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Speech by Natasha Cazenave, AMF Managing Director - Bloomberg EU Policy Series – “Reshaping the regulatory framework: 2021 and beyond”- Thursday 14 January 2021

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Good afternoon and thank you for the opportunity to participate in these policy series and share the AMF’s priorities for EU financial regulation.

2020 was a very challenging year. The IMF has qualified it as “a year like no other”. The global economy experienced a deep recession. Financial markets underwent a severe shock. The EU experienced its worst economic crisis in decades.

Europeans all over the continent have lived through multiple lockdowns. We definitely hope 2021 will bring an end to the health crisis and see the start of an economic recovery.

As a financial regulator, the AMF will remain fully mobilized to ensure markets continue to operate smoothly and provide the much-needed financing to the European economy.

We will of course remain vigilant as uncertainty and market volatility remain high. In particular:

- We will monitor markets closely to identify any early signs of stress.

- We will pursue our efforts to assist firms as they turn to markets to raise funds – and need to explain to investors the impact of COVID on their business models and forecasts.
- We will also continue working with our counterparts in the EU and beyond to strengthen the European and global financial system where vulnerabilities have been identified during the March turmoil.

In this context, deepening European capital markets is vital. The availability of deep and liquid markets will be critical in the recovery phase for governments, businesses and investors. European corporates in particular need to be able to seek alternative funding from bank debt to finance their recovery and investments. With the UK's departure from the EU and only few, temporary, equivalence decisions, it is an imperative to strengthen the autonomy of the EU27 financial ecosystem.

On September 24th, the European Commission put forward its Capital Markets Union Action Plan, containing 16 measures. We support the action plan and its focus on SMEs and long term investment. The emphasis on the need to strengthen the EU's competitiveness is also most welcome.

Beyond this Action Plan, every time a piece of legislation is under review it should be an opportunity to assess whether its provisions contribute to resilient and competitive European capital markets. We should seize the opportunity of the numerous legislation reviews and new initiatives scheduled in 2021, to streamline and further harmonize our frameworks while preserving Europe's high standards in relation to market functioning, investor protection and financial stability. In that regard, we welcome Ursula von der Leyen's commitment to "one in one out" principle.

One key opportunity will be the revision of the Markets in Financial Instruments Directive later this year. MIFID is one of the pillars of financial regulation.

- The AMF supports the first set of changes introduced in the Capital Markets Recovery Package and in particular the changes related to the provision of financial research which we hope will facilitate access to financing for SMEs.
- A more substantive review is expected in the first half of 2021, which should focus more on market structure provisions. In light of its supervisory experience and the data analysed since the legislation came into force, the AMF has suggested a series of targeted changes to fully achieve MIFID2's original objectives and simplify the framework.

- Our proposals mainly aim at streamlining the pre and post trade transparency requirements to improve information available to all market participants.
- Let me take the example of equities. Despite the share trading obligation, 1/3 of traded equity volume is still executed OTC. In terms of transparency, 60% of turnover of shares is not subject to pre-trade transparency. This clearly calls for a review of the waivers regime and for enhancing pre-trade transparency rules applicable to Systematic internalizers.

Turning to the EU's longer term challenges - delivering on the Green Deal and making the EU fit for the digital age, the AMF strongly supports the Commission's ambitious plans.

The European Commission has announced that 37% of recovery funding would be directed to sustainable projects. It also committed to raise 30% of the historical 750 billion € NextGenerationEU through green bonds.

The EU's leadership in sustainable finance is undeniable. Progress achieved in just a few years with the EU taxonomy, the Sustainable Finance Disclosure Regulation, and other initiatives, is remarkable. The risk of undue complexity however is increasing. Here again, we should focus on the effectiveness of this new framework.

In the short term, a key priority will be to strengthen corporate ESG disclosures. We support the EU's double materiality approach to reporting, i.e. looking not only at the financial impact of climate change on the firm's activities but also at the firm's impact on its environment. The revision of the Non Financial Reporting Directive and EFRAG's work on standardization of reporting will be important milestones. From an international standpoint, the TCFD framework has been instrumental in pushing the climate issue in companies' and investors' agendas.

One area not yet tackled but central in our view is ESG data and ESG service providers. There is a clear lack of transparency on methodologies used, very diverse practices, and potential cost issues. With our colleagues from the Dutch AFM we are calling for these players to be subject to a proportionate regulation.

Last but not least, as investor demand for sustainable products soars and an increasing number of financial institutions commit to incorporate ESG factors, regulation must help prevent greenwashing. The AMF has taken national initiatives and is keen to work with European counterparts and all stakeholders to develop a robust European framework. An EU label for sustainable funds would help reduce current fragmentation and be attractive for both EU and non-EU investors.

Let me briefly touch upon digital finance. 2020 was a catalyst for innovation. All firms had to suddenly operate remotely. Innovation in the financial sector could lead to profound transformations. [The EU has embraced this structural trend and put forward bold proposals].

We strongly support the EU's digital finance package, the MICA regulation and the DLT pilot regime. The draft MICA Regulation is a major step forward. It would provide a single European regime for ICOs, stablecoins and crypto asset service providers.

In short, upcoming initiatives constitute opportunities to lay the foundations of stronger EU capital markets, fit for today's and tomorrow's challenges.

The AMF intends to contribute to the debate with concrete proposals.

In doing so, we will be guided by the need to ensure regulation creates the right incentives and is sufficiently flexible to adjust to a rapidly evolving and a highly competitive landscape.


We will support proposals in favour of open and attractive EU markets and pursue our engagement with the international regulatory community.

Above all, we will be mindful of the imperative to ensure EU markets are able to serve the needs of European firms and savers and provide financing to our economies in these exceptional times and to invest for the future.

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