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Speech by Robert Ophèle, AMF Chairman - 2020 New year wishes - Wednesday 8 January - Palais Brongniart

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Ladies and gentlemen,
Dear colleagues, dear friends,

As we usher in the New Year, I would like us all to have a thought for Jean Eyraud, who left us at the very end of last year. For many of us, Jean Eyraud was an invaluable partner, always constructive and considerate. He made a major contribution to the development of the Paris marketplace. In particular, he focused on the fact that Paris is a financial centre oriented towards the needs of companies. Jean Eyraud was always a key figure wherever he found himself, whether with the French Association of Corporate Treasurers (AFTE), AF21 and lastly the European Savings Observatory (OEE). As a member of the AMF's Asset Management Consultative Commission, he provided us with a wealth of relevant advice. On behalf of the Board, I would like to pay him a fitting and heart-felt tribute.

In many respects, 2019 was a year of contrasts in our sector. This was the case for market performance and the financing of our economy, as well for European integration.

The weak spell observed on equity markets in the last quarter of 2018 was quickly corrected and the return of a very accommodative monetary policy, even in areas such as the United States which experienced sustained economic growth and full employment, pushed

valuations to unprecedented levels. The CAC 40 index, with reinvested dividends, rose by more than 30% over the year. It has been multiplied by two and a half since its level at the end of 2011, making an annual increase of 12% over eight years. However, we must not be lulled by this remarkable rise in the index: it is coupled with an unprecedented disengagement from financing via the issue of listed shares. For the first time since the ECB's statistics 30 years ago, the annual net flow of listed shares in the Euro Area is negative. Companies are taking advantage of the low interest rates and taking on more debt. They borrow to finance their development and borrow to buy back their shares.

IPOs have become scarce and there is an increasing number of exits. In 2019, only 20 or so companies were floated on the three Euronext Paris markets. This was 10 less than the previous year and although the amounts raised during these IPOs were significantly higher than in 2018 (a little under €3 billion), this is entirely due to the flagship IPOs at the end of the year, the Française des Jeux and Verallia which accounted for 95% of inflows between them.

Household savings continued to be invested in line with prevailing trends. First-half figures show the prevalence of real estate and risk-free and liquid investments: €110 billion of gross savings coupled with €40 billion of debt financed €70 billion of real estate investment and €75 billion of investment in fixed income products, mainly sight deposits, regulated savings and euro-denominated life insurance. As these products are all likely to present negative real returns in the coming years and real estate financing through debt has reached its limits. We need to redirect savings towards products that are more directly geared towards financing the real economy, which are riskier and/or less liquid but also allow the financing of sustainable economic growth, in particular the energy transition. This obviously requires an effort in terms of transparency and education. It also requires the AMF to continue its efforts to combat financial fraud and educate the public about financial issues.

In the light of this, we should seize the opportunities created under the PACTE law in favour of employee and retirement savings schemes. Let us hope that in this respect, 2020 will be a pivotal year.

In 2020, the United Kingdom will finally leave the European Union, with a transitional period that should not go beyond the end of the year. In our sectors, the AMF has registered and approved 22 requests for authorisation for investment firms (primarily full-service investment firms) and 20 requests from portfolio asset management companies. Coupled with the reinforcement of the activity in France of branches of entities located in other EU countries, this will represent a direct increase of more than 1,500 employees by the end of the year. We have also recorded the repatriation to Paris of the LCH group's entire euro repo transactions.

However, it is clear that the construction of the financial geography of the 27-member EU has only just begun. The exact level of business relocated to the EU-27 will partly depend on the agreements concluded with the United Kingdom and the equivalence decisions that will be taken by the European Commission. The exact level of business relocated in France will depend on the attractiveness of our ecosystem. This is a challenge that we need to take up collectively. To successfully take up the challenge of internationalisation, market bodies must, for example, open up to foreign players who locate a significant part of their activities in France. It is with this in mind that the AMF is currently renewing its consultative commissions. I would like to take this opportunity to stress the importance of the AMF's commissions. The 120 members of our six commissions represent the diversity of expertise in the French marketplace and are essential for the Board to make informed decisions.

However, the challenge of Brexit for the European Union goes beyond the application of the various third-country regimes to the specific case of the United Kingdom. Brexit should lead us to rethink our own financial regulations to make our financial system more efficient, better integrated and attractive. However, in terms of European capital market integration, 2019 in fact marked the lack of significant progress made during the term that ended in May. We will see in 2020 whether the ambitions expressed in the autumn with the positive reception of the NextCMU report become a reality.

Meanwhile, the AMF intends to highlight the targeted changes that are needed, particularly in the area of market transactions (review of MiFID, PRIIPS and CSDR) and collective investment.

