



ANNUAL REPORT 2019

AUTORITÉ
DES MARCHÉS FINANCIERS

AMF

Important Note

This annual report covers 2019
and the first months of 2020.

It was prepared by departments at the AMF and
the draft version was completed on 31 March 2020.

Report to the
President
of the Republic
and Parliament
2019

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Monsieur le Président de la République,

■ The COVID-19 pandemic which hit Europe at the end of the winter makes the 2019 Annual Report of the Autorité des Marchés Financiers seem almost anecdotal. This Annual Report presents the AMF's activity in detail and highlights the scale of the work involved in preparing for the United Kingdom's exit from the EU, the PACTE Law on business growth and transformation, and support for an increase in socially responsible investment, etc. However, I naturally wish to draw your attention to the initial effects of the pandemic in the AMF's fields of responsibility.

■ While this pandemic has generated huge shocks which have not spared the financial sector, there is every reason to believe that this crisis will have structural consequences for the functioning of financial markets and the savings channel. It has also illustrated the limitations of international coordination, and, in particular, the current limitations of European integration.

■ In recent weeks, the AMF's action has been driven by the will to support stakeholders and keep all markets open in order to ensure that this mechanism for financing the economy is maintained. On markets, the pandemic has not only triggered an operational crisis due to the massive lockdown of stakeholders, but also a financial crisis due to a drastic revision of the valuations of various assets, and hence, a drastic revision of their liquidity.

■ Quite understandably, issuers are having great difficulty measuring the consequences of the pandemic for their business and their financial situation, even when taking into account the impact of measures taken by governments to offer support. However, in order to keep markets open and maintain the financing they provide, in particular via bond issuance, listed companies are required to carry out regular disclosure of all relevant information concerning the impact of the crisis and their financial outlook. The AMF has assisted issuers with these formalities and has published regular clarifications of its expectations regarding periodic information and on-going information, the accounting treatment of expected loan losses and the organisation of annual general meetings.

■ In parallel, investors have had the greatest of difficulty in analysing the situation and taking the most appropriate asset allocation decisions. Such an environment drives risk premia up and leads investors to focus on the best signatures, giving priority to liquidity. There has been a particularly sharp increase, for example, in bank deposits, while stock market valuations collapsed and liquidity vanished/dried up on numerous segments of the fixed-income markets. Small investors suffered a double hit due to the fall in share prices and to cuts in dividend, or be it, in many cases, the cancellation of dividends when good 2019 earnings suggested significant payouts. The AMF accordingly received an exceptional number of questions from investors (1,643 in March). In this uncertain environment, some may have been drawn by appealing but fraudulent alternative investment offers. The AMF, in conjunction with the ACPR, therefore had to warn the public against the risk of such scams.

■ Financial intermediation services have had to operate under unprecedented pressure, but was able to perform its duties in an orderly manner.

■ Market infrastructures remained operational despite the widespread adoption of teleworking and very large transaction volumes. Equity markets handled an extremely large volume of transactions (in March, for example, Euronext Paris saw its trading volume multiplied by 2.5 year-on-year) and the extreme price volatility was managed by an unprecedented number of activations of circuit breakers, which make it possible to attenuate market overheating and the risks of a crash.

■ Although the fall in share prices cannot be attributed to massive short selling - in a context where its contribution to satisfactory price formation appeared limited, to say the least, and where its procyclical nature could be potentially disastrous - its increase led to the decision to prohibit new net short positions temporarily. These positions therefore fell, on a comparable structural basis, from 1.03% of the market capitalisation on 16 March (before the ban) to 0.54% on 31 March. There is every reason to believe that this measure, which restricts the capacity for making money from the distress of our economy, did not harm the market's functioning. Clearing houses, for their part, played their role of counterparty risk concentration by adapting their margin calls while avoiding excessive procyclicality. Central securities depositories performed their settlement function without the occasional increase in unsettled transactions causing defaults, which would have been detrimental to financial stability.

■ Asset management is undergoing a genuine stress test. This industry sector is often cited as one of the sources of systemic risk, especially in the case of open-ended funds which are valued daily. Now, more stringent prudential regulations for banks, combined with a highly accommodative monetary policy even in a period of sustained economic growth, have encouraged an increase in financing of the economy by market leverage and the growth in asset management.

■ By definition, the liquidity of a fund corresponds to the liquidity of the assets in which it invests, and experience shows that an asset class' liquidity is never guaranteed. Moreover, even when there is liquidity, an influx of redemption requests means that, unless buying restrictions are introduced, asset disposals are required, which automatically results in fall in prices. The pressure sustained by asset management companies in March therefore comes as no surprise. At that time they had to cope with difficulties over the valuation of certain assets which were no longer traded on the market, and with sometimes significant withdrawals, in particular from money market funds, since firms had to meet unexpected cash management requirements, and margin calls of unprecedented magnitude, notably in the case of positions in derivative instruments.

■ Clearly, investment managers have broadly stepped up to these challenges satisfactorily, even if this is partly due to the European Central Bank's (ECB) announcement to introduce a vast securities purchasing programme known as the PEPP. At the time this letter was written, the only open-ended French funds to have been suspended are employee savings scheme funds invested in unlisted companies, whose underlying assets could not be fairly valued and for which suspension was a means to protect the interests of the investors. The only foreign funds managed by French asset management companies to have been suspended are two small funds with risky profiles.

■ However there should be no ambiguity: when certain market segments become illiquid and regulations prohibit direct support for funds, fund managers must use the tools at their disposal to manage such situations. These tools are extremely clearly structured in France. First, there is the activation of mechanisms which make it possible for unitholders who exit funds to pay for the cost of the portfolio reallocation required as a result of their exit; the AMF has simplified these mechanisms' introduction in order to ensure equal treatment of unitholders. The Sapin Act of December 2016 made it possible to introduce limits on redemption applications ("*gates*"); however, this mechanism was only adopted by a minority of funds, partly because some insurers do not wish to accept funds with such limits as vehicles for their unit-linked life insurance policies. Clearly, this matter would deserve to be re-examined. Fund managers can also divide a fund up into an illiquid pocket, which is liquidated, and a liquid side pocket, which remains open. This makes it possible to not suspend an entire fund and to ensure a fund's management in the interests of investors in the illiquid pocket. This scheme was regulated by the PACTE Law and all the necessary implementing regulations have been adopted. Finally, there is the suspension which is an initiative taken by the fund

manager or at the request of the AMF. The impact of such a decision, which may cover several possible cases (temporary inability to value the assets or liquidity crisis), should be neither overly dramatised nor underestimated, but it would suggest that an extremely clear message should be given when marketing these financial products: their liquidity cannot be guaranteed in all circumstances.

■ Despite the lockdown which has affected almost the whole of its staff, the AMF has been fully mobilised, to ensure fine monitoring of specific situations, an overall analysis of the situation and the adjustment of its regulatory responses. Its staff have been deeply involved in national and international coordination. However, admittedly in the financial markets sector, this has shown the limits to the ambition of having a strong coordinated response in Europe to the challenges posed by the crisis.

■ The episode of the restrictions placed on short selling is a clear illustration of this. Although the European Securities and Markets Authority (ESMA) is capable of activating such a restriction at EU level, a majority was unable to be reached along these lines, and six countries (Austria, Belgium, Spain, France, Greece and Italy) therefore did so on a national basis. Apart from being a disastrous political signal, this raised numerous technical issues: for Euronext, which has a single order book, with stocks on which net short positions are prohibited and others (e.g. Dutch stocks) on which they are authorised; and for European indices such as Eurostoxx, under German responsibility, which can be shorted despite this being prohibited for most of its components, etc.

