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The AMF identifies five areas requiring in-depth review to enable financial markets to finance economic recovery

On the occasion of the publication of its annual report, AMF Chairman Robert Ophèle highlights the regulator's strong engagement throughout the coronavirus epidemic and the lessons to be learnt from this period, as well as the unprecedented situations experienced in 2020, to enable financial markets to contribute fully to the financing of the European economy.

In a health crisis that has affected both the economic fabric and financial markets, the AMF teams provided a swift response and support to listed companies, asset management companies and investment service providers, while protecting investors in an environment conducive to scams. The 2020 annual report is an opportunity to look back in detail at the AMF's action during this troubled period and to discuss the exceptional measures taken at the time, such as the temporary ban on the creation of new net short positions and on the increase of existing ones.

For AMF Chairman Robert Ophèle, *"the unprecedented situations that we experienced in 2020, which in some cases were crisis situations, have highlighted the need to thoroughly review a number of issues to enable financial markets to contribute fully to the sound financing of our economy: provide more support to the development of individual shareholding, ensure that market mechanisms are functioning better within a transparent framework and with appropriate governance, better structure the development of sustainable finance, adapt the regulatory and supervisory framework of asset management to control the related risks more effectively, and develop the financial*

sovereignty of the European Union after the withdrawal of the United Kingdom, while consolidating France's position in this process".

Provide support for the development of individual shareholding

In 2020, the number of individual shareholders surged in many countries including France, where the AMF identified some 60 million stock market transactions by individuals, compared with 25 million in previous years. In the AMF's view, for this increase to be sustainable, it must be achieved without excessive risk-taking, either through highly leveraged products or through seemingly attractive pricing. It must also be accompanied by good-quality advice when advice is given. It is with this in mind that last year the AMF carried out a series of short thematic inspections on the suitability of the products recommended to clients based on their profile. A summary of these inspections was published in March 2021.

Functioning of markets and shareholder dialogue

Trust in the proper functioning of markets is a necessary condition for them to be attractive, especially for individual shareholders. Subsequently, one of the AMF's top priorities is to defend market integrity. This is reflected in the emphasis placed on the need for transparency in relation to listed companies, which the AMF supported as fully as possible during the health crisis, reminding them of the rules on ongoing information. This requirement helps to prevent market abuse. The AMF is also committed to developing shareholder dialogue, which can help avoid unnecessary conflicts. In April 2020, the AMF made proposals along these lines and last month announced changes to its policy.

The pandemic has also led companies to adapt the organisation of their annual general meetings (AGM). The AMF made a number of recommendations ahead of the 2020 AGM season. Most of these meetings were held behind closed doors (110 out of a sample of 118 companies studied by the AMF in its report on corporate governance and executive compensation published last November). Many issuers gave their shareholders the choice between attending the AGM in real time and watching a recording later on. However, unlike some European issuers, no French issuer allowed live electronic voting during the AGM. In November, the AMF called for collaborative work by the various stakeholders, including centralising agents, on the technical arrangements as well as the costs. The AMF fervently hopes that live electronic voting will be effective for the 2022 AGM season, given the ongoing work by the industry working groups.

Progressing towards a more sustainable finance

Despite the health situation, the AMF pushed ahead with its priorities, such as its commitment to sustainable finance. In its annual report, it looks back over some of its actions over the past year, including the publication of a first doctrine on the marketing of collective investment products incorporating non-financial approaches to avoid greenwashing. The AMF also contributed to the European debate by taking part in the European Commission's consultations on its renewed sustainable finance strategy, on the revision of the directive on non-financial information for issuers, and by proposing, along with its Dutch counterpart, a framework for providers of non-financial ratings and data.

It also analysed the reporting of the ten French financial players implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), drew up a first report on the monitoring and evaluation of the climate commitments made by French financial institutions with the Autorité de Contrôle Prudentiel et de Résolution (ACPR), and published its third report on non-financial approaches in collective investment schemes.

