AUTORITÉ DES MARCHÉS FINANCIERS

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Speech by Robert Ophèle, AMF Chairman – AMF Annual Conference: "Financing, green transition: the role of financial markets in the recovery" – Tuesday 30 November 2021

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Hello everyone, we are resuming our meetings cautiously. Last year, we decided not to hold them because we felt that the added value of these conferences lay largely in the increased interaction afforded by face-to-face meetings with a large number of attendees.

Thank you therefore for attending this conference which we have dedicated this year to the role of financial markets in economic recovery.

I believe that this year, financial markets have truly become central to the recovery process.

First of all, IPOs are back and companies that are already listed are carrying out capital increases.

Next, we're also seeing a confirmation of the appetite of retail investors for stock market investments.

Lastly, there is a boom in green finance with the unstoppable greening of financial products.

However, while they are all very welcome in principle, these developments are fragile and pose challenges for the financial regulator because if they are not managed well, they can be a lost opportunity to secure the long-term financing needed by our economies. These needs are huge in view of the investments required in particular for the green transition.

Let me return briefly to these points.

While the number of companies listed in France on regulated markets - Euronext and Euronext Growth - has been declining steadily for the past 20 years, there will be a slight increase this year, despite the easing of squeeze-out requirements, since the compulsory buyout threshold has been reduced from 95% to 90% by the Pacte Law. In addition to the now customary transfers from the Euronext regulated market to Euronext Growth, there were some 40 IPOs in Paris this year, of all sizes and in a wide variety of economic sectors. Moreover, companies that are already listed have raised a very substantial amount of new funds. Overall this year, the contribution of the French stock market to the boosting of equity capital, should be around €15 billion. This growth has by no means been achieved at the expense of private equity, which has also seen record inflows and investments. At EU level, I have noted that net issues of listed shares have shot up and broken the record set in 2000 before the dotcom bubble burst. Of course, I will not take this comparison further. However, all this remains fragile and over-ambitious valuations, projects that lack focus or non-aligned interests can bring the virtuous trend to a sudden halt. The AMF is working to make the information provided to the market more reliable and, in the case of SPACs for example, to target only projects with characteristics that ensure proper management of conflicts of interest. Over and above the national discussions currently underway, the European Commission's consultation on the Listing Act, launched in mid-November, could make the stock market even more attractive. However, we must ensure that we find the right level of listing-related constraints between, on one hand, the restrictions imposed on listed companies and their managers and, on the other hand, the transparency needed to ensure investor protection the formation of relevant prices on the market.

The second notable development is the confirmation of the appetite of retail investors for stock market products. In March 2020, retail investors carried out 12 million transactions in the securities under the AMF’s jurisdiction, compared with the usual 2 to 3 million. This exceptional activity was due to an unprecedented combination of factors. The lockdown freed up time, reduced consumer spending (including on activities such as sports betting) and generated a significant amount of extra savings. However, at a time of accommodative monetary policy and low risk-free returns on liquid savings, investment opportunities in the stock market were all the more attractive, since the violent macroeconomic shock and uncertainties about the outlook for companies led to a sharp drop in valuations and created buying opportunities. At the same time, it became very convenient to trade on the stock market with the development of solutions for placing orders online easily at a low cost. We therefore observed a large number of account openings and a marked increase in transactions.

What has been relatively surprising is the fact that this phenomenon has continued even after the lockdown with valuations having returned to high levels. We now have around 2.5 million private individuals doing at least one stock market transaction per quarter, compared with around 1 million previously. Of course, this can be attributed to the continued accommodative monetary policy, the sustained upward trend in the equity market, the resumption of IPOs and the development of neo-broker offerings that allow very small trades - even fractions of shares - to be made without paying any commission. However, even if this phenomenon could slow down in the event of a reversal of the stock market cycle, there is every reason to believe that this development, which is not specific to France, is structural. This is a challenge for stock market regulators. A challenge as to providing proper information to younger investors, who act without professional advice but often based on discussions on social media; a challenge as to the quality of the services offered by intermediaries, often operating under the freedom to provide services from an EU country in which they often have very few clients, without the best execution of orders being guaranteed; a challenge as to the proper functioning of the market if orders do not effectively participate in price formation.

For the AMF, these challenges are priorities for action because, while direct participation by retail investors in financial markets is an excellent development at a time when our economies have considerable investment needs, it is important that these new investors are not misled by inappropriate practices.

The greening of finance has now become an irreversible trend. We welcome this, as climate risk management and the energy transition require massive investments. However, it must be acknowledged that the situation remains confusing because the regulatory framework for the green transition is still complex and incomplete. It is true that a large majority of new fund subscription flows now go to funds claiming to be under Article 8 and, to a lesser extent, Article 9 of the SFDR, and it is true that green bond issuance is growing rapidly, with 50% more issues in 9 months than in 2020. But all in all, as we all know, there is still some doubt as to the real scope of these developments. The greening of finance cannot be improvised, it has to be built on the basis of data and projects based on relevant, common and verified standards, both at the level of capital seekers and issuers, as well as on the part of service providers who rate these issuers or their issues, who build labels and indices and those who design, manage and offer financial products. It is also built on the foundations of increased expertise across the entire ecosystem to ensure that investors ultimately understand the ESG dimension of the products in which they invest. This is all in the works and the AMF is contributing to it, but I think it is fair to say that it will take another two to three years before the framework is stabilised and becomes fully operational. Two to three years for European and perhaps international standards to be implemented by companies in order to produce non-financial information redesigned from a sustainable growth perspective; two to three years for the taxonomy of activities to be fully deployed; two to three years for service providers to be able to provide more complete analyses on this basis and to offer products that are well suited to the challenges of sustainable growth.

This does not mean that we should belittle all the efforts made and the products currently on offer, but it does mean that we should acknowledge that we are only at one stage of the process and that we are all working to ensure that it is credibly improved.

We are going to come back to all these themes during the two round tables around which our talks are structured and I am going to give way without delay to our first panel which will be moderated by Jérôme Reboul, our new Managing Director in charge of the Regulatory Policy and International Affairs Directorate: "what funding is available to accompany companies in their growth projects and in the recovery?"

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