■ Despite the highly cross-border nature of asset management (asset management company in one country, funds registered in another country and marketed, via the passport scheme, in the entire Union), the crisis highlighted the diversity of national approaches, with different transpositions of the European directives and non-harmonised liquidity risk management systems. It thus showed the limits to the possible role of ESMA in periods of crisis. While ESMA has proved a precious framework for exchange, analysis and harmonisation of certain supervision schedules or priorities, it is clear that the ability to activate its emergency powers, although stipulated in its founding regulations, would appear highly illusory. It is not able for it to suddenly step in and replace national supervisors in applying non-harmonised regulatory documents or propose emergency measures without being accountable to the stakeholders. More generally, this situation highlights the lack of a rapid response mechanism on the European level: national authorities cannot be brought into line and European authorities are not equipped to impose a European response to the crisis.

■ This illustrates just how far we are from a Capital Markets Union. Yet such a Union is more necessary than ever if we do not want the banking and credit system to stand alone in financing the recovery of our economies. Since ultimately this is clearly the issue. The massive support for our economic fabric, in the form of deferred payments and new lending, is creating an extremely fragile general state of finances at a

time when certain sectors are seeing profound changes in their fundamentals and will have to rethink their strategy. Clearly, following support via lending, our European economies will need massive support via shareholders' funds. However, the substantial fall in share prices could be analysed as a buying opportunity and our fellow citizens should be prepared to seize this historic opportunity. Monitoring by the AMF has, for example, identified a market increase in purchases of French equities by retail investors, with 150,000 new investors. This trend should be supported, in line with the ambitious process undertaken by Europe and by France to make our economies sustainable, notably faced with the challenges of climate change. The AMF fully supports this process

▣ Lastly, I would like to draw your attention to the recent decision of the Conseil d'Etat regarding the appeal that I had brought in July 2018 against the refusal of the AMF Enforcement Committee to approve an administrative settlement agreement (transaction agreement) reached with an obliged entity. This refusal (the second in ten years) was justified succinctly, without any other clarification, by the assertion "*that the allegations raise new issues concerning the substance which should be settled by the Enforcement Committee*". The Conseil d'Etat nevertheless confirmed the refusal of approval, considering that the Enforcement Committee had, in particular, to check that the agreement was not "*inappropriate with respect to the requirement of punishment of regulatory breaches*" and that, moreover, the justification for a refusal could be given "succinctly". This decision was publicised extensively by the Conseil d'Etat, which, on this occasion, termed the content of an administrative settlement agreement a "sanction".

▣ In light of this decision of the Conseil d'Etat, it is now becoming problematic, to say the least, both for the AMF Board and for those accused, to enter the process of settlement proceedings given that the agreement, once reached, will now be termed a "sanction", even though it avoids any recognition of guilt, and knowing, moreover, that it might not be approved because it could be considered inappropriate, and with a succinct justification. The AMF Board therefore wishes for a change in the legislation to be able to protect a procedure which, as on the day of the Conseil d'Etat's decision, has made it possible to deal quickly and satisfactorily with more than 80 cases.

▣ The Autorité des Marchés Financiers is determined to contribute to the recovery of our economy by aligning, insofar as possible, the interests of enterprises, savers and the finance industry. It must itself evolve and draw all the lessons from this lockdown period, which has occurred at a time when it was re-examining its internal organisation and which has led it to work differently. I draw your attention to the need to ensure its permanent financial equilibrium when, in the present context, a reduction in the contributions that it receives from its obliged entities can be expected, and when all its financial margins have been paid into the central government's budget in recent years

▣ Yours sincerely and respectfully,

Robert OPHÈLE

Chairman, Autorité des Marchés Financiers





The AMF in profile

The Autorité des Marchés Financiers (AMF) regulates the French financial market, its operators and the investment products sold thereon; it also ensures that investors are properly informed; and it supports investors, if required, via its Ombudsman. It is an independent public authority, with regulatory powers and significant financial and management autonomy.

The AMF's missions

- The Autorité des Marchés Financiers (AMF) has a remit to ensure:
 - the protection of savings invested in financial products;
 - oversee the quality of information provided by collective investment management companies on their investment and risk management strategy in relation to the effects of climate change;
 - assist in the regulation of European and international markets and cooperate with the competent authorities of other Member States;
 - take into account, while carrying out its remit, the objectives of financial stability in the European Union and European Economic Area and contribute to the convergent implementation of national provisions within the European Union in accordance with the best practices and recommendations resulting from the European Union's supervisory arrangements.

Areas of intervention

- The AMF regulates participants and products on French financial markets, including:
 - companies issuing listed securities;
 - the financial markets and market infrastructures; financial intermediaries authorised to provide investment services and financial investment advice (credit institutions authorised to provide investment services, investment firms, investment management companies, financial investment advisers);
 - collective investment products invested in financial instruments.

Powers and jurisdiction

- To fulfil its remit, the Autorité des Marchés Financiers:
 - sets out rules in its General Regulation, which it supplements with instructions and recommendations;
 - grants authorization to market participants, endorses documents providing information on financial transactions, and approves collective investment products
 - monitors markets participants and investment products under its supervision;
 - carries out investigations and inspections;
 - registers digital asset service providers and authorises those that apply for authorisation;
 - approves documents providing information on initial coin offerings (ICOs);
 - monitors financial markets and financials transactions ; conducts investigations and controls ;
 - has the power to sanction and settle ;
 - informs and alerts investors and offers the services of an Ombudsman.





Governance

The AMF: a collegial institution with an Enforcement Committee and consultative bodies

■ The Autorité des Marchés Financiers has two distinct collegial bodies with different remits:

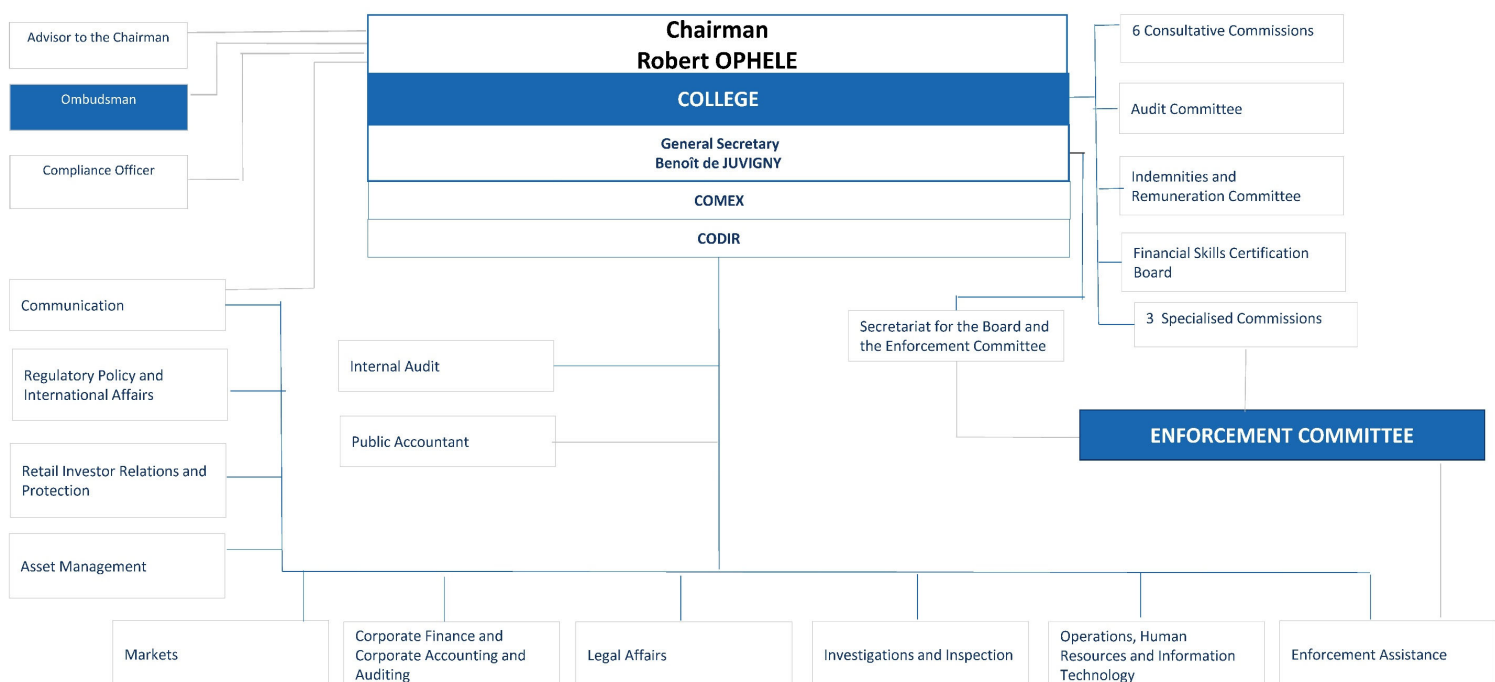
- the Board, headed by the AMF Chairman. It is the AMF's decision-making and prosecuting body and has set up an Audit Committee from among its members;
- the Enforcement Committee, a sentencing body that has the power to impose disciplinary sanctions and fines.