With respect to MiFID, the aim is to promote the development of our organised markets by revising the rules on trading obligations, transparency obligations or those that penalise research. The AMF Board will be announcing its proposals on research very soon. The aim is also to improve the protection of non-professional investors by simplifying the information given to them, in particular with respect to the costs of the products offered to them, and by strengthening ESMA's powers of intervention. In this perspective, we also consider that the revision of PRIIPS should not stop at an adaptation of level 2 texts but also amend some level 1 provisions that lead, for example, to performance scenarios that are not very relevant. The AMF will also set out its proposals for adapting the regulatory framework to the digitalisation of market transactions, particularly with regard to the post-trade processing of digital assets.

Collective investment management is also at the heart of the development of capital markets. As such, it is a summary of the challenges that need to be met: shifting capital flows towards sustainable finance by avoiding greenwashing, effective convergence of rules in the EU and clarification of the responsibilities of the various supervisors, controlling the risks associated with the rapid development of products too often perceived as offering guaranteed liquidity and marketing financial products adapted to the needs of investors at a

competitive cost. In my opinion, this calls for a more ambitious approach to the European regulatory framework.

One of the main thrusts of the AMF's strategic plan is to review our supervisory tools and means of intervention. Our approach to supervision is now organised around a number of clearly stated principles giving priority to the empowerment of market participants, and the monitoring and rapid detection of potential violations. Each year, we publish our detailed supervision priorities and, without prejudice to routine checks on market participants at a frequency which should be determined by a risk-based approach, we perform short thematic checks designed to pinpoint good and poor practices as soon as possible and share them with the stock exchange.

Our priorities for 2020 will be put online on our website this afternoon. They highlight the following monitoring and oversight priorities.

- For asset management companies, we focus on the outsourcing of permanent control, liquidity risk management (I stress this point which corresponds to the French component of a European supervision priority defined and coordinated by ESMA), the system of loan-granting by professional funds and, like last year, cybersecurity and anti-money laundering and combating terrorist financing, although these are areas where the profession still needs to make significant improvements.
- For market intermediaries, in addition to the special attention given to compliance with MiFID II provisions on reporting, post-trade transparency and best execution, attention will be focused on the arrangements for providing cross-border services and on taking into account the provisions on benchmarks. In line with its commitment, the AMF will also take stock of liquidity contracts, a market practice accepted by the AMF in 2018 despite a negative opinion from ESMA.
- Regarding marketing, product governance and the adequacy requirement, as defined by MiFID 2, will be a priority, as will the supervision of FIAs by their professional associations. As part of the joint unit with the ACPR, the AMF will continue work on the marketing of financial products to people in vulnerable situations, as well as work on employee savings schemes.

I cannot conclude this chapter without briefly mentioning our enforcement efforts. Last year was marked by several emblematic decisions of the Enforcement Committee, most of which were appealed, so let's wait and see if our case decisions are upheld. I note that the systematic publication of a press release in French and English reinforces the instructive nature of these decisions. The year was also marked by the escalation of the debate on shareholder activism, and it was in this context that we had to examine some cases with a

strong media impact, which led us to unusually announce the AMF Board's decision to send simple follow-up letters in the Muddy Waters - Casino case. I would like to emphasize once again that the AMF pays close attention to the smooth operation of markets, to which activism can contribute but which it can also disrupt in some cases. The AMF intends to clarify its position on this issue before the end of this quarter. However, I would also like to emphasise our commitment to the principle of discretion in the conduct of our investigations and audits. The AMF has an average of ongoing 50 investigations and 50 audits. It is neither good supervision nor fair to make them public and comment on them prematurely. It is however, in the interests of good supervision and fairness to conduct them as quickly as possible, and we are determined to expedite their processing for the part for which we are responsible. For cases that are the subject of a decision by the Enforcement Committee, the average time between that decision and the opening of the investigation is currently 44 months. For audits, it is 30 months. These times are on significantly shorter average for cases for which there are settlement negotiations or a classification, but they are obviously too long and we will reduce them.

I would like to conclude with a word about the adaptation of the AMF's human and financial resources, because it is you, the financial community, that provide us with these resources. Last year, I pointed out that it was critical to adapt our resources given the increase in the size and scope of our missions and the vast IT projects that we had to carry out.

The government is aware of this problem and increased our resources by €6 million in 2018 and then added €2.5 million in 2019 and will add €2.5 million in 2020. This was obtained without an overall increase in the contributions of the marketplace, and it is ultimately the reduction in the surplus of contributions returned to the tax authorities that allowed this increase in our resources.

But this is still not enough. Even though the AMF has far fewer resources than its European counterparts - and this is now clear from the reviews of our peers conducted by ESMA - its financial structure is unbalanced. This balance has to be restored under the next Finance Act. It needs to be restored to ensure a moderate increase in our workforce in the medium term. In this context, we will be attentive to the case of very small investment services providers whose contributions increased dramatically in 2019.

I wish you all an excellent New Year.

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