AUTORITÉ DES MARCHÉS FINANCIERS

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Retail investors: find answers to the questions you are asking yourself in the context of the coronavirus pandemic (covid-19)

Many of you have contacted the Autorité des Marchés Financiers for answers to the questions you are asking yourself regarding the impact of the coronavirus-induced health crisis on financial markets and on your investments.

Here are a few clarifications. We will update this page regularly in order to provide the best answers we can to all your questions.

Why not shut down financial markets?

Despite exceptional circumstances and the many health and economic uncertainties which have caused a fall in share prices and high stock market volatility, financial markets are technically operational. It is noted at this stage that securities are liquid and trading volumes are significant, and that prices fairly reflect the current uncertainties.

The powers conferred on the Autorité des Marchés Financiers do not enable it to suspend the listing of all securities, but merely to suspend the trading platforms that it regulates, which excludes over-the-counter transactions and transactions executed on foreign platforms. Now, half of the trading in French securities takes place outside France.

If the French market were the only one to shut down, that would cause a flight of trading to foreign markets and would freeze up other trading. For example: funds invested in European equities could no longer be valued because the equities traded on a French platform would no longer be listed. But the possibility of a coordinated shutdown on the European level, or even the global level, is hardly credible. Another likely consequence is that pressure would be transferred to other asset classes such as debt securities, which are essential for financing the economy.

To shut down financial markets, we would have to be able to anticipate their reopening date, which is not possible at present, and that would plunge investors into further uncertainty.

Have financial markets already been shut down?

Until now, the French market has been shut down only for technical reasons and for a limited period of time, i.e. when it was possible to announce a reopening date. The last time the Paris stock exchange was shut down was in 1968, following the fire at the Palais Brongniart, before the creation of the CAC 40.

Why prohibit certain net short positions and short selling?

Short selling consists in selling a security you do not own and which you buy back later because you presume that its price will fall. So it is a strategy which aims to profit from an expected fall in share prices.

Without resorting to short selling, it is also possible to profit from a fall in a share price by executing a transaction in certain derivative financial instruments having that security as their underlying asset. In this case it is also said that the investor has a short position.

In normal times, short selling can contribute to greater market liquidity. In the current situation in which securities are experiencing very sharp variations and the market is already stressed, the AMF considers that these net short positions should be temporarily prohibited in order to calm things down and not add further stress.

This measure, which has also been adopted by several other European regulators, is in line with the decision announced by the European Securities and Markets Authority (ESMA) on 16 March, in favour of greater transparency concerning short selling.

To find out more about the consequences of this temporary measure, refer to our specific FAQ URL = [https://www.amf-france.org/en/news-

publications/news/ban-net-short-positions-frequently-asked-questions].

Why not prohibit all net short positions and oblige the holders to unwind their positions?

Ensuring the orderly functioning of markets, especially in these exceptional circumstances, implies taking decisions that have been thought about carefully, after weighing their direct and indirect consequences. Requiring the holders of net short positions to unwind their short positions does not automatically mean a return to rising markets, because imposing such unwinding could cause chain reactions. To be able to unwind a short position, a market participant must have sufficient liquidity.

Moreover, market operators often hold several securities and generally implement strategies. Accordingly, obliging them to alter a position has repercussions on the others.

For example: imagine a market participant having an automotive sector strategy. They may have chosen to be a short seller of one carmaker and a buyer of another carmaker. If we forced them to buy back the first position, they could be obliged to sell all or part of the second one. So that the imagined positive effect is far from being guaranteed.

Retail shareholders: How to exercise your voting right at annual general meetings?

In light of the health crisis, temporary derogations will apply to annual general meetings (AGMs) held between 12 March and 31 July 2020. If necessary, these measures could be extended by decree, although not beyond 30 November 2020.

AGMs could therefore be postponed or held behind closed doors. Exercising your voting right is still essential despite these exceptional circumstances. If the AGM is held behind closed doors, you will only be able to vote remotely and, unless otherwise specified, before the AGM is held. Several remote voting procedures are possible:

- By correspondence via a form. You will find a hypertext link giving access to this form on the company's website in the section dedicated to its AGM. Since postal delivery times are uncertain, it is recommended to return this form electronically. In the case of bearer securities, the voting instructions should be returned directly to your bank.
- By proxy. Ordinarily, you can give a voting proxy to a person of your choice or, if there is no indication of the person acting as proxy, to the listed company itself ("blank" proxy). In the case of an AGM held behind closed doors, problems could arise from using the voting

proxy given to a person of your choice (except with a "blank proxy"). If you want to use this voting method, you are advised to first contact the company in question, to find out how such voting proxies are treated. Be aware that if you give a proxy without indicating the person acting as proxy, the Chair of the AGM will express a vote in favour of adopting the draft resolutions presented or approved by the board of directors or the management board, depending on the case, and will vote against the adoption of all other draft resolutions.

- Via the internet on a secure voting platform, if the company has provided for this method and if its articles of association authorise this. This vote must also be performed before the General Meeting.

Why are some transactions not executed by your financial intermediary as quickly as usual?

The health crisis that we are experiencing at present requires that economic agents adapt their customary operating procedures, notably to comply as well as possible with the national lockdown rules. Most online transactions are functioning normally. However, the transactions that you may do by correspondence, for example, and/or which are processed at least partly manually, may take longer.

Why should you be especially on the lookout for scams?

Due to the lockdown, many of you are currently more exposed to prospecting by fraudsters (emails, advertising on social networks, phone calls, etc.), touting risk-free investments promising high returns.

Faced with the downturn in financial markets, some investors could be tempted to switch their savings to these investments presented as attractive, especially safe-haven investments such as gold or atypical investments such as great vintages (wines) or spirits (whisky, etc.). There is unfortunately an upsurge in masquerading as market operators or products. Be very careful.

Bear in mind that **if it's too good to be true, it's probably a scam**. When faced with such proposals, the right reactions are to not give your contact details on the internet, and not reply to unsolicited phone calls. If in doubt: contact AMF Epargne Info Service URL = [https://www.amf-france.org/en/request-information] and consult the AMF blacklists URL = [https://www.amf-france.org/en/warnings/warnings-and-blacklists].

Moreover, beware of certain scammers who might not hesitate to propose fake investment proposals in the healthcare sector or in pharmaceutical companies doing research into a covid-19 remedy.

AMF Protect Epargne: the specific app to protect yourself from scams (only available in French)

On the internet URL = [https://protectepargne.amf-france.org/] or downloaded URL = [https://www.amf-france.org/fr/espace-epargnants/videos-outils/applications/application-protect-epargne] to your smartphone, this app enables you to stay informed in real time. It will also help you to rapidly determine the risk of a proposed investment being a scam, and to contact the Autorité des Marchés Financiers.

Read more

- Ban of net short positions: Frequently asked questions
- Covid-19: The AMF informs shareholders and listed companies of the exceptional measures taken for the organisation of shareholders' meetings

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