■ The AMF also has six consultative commissions whose principal role is to inform decisions by the Board that are likely to have an impact on professionals or on the protection of retail investors' interests. These include the Climate and Sustainable Finance Commission created in July 2019. It is responsible for assisting the Board in carrying out its regulatory and supervisory functions in matters related to sustainable finance.

■ The AMF set up a Scientific Advisory Board composed of prominent figures from the academic and financial worlds to expand its research and strategic intelligence capabilities.

■ Lastly, a Financial Skills Certification Board has been set up. Its members are appointed by the AMF after consultation with professional associations. It is responsible for defining the minimum knowledge requirements for professionals and overseeing the examinations they are required to pass.

Institutional organization chart



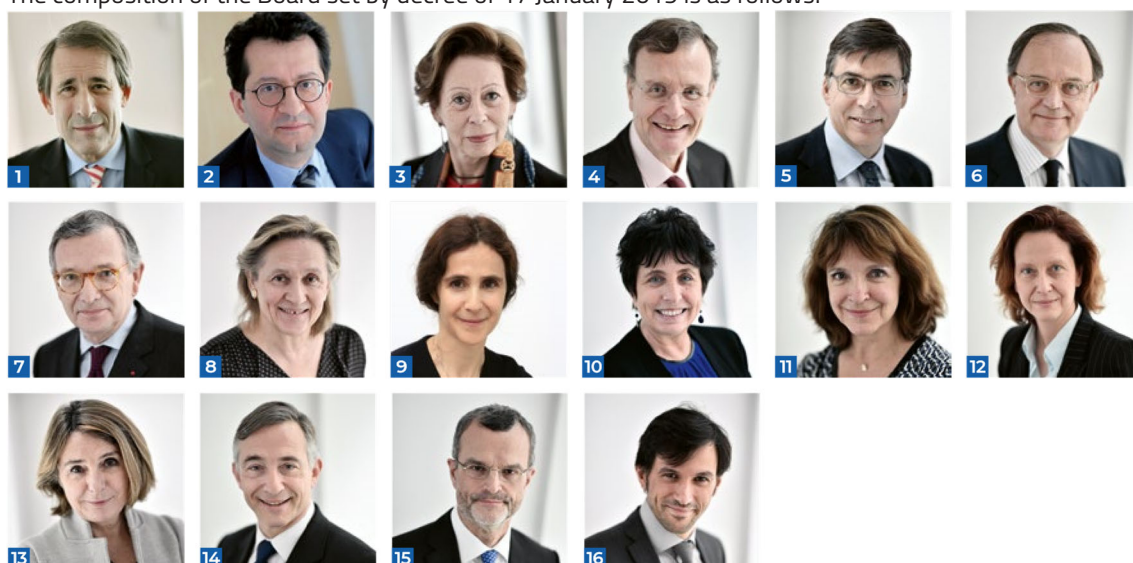


AMF Board

The Board of the Autorité des Marchés Financiers is the decision-making body of the AMF

It adopts new regulations, takes individual decisions (compliance of tender offers, authorisation of asset management companies and collective investment schemes, approvals, etc.) and reviews inspection and investigation reports. As an enforcing body, it can decide to instigate sanction or injunction proceedings. It may also propose the use of the settlement procedure (or transaction arrangement) and approves any resulting agreements obtained in this regard. It signs off the AMF budget and approves its financial statement accounts.

The composition of the Board set by decree of 17 January 2019 is as follows:



1. Robert Ophèle,

Chairman

2. Jean-Claude Hassan,

Appointed by the vice-president of the Conseil d'État (French Council of State)

3. Claude Nocquet,

Appointed by the chief Justice of the Court of Cassation

4. Jean de Gaulle,

Appointed by the chief Justice of the Cour des comptes (French Court of Auditors)

5. Denis Beau,

Appointed by the Governor of the Banque de France

6. Patrick de Cambourg,

Chairman of the Autorité des Normes comptables (French national accounting standards body)

7. Patrick Suet,

Appointed by the president of the Senate

8. Marie-Christine Caffet,

Appointed by the president of the National Assembly

9. Delphine Lautier,

Appointed by the Chairman of the Conseil économique et social (French Economic and Social Council)

10. Jacqueline Eli-Namer,

Appointed by the Minister for the Economy and Finance

11. Muriel Faure,

Appointed by the Minister for the Economy and Finance

12. Anne Gobert,

Appointed by the Minister for the Economy and Finance

13. Sophie Langlois,

Appointed by the Minister for the Economy and Finance

14. Helman le Pas de Sécheval,

Appointed by the Minister for the Economy and Finance

15. Thierry Philipponnat,

Appointed by the Minister for the Economy and Finance

16. Charles Keller,

Appointed by the Minister for the Economy and Finance

Attendance rate at meetings of the Board held in 2019 (in %)

Jean-Claude Hassan	95 %
Claude Nocquet	76 %
Jean de Gaulle	100 %
Denis Beau	76 %
Patrick de Cambourg	67 %
Patrick Suet	86 %
Marie-Christine Caffet	86 %
Delphine Lautier	80 %
Jacqueline Eli-Namer	100 %
Muriel Faure	95 %
Anne Gobert	80 %
Sophie Langlois	86 %
Helman le Pas de Sécheval	80 %
Thierry Philipponnat	100 %
Charles Keller	100 %

The overall average annual attendance rate at Board meetings was 87,30 %. Number of Board meetings 2019 : 22



AMF Enforcement Committee

The Enforcement Committee is the judicial body of the Autorité des Marchés Financiers. It has full autonomy to make decisions. It may impose a penalty on any person whose practices are not compliant with the laws and regulations that fall within the AMF's area of authority and are likely to jeopardise the protection of investors or the orderly operation of the market. It rules on disputes that are brought before it by the Board of the AMF. It approves agreements for administrative settlement submitted to it by the Board. Finally, it contributes to the AMF's educational purpose by specifying the relevant financial regulations when explaining its decisions and, since the beginning of 2019, by issuing a press release when its decisions are published. The composition of the of the Enforcement Committee set by decree of 17 January 2019 is as follows:



1. Marie-Hélène Tric, ^①

Appointed by the Chief Justice of the Court of Cassation, Chairman of the Enforcement Committee and its first section,

2. Jean Gaeremynck, ^②

Appointed by the vice-president of the Conseil d'État (French Council of State), Chairman of the second section

