |
|---|----|
| Authorisations of investment management companies   | 50 |
| Approvals of programmes of operations   | 79 |
| Opinions on programmes of operations for investment services other than asset management and/or custody account keeping | 12 |
| Approvals of programmes of operations for asset management (ISPs other than investment management companies)            | 10 |

### General purpose collective investment schemes

|  |                  |
|--|------------------|
| Schemes in existence at 31 December 2008 | 12,293           |
| Authorisations issued in 2008            | 1,121            |
| Assets under management                  | €1,246.4 billion |

The number of management companies remained stable, ending the year at 571 compared with 568 at 31 December 2007. Fifty companies were formed in 2008 compared with 52 the previous year.

Since January 2008 the AMF has streamlined its fund authorisation procedures in return for a commitment from management companies to make their applications regulation-compliant. In addition, an online procedure for filing authorisation applications has been put into service. In parallel the AMF has published a guide to prospectus preparation in order to help management companies draw up documents that conform to prevailing regulations.

The personnel time savings generated by this reform were reassigned to monitoring point-of-sale advertising and marketing materials, a key issue for retail investor protection.

The AMF working group on money market funds set up at the end of 2007 released its conclusions in 2008. Among other things, it recommended a stricter classification system for these funds, with additional criteria on the maturity of portfolio securities and enhanced disclosure requirements.

## Corporate finance and disclosure rules

### 2008 KEY FIGURES

|   |     |
|---|-----|
| Offer documents approved by the AMF (1) | 291 |
| Registration documents                  | 367 |
| – o/w filed and reviewed ex-post        | 272 |
| Admissions to listing on Eurolist       | 5   |
| Admissions to listing on Alternext      | 6   |

(1) Excl. expired approvals and  
compliance decisions constituting approvals for tender offers

Source: AMF

The number of authorisations for financial offerings granted by the AMF fell sharply in 2008, to 291 from 446 in 2007, reflecting the extent of the crisis. And the number of initial public offerings plummeted to 11, compared with 38 in 2007.

Several major regulatory reforms came into effect in 2008. First, to come into line with European legislation on securities offerings, the broad concept of *appel public à l'épargne*, specific to France, was replaced with two separate concepts: "offer of securities to the public" and "admission to trading on the regulated market". Starting in summer 2008, the AMF initiated discussions on the forthcoming changes that would be needed to achieve a comprehensive legal framework for securities offerings by 2009.

A working group steered by the AMF formulated proposals for enabling companies to transfer more easily from Compartment C of Eurolist to Alternext while maintaining shareholders' takeover rights and also for relaxing the rules that currently apply to Alternext-listed firms.

In addition, a compartment for professional investors was opened on the regulated market. The new segment is accessible to both French and foreign companies, which will be exempt from some of the special obligations laid down in the General Regulation. These will henceforth apply only to listed companies having made an offer of securities to the public.

In March 2008 the AMF introduced a simplified approval procedure for certain types of financial offering made by companies that have filed three consecutive registration documents and are up to date with their reporting requirements.

The AMF is also responsible for monitoring disclosures by listed companies concerning their acceptance of the recommendations on executive director remuneration, adopted in October 2008 by the French Business Confederation (MEDEF) and the national association of private companies, AFEP.

## Investigations, inspections and sanctions

The computer system that processes daily market data handled 824 million orders in 2008, a year-on-year increase of 85%, and 133 million transactions, up 25%. Nearly 55,000 alerts were generated automatically; after initial examination, some 500 of these gave rise to a more thorough inquiry, with information requests to intermediaries. In all, 163 inspections and investigations were launched in 2008.

### 2008 KEY FIGURES

#### Market surveillance and discipline

|  |    |
|--|----|
| On-site inspections of investment services providers | 66 |
| Investigations opened                                | 97 |
| Investigations completed                             | 95 |

#### Activity of the Enforcement Committee

|                                |    |
|--------------------------------|----|
| Sanction proceedings completed | 40 |
| Sanctions handed out in 2008   | 84 |
| o/w to corporate entities      | 35 |

In 2008 the Enforcement Committee handed down decisions on 40 proceedings, which resulted in a total of 84 sanctions: 49 against individuals and 35 against legal entities.

Eighty of these of these 84 sanctions consisted of fines ranging from €1,000 to €5 million (making a total of €24,715,000), and the remaining four were disciplinary. Thirty-six sanction proceedings were opened during the same period.

Several measures were taken to strengthen the AMF's powers of sanction:

- the maximum fine is raised from €1.5 million to €10 million;
- a self-disqualification procedure has been created for Enforcement Committee members;
- the AMF Board is now represented at enforcement hearings and can state its observations.