These efforts will continue as new European texts come into force this year (the Sustainable Finance Disclosure Regulation and the Taxonomy Regulation).

Adapt the asset management regulatory and supervisory framework

2020 was a year of very mixed results for the asset management sector, with the continued creation of asset management companies, bringing their number to 680 in France, and an upsurge in liquidity and valuation risks. The AMF stepped up its monitoring system to collect daily data on the activation of liquidity management tools and on subscription and redemption flows. Difficulties in the valuation of certain unlisted assets led to the suspension of some employee savings funds and certain funds of the management company H20. In the case of H20, after the side-pocketing of illiquid assets with uncertain valuations, the portion of the liquid assets of these funds transferred to new funds was reopened for subscriptions and redemptions.

These pressures sparked new reflections at the European and international levels on the adequacy of regulatory frameworks and the possible use of macro-prudential tools to limit pro-cyclical behaviour. The AMF is actively involved in these projects. In March 2021, it published its recommendations for the next revision of the Alternative Investment Fund Managers (AIFM) Directive.

Develop the financial sovereignty of the European Union

Nearly five years after the announcement of the UK's exit from the European Union, the Capital Markets Union has made little progress. The European Commission, however, presented a very concrete action plan in September 2020, with the aim of fostering access of companies to market financing in the form of shares, promoting European savers' access to secure long-term products, and closer integration of the 27 national markets of the European single market. There are many ongoing and future projects, which will culminate in the French Presidency of the EU in the first half of 2022. While the objective of this action plan is to make the EU financial market more efficient, the emergence of European players of international dimension must also be encouraged in order to strengthen its independence in financial matters.

Insufficient resources

Despite the additional resources granted in recent years and the reorganisation implemented in December 2020 with a focus on the digitalisation of processes and data exploitation, the AMF's resources remain too limited and well below those of our counterparts abroad. At a time when the work of harmonising supervision in Europe has become considerably more complex, *"this is leading us inexorably to reduce our participation in international groups and to curtail our ambitions to contribute to the French presidency of the Union in 2022"*, Robert Ophèle deplored in the preamble to the report. *"Our influence is weakening at a time when the stakes are high and the most important decisions are being taken at the European level. I'm therefore calling for a new impetus in this area to ensure that the French regulator has the resources it needs to match the EU's largest financial market"*.

Key figures for 2020

AMF

475 employees

Investor information

15,362 requests for information processed by the épargne Info Service public response platform, of which 80% from retail investors

1,479 queries for mediation received in 2020

1,327 cases processed leading the ombudsman to issue 505 opinions

40 "Rendez-vous de l'épargne" organised by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and the Banque de France (in the form of webinars) and a first MOOC in partnership with the Institute for Consumer Affaires (INC)

Supervision of financial intermediaries and savings products

680 asset management companies of which 43 authorized in 2020

11,486 funds at end-2020 representing EUR 1,788 billion in assets under management

5,617 financial investment advisors

65 crowdfunding advisors

7 digital asset service provider (DASP) licensed / authorized in 2020

Corporate financing and disclosures

290 corporate finance transactions approved by the AMF in 2020, of which:

29 compliance decisions on takeover bids

8 IPO approvals issued in 2020 (3 on Euronext and 5 on Euronext Growth)

140 debt security transactions approved

Market supervision, inspections and investigations

111 billion order and transaction reporting integrated in the ICY platform

56 inspection reports, 15 notifications of grievances

50 investigations completed of which 29 involved international cooperation, 8 led notifications of grievances

Settlements and sanctions

13 settlements approved by the Enforcement Committee and published

13 decisions handed down by the Enforcement Committee. They concerned 28 persons, of which 13 were legal entities

23 financial penalties ordered for a total of EUR 29.65 million

12 disciplinary sanctions ordered (2 warnings, 3 reprimands, 7 temporary bans on conducting at least one business activity)

About the AMF

The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected and that investors are provided with adequate information. The AMF also supervises the orderly operations of markets. Visit our website

<https://www.amf-france.org>. URL = [<https://www.amf-france.org/>]


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