3. Edwige Belliard, ^①

Appointed by the vice-president of the Conseil d'État (French Council of State)

4. Didier Guérin, ^②

Appointed by the Chief Justice of the Court of Cassation

5. Bruno Gizard, ^①

Appointed by the Minister for the Economy and Finance

6. Sophie Schiller, ^②

appointed by the Minister for the Economy and Finance

7. Christophe Lepitre, ^②

Appointed by the Minister for the Economy and Finance

8. Anne Le Lorier, ^①

Appointed by the Minister for the Economy and Finance

9. Sandrine Elbaz-Rouso, ^②

Appointed by the Minister for the Economy and Finance

10. Bernard Field, ^①

Appointed by the Minister for the Economy and Finance

11. Ute Meyenberg, ^①

Appointed by the Minister for the Economy and Finance

12. Lucien Millou, ^②

Appointed by the Minister for the Economy and Finance

Attendance rate at meetings of the Enforcement Committee held in 2019 (in %)

Marie-Hélène Tric	100 %
Jean Gaeremynck	100 %
Edwige Belliard	100 %
Didier Guérin	100 %
Bernard Field	100 %
Bruno Gizard	100 %
Christophe Lepitre	80 %
Sophie Schiller	100 %
Lucien Millou	90 %
Anne Le Lorier	100 %
Ute Meyenberg	100 %
Sandrine Elbaz-Rouso	90 %

The overall average annual attendance rate at Board meetings was 97 %.



Consultative Commissions

■ Acting to engage in dialogue and collaborate with members of the Paris financial community, the AMF Board has set up six Consultative Commissions. Each comprises 20 or so experts and is devoted to a specific area of AMF action:

- Retail Investors;
- Markets and Exchanges;
- Clearing, Custody and Securities Settlement;
- Asset Management and Institutional Investors;
- Disclosures and Corporate Finance;
- Climate and Sustainable Finance, created in July 2019.

An outside perspective to assist the AMF

■ The members of the Consultative Commissions hold discussions and provide opinions to assist the AMF in its deliberations and help it formulate policy in the light of developments affecting financial products, market structures and the legal and financial environment, both domestic and international. The Board consults the commissions on draft legislation and emerging regulatory issues.



**Find out more about
the Consultative
Commissions**

Operating procedures governed by charters

■ Each Consultative Commission is chaired by a Board member and meets approximately once a month. The commissions operate in accordance with charters adopted by the Board and signed by commission members. The first is specific to the Retail Investors Consultative Commission, while the second applies to the other four commissions. A third charter has been drawn up for the new Climate and Sustainable Finance Commission. These charters specify:

- the terms under which the Board may appoint members (including the expertise required, term of office, renewal);
- the tasks assigned to commission chairs;
- types of work conducted;
- organisation of meetings (schedule, minutes, follow-up, confidentiality obligations, etc.).



CLIMATE AND SUSTAINABLE FINANCE COMMISSION

On 2 July 2019, the AMF created a Climate and Sustainable Finance Commission. It is composed of experts from the financial markets, civil society and academia. The Commission is responsible for advising and making recommendations to the AMF Board and for contributing to the arrangements announced jointly by the AMF and the ACPR in the summer of 2019 for the monitoring and evaluation of the climate-related commitments made by financial institutions (also see page 30).



Scientific Advisory Board

■ To expand its research and strategic intelligence capabilities and foster links with researchers working in its areas of expertise, the AMF set up a Scientific Advisory Board composed of prominent figures from the academic and financial worlds who hold positions in universities, business schools and public and private research centres. These members are appointed by the Board.

The Scientific Advisory Board has the following remit:

- to provide the AMF with information on ongoing academic research in the financial field;
- to identify developments that may have an impact on the AMF's areas of activity;
- to undertake research projects related to issues of concern to the regulator.

To help disseminate the Scientific Advisory Board's research, the AMF organises a conference every two years or so that brings together the financial and academic communities to examine a specific topic. The two most recent conferences addressed the following topics:

- *"ICOs, crypto-assets: What future? What regulatory framework?"* (2018);
- *"Financial Education in the Digital Era: What challenges for savings?"* (2016).



YOUNG RESEARCHER AWARD

Each year, the AMF awards a prize to a young researcher working on economic and financial topics of interest to the regulator and related to the AMF's jurisdiction. The recipient is awarded €5,000 and is selected by the AMF Board with input from the Scientific Advisory Board, after candidates have been selected by the Scientific Advisory Board and the AMF's departments. In 2019, the prize was awarded to Romain Boulland for his work on corporate finance.



**Find out more about the
2019 Young Researcher
Award in Economics**



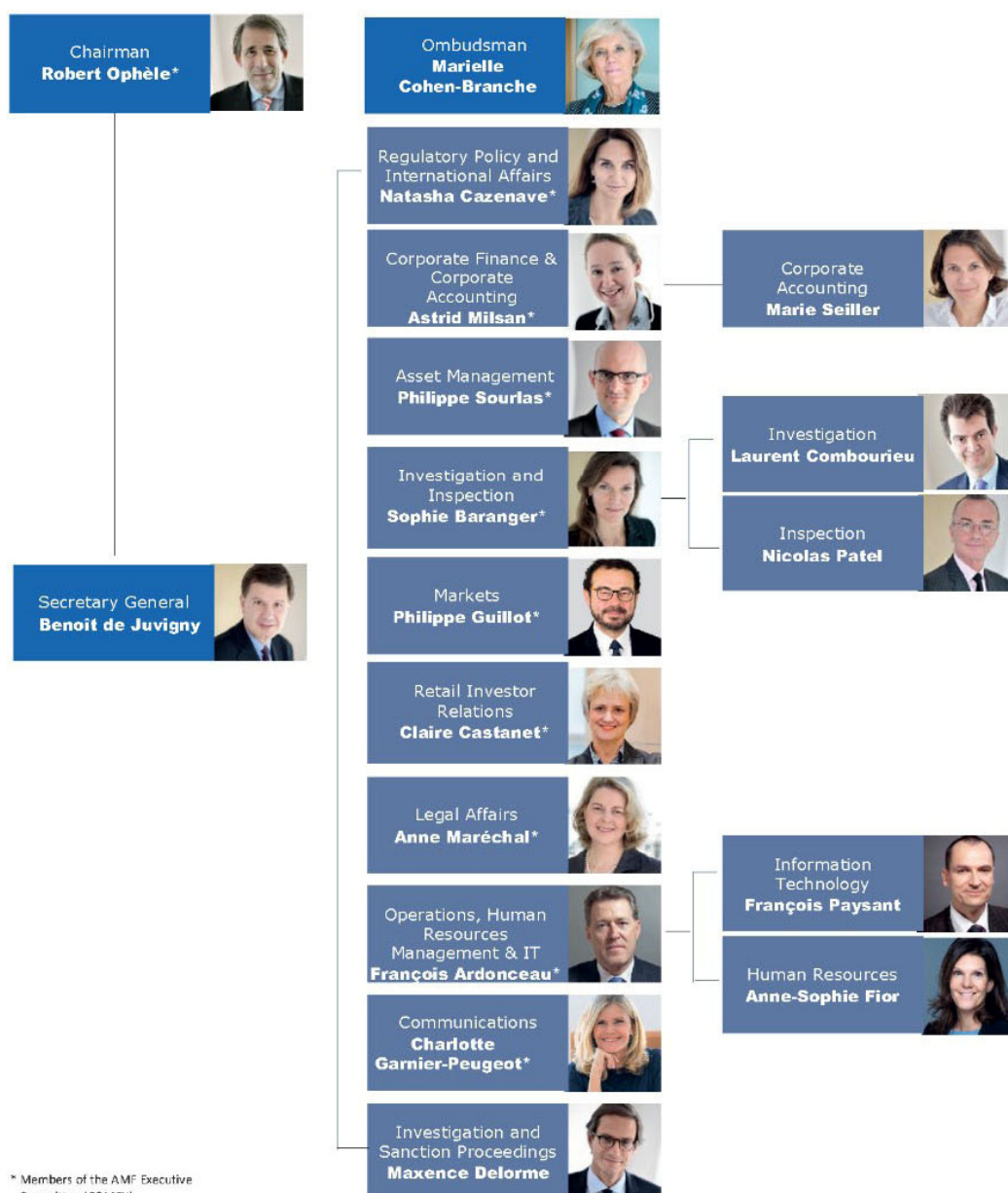
FINANCIAL SKILLS CERTIFICATION BOARD

The role of the Financial Skills Certification Board is to issue opinions to the AMF on certifying professionals' knowledge, to define the content of the minimum knowledge and to ensure that it is kept up to date. It is also responsible for defining and verifying examination procedures and issuing opinions on certifying examinations for bodies requesting their certification.

It is composed of at least seven members, four of whom are appointed by the AMF, and is chaired by a member of the AMF Board.

The professionals that fall within the scope of this framework are those who perform key functions within investment services providers, traders, sellers, financial analysts, asset managers, heads of clearing and post-trade functions and compliance officers, along with those who provide information on financial instruments and sellers.

AMF Departments



* Members of the AMF Executive Committee (COMEX)
Julie Ansidei, secretary of Comex



Executive Committee (Exco)

■ The Executive Committee is the governing body of the AMF's departments. It is chaired by the AMF Chairman. It brings together representatives from the main departments to provide in a single forum the complementary perspectives that are essential to ensure that the AMF's operational and strategic objectives are achieved in a consistent and coordinated manner.

■ In this respect, it handles proposals that are made to the Board concerning the AMF's general strategy, the annual application of this strategy and the annual supervisory priorities, as well as

the AMF's budget. It also deals with the AMF's human resources policy issues (allocation of employees according to the strategic orientations, appointment of senior executives, etc.) and deals with issues related to the proper organisation and smooth functioning of the Authority, the supervision of its activities and the process for identifying, managing and controlling the main risks.

■ The Executive Board meets twice a month. It also holds a seminar once or twice a year to examine the challenges facing the AMF and its medium-term strategic directions.



INTERNAL AUDIT

The Internal Audit Department helps the AMF to achieve its objectives by assessing its risk management, audit and governance processes systematically and methodically. It makes recommendations for improving their effectiveness.

As part of a continuous quality and performance improvement process, the Internal Audit Department is assessed every three years by an external and independent body. The certification it obtained in 2016 was renewed on 24 June 2019. This certifies that the Internal Audit Department operates in accordance with the Internal Auditing Professional Framework (RPAI) and delivers the value expected by its stakeholders.

The Internal Audit Department is committed to supporting the AMF's transformation by linking its activities to the objectives of the strategic plan and the main associated risks. In carrying out its remit, the Internal Audit Department pays close attention to the opportunities and risks inherent to the digitisation of processes and the adoption of new technologies.

In 2019, Internal Audit conducted assurance and consulting assignments. The resulting conclusions, recommendations and action plans drawn up by the various departments were presented to the Executive and Audit Committees. Progress made on these action plans is also reported on a regular basis. In 2019, the Internal Audit Department issued 69 recommendations and closed 70. Internal Audit's recommendations result in action plans to improve internal processes.

As part of its risk-based audit plan, the Internal Audit Department concentrated its resources in 2019 on major issues such as monitoring major IT programmes, deploying data governance, complying with the General Data Protection Regulation (GDPR) and reviewing the IT outsourcing model.

Executive Committee (Exco)

■ The Management Committee brings together all the AMF departments and functional managers once a month to discuss the main challenges facing the institution at the time of the meeting, the main strategies adopted by the Chairman and the Board, and the AMF's key projects.

■ Acting as an intermediary for the Executive Committee, it plays a role of coordination and sharing. For example, it reports on the Board's debates and decisions that are the most defining and crucial for the AMF, topics addressed by the Executive Committee and decisions arising from them, information about the AMF's operations and its IT projects. It also presents questions relating to the economic environment and changes in financial risks and significant events that could have consequences for regulated market participants and innovation monitoring.



AMF staff

■ The AMF has 475 employees (FTEs including fixed-term contracts) from a wide variety of professional backgrounds, who work to fulfil a general interest mission that is both meaningful and highly rewarding. The AMF is bound by an employment authorisation ceiling set each year by the Finance Act. In 2019, this ceiling was 475 FTEs.

■ The AMF is committed to supporting its staff, developing their skills to ensure that they can carry out their day-to-day roles with the excellence required of a market regulator, and helping them prepare for the next stage in their careers.

■ At the AMF, skills development, a commitment to professional equality and work-life balance, managerial quality and social cohesion are all regarded as factors that generate sustainable performance, and they are all backed by concrete measures.

The major focuses of Human Resources in 2019

■ Three new agreements were signed with employee representative bodies in July 2019. The agreements cover three key areas of HR policy: the quality of life at work and professional equality, working hours, and job and career path management. The commitments made in these agreements will be closely monitored by the AMF's Social and Economic Committee, set up following the staff elections held at the end of 2019.

■ Introduction of working from home: After a trial period, the AMF has drawn on best practices to make working from home a widespread practice. This new flexibility allows the AMF to operate in an environment that is both efficient and secure, made possible through the deployment of technologies and principles tailored to its specific needs as a regulator. Employees had high expectations, and two months after its introduction, more than 75% of employees had signed the supplementary clause allowing them to work from home. As a result, the AMF was able to continue operating under almost normal conditions during the transport strikes at the end of 2019.

■ 2019 social barometer: The AMF conducts a perception survey among all its employees every two or three years. This is a valuable management tool for improving HR policies and internal operating methods. The 2019 barometer shows that the AMF achieved exceptional scores in terms of commitment. The results were shared with management, employee representative bodies and employees. Areas for improvement have been identified and an action plan for 2020-2022 will be put in place as a result of this social listening approach.

475

FTEs (including fixed-term contracts).

42 years

average age

34.5 years

average age of new recruits in 2019
(between 24.5 and 48.5)

Average length of service: 9.6 years
(65% of AMF employees have less than
10 years' service)

98%

2019 gender equality index
55.5% women

53.6%

of managers are women
(6 women on the 11-member
Executive Committee).

Nearly **60%**

of managers moved
internally to their current position

53 trainees welcomed in 2019

Almost **32 hours**

of training per employee in 2019

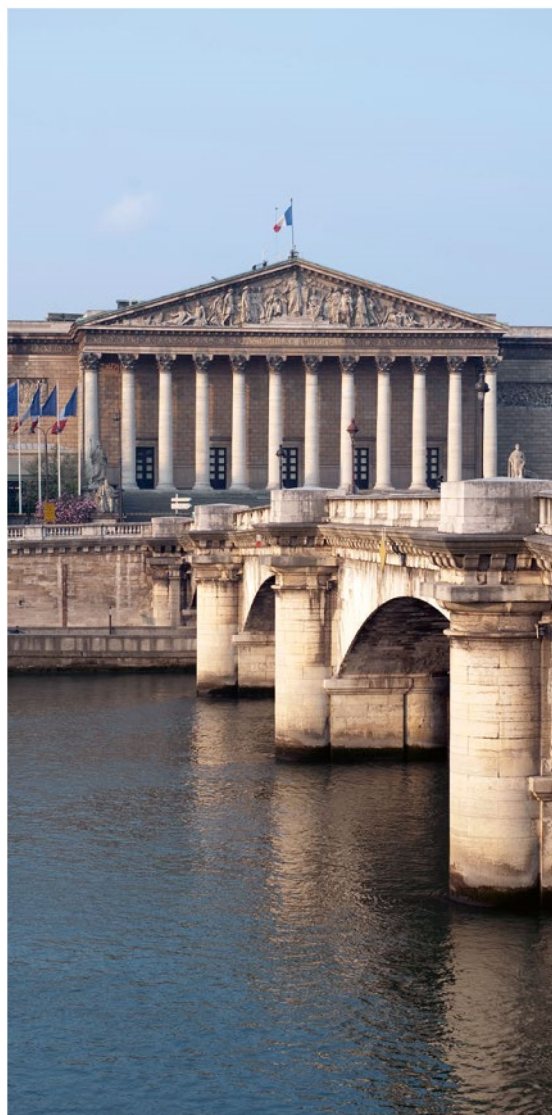
61 employees took a diploma or
certificate course in 2019

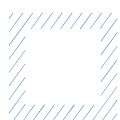
Staff turnover rate 2019 = 8.6%



The AMF's relationship with Parliament

- The AMF maintains regular contact with the National Assembly and the Senate, in particular with their Finance Committees.
- Two members of the AMF Board are appointed by the presidents of the National Assembly and the Senate.
- The AMF responds regularly to requests from parliamentarians to share its expertise and vision on financial regulation. The AMF presents to Parliament the challenges facing it and its strategy for addressing them (for example, its objectives in terms of retail investor protection, sustainable finance and digital finance). The AMF reports annually on its activities, indicators and budget in its Annual Report and in its Yellow Budget Paper appended to the Finance Bill.
- In 2019, the AMF was heard on several occasions in relation to fact-finding missions and committees of inquiry on a variety of subjects, including Brexit and financial services, shareholder activism, sustainable finance, the fight against economic and financial crime, the state of play in the fight against cross-border arrangements and securities lending and borrowing, digital sovereignty, virtual currencies, blockchain, the protection of our companies by laws and measures with extraterritorial scope, and the role of corporate lawyers.
- The AMF was also able to share its views during hearings held as part of the review of draft legislation, in particular the 2020 Finance Act (AMF income and employment ceilings) and the PACTE Law of 22 May 2019, which has a direct impact on several of the AMF's activities: sustainable finance, law enforcement, corporate governance and business, asset management, digital finance, financial market regulation and retail investor protection. The AMF was also heard on the sustainable finance and asset management company aspects of the Energy and Climate Change Bill.
- Lastly, as it does every year, the AMF presented its Annual Report to the Finance Committees of the National Assembly and the Senate.





The AMF – A European regulator with international reach

Most of the regulatory framework is now being set at the European level, with an increasingly precise level of detail. Other key measures are being negotiated in international bodies, particularly in the area of financial stability. European and international efforts have therefore been at the heart of the AMF's strategy for many years. As an influential player in international bodies, the AMF prioritises its activities at the European level and in particular within the framework of the European Securities and Markets Authority (ESMA).

With a long-standing commitment to a harmonised body of common supervisory rules and practices for the EU, the AMF seeks to ensure that the voice of a disciplined and constructive European regulator is heard. On a daily basis, the AMF contributes to ESMA's work through its participation in the European Authority's many working groups and committees. It is also actively involved in ESMA's efforts to strengthen supervisory convergence in Europe, by participating, for example, in peer review groups or in dedicated fora such as the Supervisory Coordination Network and ESMA's Enforcement Network. The Chairman and Secretary General of the AMF also chair two standing committees: until the beginning of 2020, these were the standing committees on post-trade services and corporate finance, respectively. As of 2020, the AMF chairs the standing committee on secondary markets and has retained the chair of the standing committee on corporate finance. The AMF Chairman also currently sits on ESMA's Management Board and chairs the committees on clearing houses on an interim basis.

The international level is also essential to ensure convergence in the implementation of reforms and to maintain dialogue with our counterparts in the different regions of the world. The AMF is a member of the International Organization of Securities Commissions (IOSCO). The AMF Chairman is a member of the board and the AMF serves as Vice Chairman of the Standing Committee on Investment Management. The AMF is also a member of the steering group of the sustainable finance network created by IOSCO at the end of 2018. As a member of the Financial Stability Board, alongside the General Directorate of the French Treasury and the Banque de France, the AMF represents France on the committee in charge of verifying the implementation of standards (the SCSi). It also co-chairs the sub-group on non-bank financial intermediation within

the committee on Supervisory and Regulatory Cooperation (SRC), which has had a great influence in recent years on international initiatives relating to risks in asset management. The AMF plays a key role in the work of the Institut Francophone de la Régulation Financière (IFREFI), which it established fifteen years ago to bring together French-speaking regulators from nearly thirty countries.

The AMF also regularly signs bilateral cooperation agreements with its counterparts abroad. In 2018, agreements relating specifically to cooperation in the field of fintech were signed with the authorities of Japan and Mauritius.

+80
Members of staff involved in European or international groups

9
Chairs of co-chairs of international groups in 2019, including 3 standing committees

67
Participants &

37
Countries represented at the international seminar organised by the AMF for its counterparts each year for 10 years

+25
Foreign delegations received in 2019



#Supervision2022

The AMF's strategy and key achievements

To implement the #Supervision2022 strategy announced in early 2018, the AMF publishes its priorities for action and supervision each year. At the same time, it also takes stock of the year's main achievements.

First proposals for the new European legislature

■ The last legislature concluded ten years of regulatory output that have considerably strengthened the robustness of the European financial markets framework. Difficulties are nevertheless emerging (complexity of standards, differences in interpretation, difficulties in changing regulations quickly, etc.) and new key challenges are looming for the 27-member EU following the United Kingdom's exit from the European Union.

■ In June 2019, the AMF published its initial proposals for a new way of developing the Europe of 27's financial markets that is both pragmatic and ambitious and will strengthen the AMF on the international stage. The ideas include practical solutions to facilitate supervisory work at European Union level and proposals for adjustments to existing legislation to make the rules simpler and more effective. The vision outlined also sets the objective of financing the real economy and developing common responses to the challenges of tomorrow – digital transformation and climate transition – as a way of breathing new life into the Capital Markets Union project. These proposals contributed to the discussions before the establishment of the new European Commission.



See the interview with
Robert Ophèle on the
challenges facing
Europe's financial markets

Supporting professionals and innovation – examples from the Brexit perspective, the entry into force of the Prospectus 3 Regulation and the PACTE Law on digital assets

■ The AMF continued to work with market participants in 2019 to address the challenges posed by Brexit, including preparing for its consequences and establishing operations in the Paris financial market. By the end of 2019, the AMF had registered and approved 22 requests for authorisation for investment firms and 20 requests from portfolio asset management companies.

■ The entry into force of the Prospectus 3 Regulation on 21 July 2019 was a considerable challenge for issuers. Efforts were directed towards helping issuers on a day-to-day basis with implementing the new rules and educating them about the legislation, including through organising a press briefing and several workshops with listed companies, in particular SMEs and mid-tier firms, publishing guides and practical information sheets, and creating specific pages on the website.

■ Thanks to the PACTE Law of May 2019, France has a pioneering framework in Europe for regulating digital assets. This is a substantial improvement in terms of protecting investors who wish to invest in digital assets, as they will now be able to call on the services of providers registered with or authorised by the AMF, or subscribe to fundraising through AMF-approved initial coin offerings (ICOs). The AMF took action very early on to ensure that the framework was quickly operational and the first registrations could be issued in early 2020.

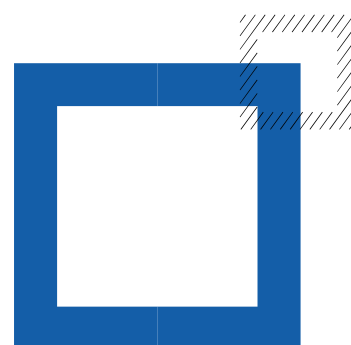
Further steps towards sustainable finance

■ European work associated with the European Commission's Action Plan for Sustainable Finance accelerated in 2019. The AMF was involved in several initiatives, including the development of technical standards for implementing the new transparency requirements for investors and asset managers with regard to sustainability.

■ The AMF is also supporting the financial community in its transition to sustainable finance, for example with the publication in November 2019 of its report on corporate social, societal and environmental responsibility, to highlight best practices in issuers' non-financial reporting. Three other documents were published in the summer of 2019: the review of short (SPOT) inspections of the SRI (Socially Responsible Investment) management systems of asset management companies, a regulatory activity report on European Transparency and Indices legislation, and a review of the implementation of Article 173 of the Law on Energy Transition for Green Growth, produced in collaboration with the other authorities. In early 2020, the AMF drew up the initial elements of its policy on information provided to investors by funds that include ESG (environmental, social and governance) criteria in their management. The AMF also increased the number of presentations and discussions on the subject throughout the year, in particular at the AMF Annual Briefings on the role of the financial sector in the low-carbon transition. To assist it in this work, the AMF has drawn on the input from its Climate and Sustainable Finance Commission since July 2019 (see page 30).

Protecting investors against financial scams

■ In response to the increasingly widespread phenomenon of financial scams, the AMF has worked closely with the ACPR and the Paris Public Prosecutor's Office to bolster its detection and alert capabilities and its response tools. More than 200 addresses of fraudulent websites were added to the blacklists published on the AMF website in 2019. In summer 2019, after supporting European investor protection measures for the most problematic products, the AMF decided to permanently enshrine in French law, as they were about to expire, the measures introduced in 2018 by the European regulator (ESMA) banning or restricting the marketing, distribution and sale of binary options and Contracts for Difference (CFDs) to retail investors. The AMF also launched the *AMF Protect Épargne* service, an application that provides all retail investors with access to the AMF's blacklists from their smartphones. Lastly, the AMF continued its legal action to block access to sites offering financial products unlawfully. Some 200 sites have been blocked or closed since the entry into force of these measures.





APPOINTMENT OF A CHIEF DATA OFFICER (CDO)

A Chief Data Officer was appointed in 2019, building on the initiatives launched by the AMF several years ago (recruitment of data scientists, implementation of the ICY platform, creation of the “data-driven supervision” unit, etc.).

As new regulations have considerably increased the volume of data managed by the AMF, this appointment is part of its strategic approach to managing data used in supervising and supporting market participants.

The Chief Data Officer, a member of the AMF Executive Committee, developed a roadmap in 2019. Dubbed “Data 2019-2022”, this roadmap has four components:

- Data value: making efficient use of the AMF’s data assets to contribute to the AMF’s operational excellence;
- Data quality: strengthening quality control processes for data entrusted to the AMF by regulated entities;
- Data mapping: ensuring control over the data collected under the new regulations;
- Data culture: supporting skills development among employees to reflect the new challenges related to data.

Data and digital technology at the heart of the AMF’s transformation and its more robust approach to supervision

■ Following the successive introduction of new reporting requirements, the AMF is receiving an increasing volume of data for financial market supervision purposes. In 2019, 23 billion new data rows were stored on the new ICY market supervision platform, compared with 19 billion rows in 2018. The projected volume for 2020 is around 49 billion rows. To handle these volumes, the AMF allocated substantial resources to deploying its new platform (see page 81).

■ More generally, the AMF is allocating substantial resources to the digitisation of all its processes and working methods. The digitisation of processes and the use of data are two key areas of transformation for the AMF. The adoption of a data roadmap covering the period up to 2022 was an important step in 2019 to move the AMF forward in this area. The aim of the roadmap is to establish and promote a data culture, facilitate data cross-referencing, develop usage scenarios and standardise experimentation, while at the same time leveraging the most advanced technologies such as artificial intelligence. The success of its initial trials using artificial intelligence, to identify, for example, fraudulent websites or potential market abuse, illustrates the promising range of possibilities for the regulator.



THE AMF CONTINUES ITS DIGITAL TRANSFORMATION

The AMF carries out its responsibilities in an increasingly complex environment (with new cross-cutting issues such as sustainable finance, digitisation of intermediation, cybercrime, anti-money laundering and counter-terrorist financing, etc.) and an ever-increasing demand for responsiveness. These constraints necessitate changes to the way the AMF operates in order to free up time to concentrate on high value-added tasks and risk areas. In 2019, the AMF continued the digital transformation project it started in 2018.

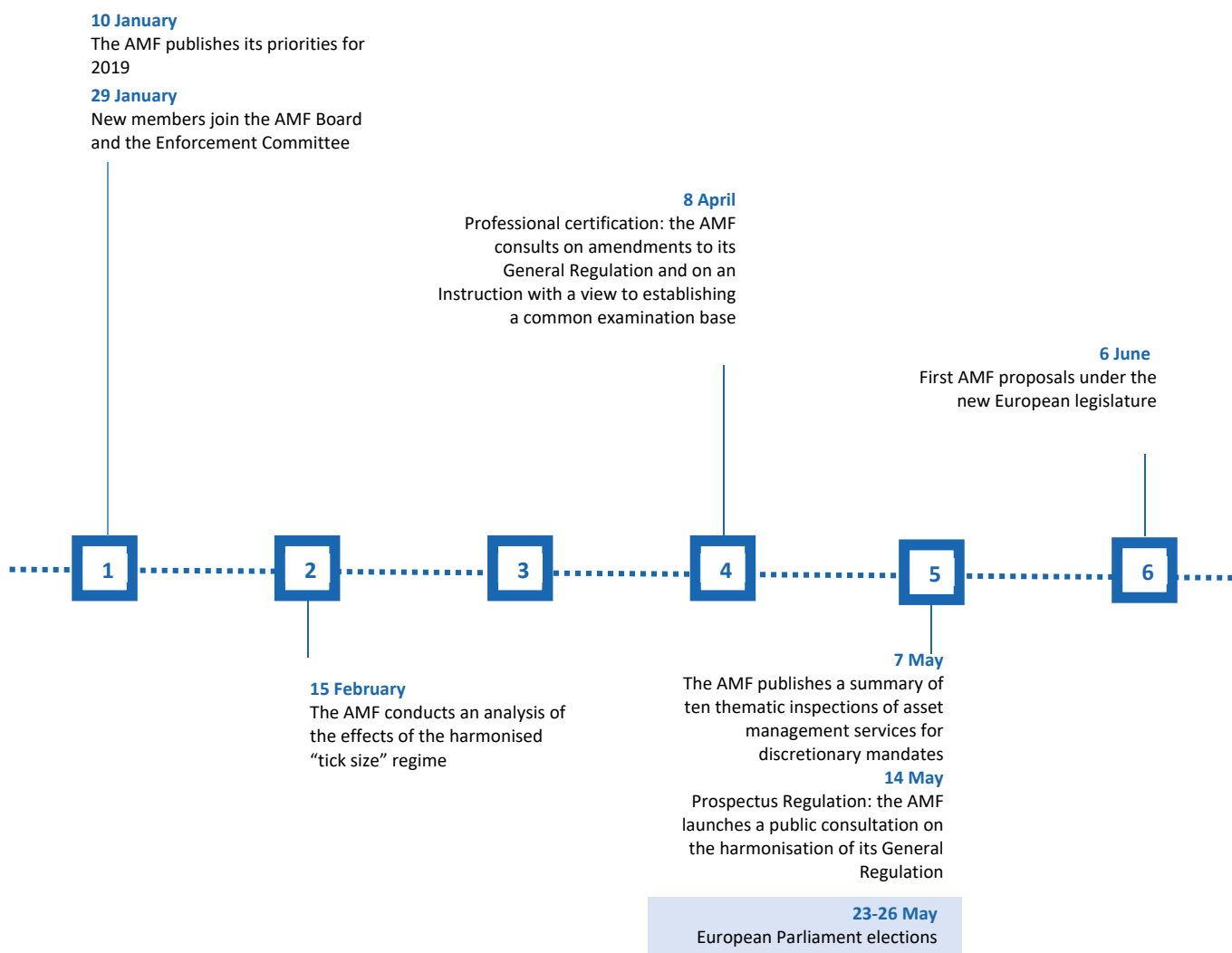
The digital maturity study conducted in 2018 placed the digitisation of approval processes at the top of the list of priorities. This priority was supported and coordinated by digital champions appointed for each department, which paved the way to achieving the objective of digitising the approval of 75% of cases by 2019. This work has been accelerated by the deployment of an electronic signature tool. It will continue with the deployment of a collaborative tool. A process optimisation project will be conducted at the same time.

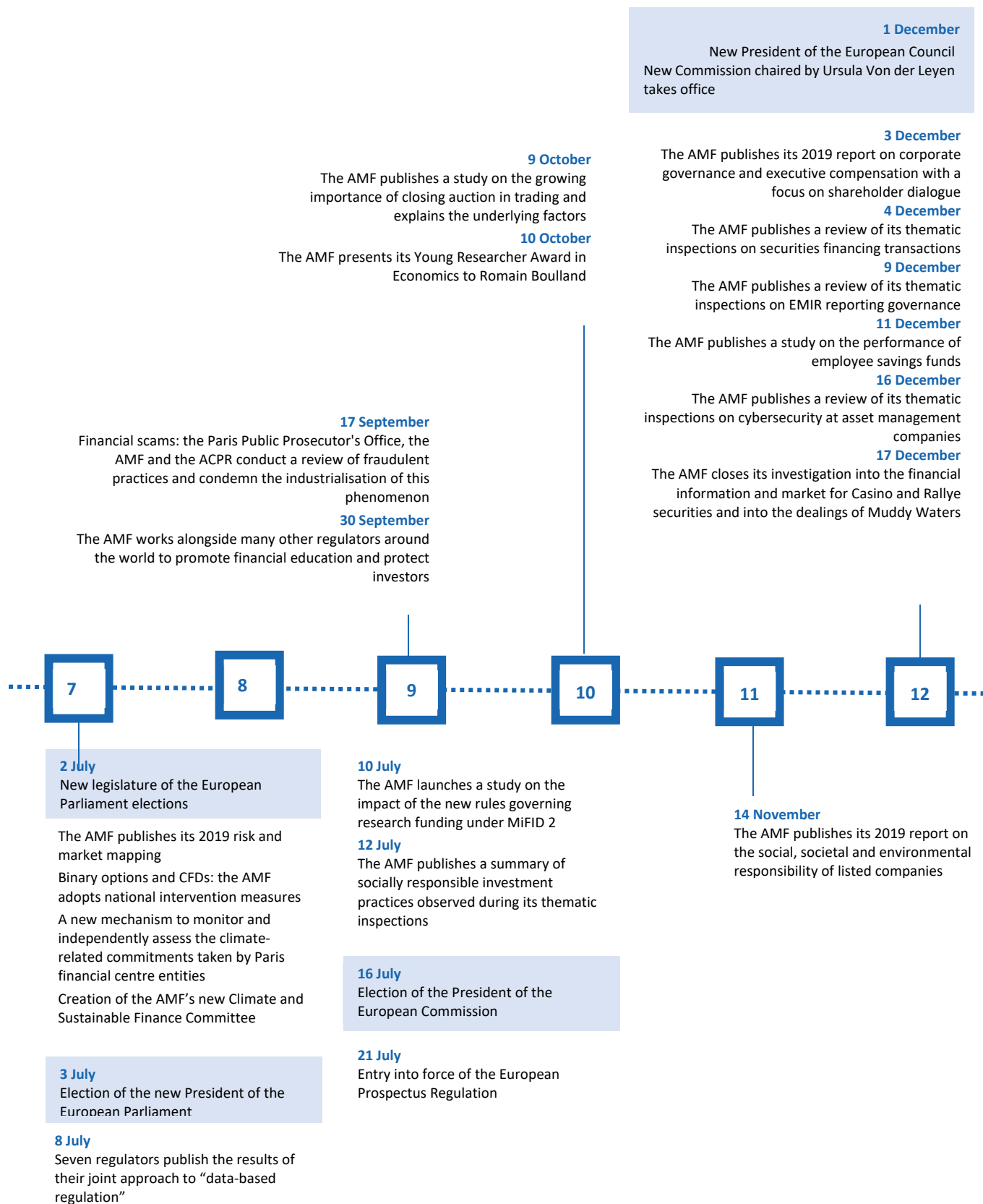
The community of digital champions is an essential driver for accelerating the AMF's digital transformation. It has been instrumental in defining objectives for each department, ensuring the relevance of the issues concerned at a very detailed level. Regular workshops provide a forum for participants to discuss and challenge working and collaboration practices. Initiatives such as workshops on team regulation, visual management, knowledge management, community leadership and innovation have been launched.

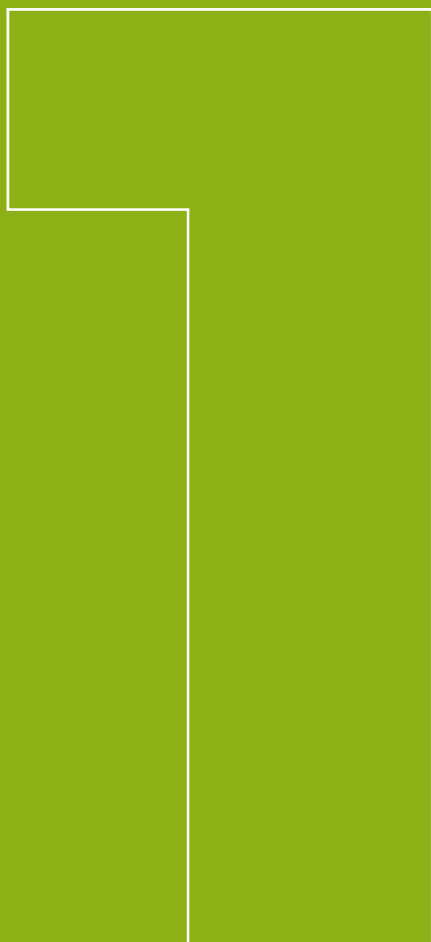
Nine pathways were designed and deployed in 2019. These "digital passes" give each employee the opportunity to contribute to the AMF's transformation and be recognised for their expertise in this area. A total of 172 employees have been trained in subjects related to agility and change management: project management, management, training, process optimisation, monitoring, etc. This approach will continue in 2020 with new themes including data, cybersecurity and innovation.



Timeline of 2019 Highlights







THE CHALLENGES



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A changing financial Europe

Brexit is effective since 31 January 2020, but the future relationship between Europe and the United Kingdom still needs to be defined

■ More than three years after the British referendum in June 2016, the United Kingdom's exit from the European Union finally took place on 31 January 2020 after several successive postponements caused by difficulties in ratifying the withdrawal agreement on the British side.

■ This date marked the beginning of an 11-month transition period during which European Union law continues to apply to the United Kingdom and British entities, despite the United Kingdom no longer being a member of the European Union and no longer having political representation in its institutions.

■ The transition period, which will not be extended, is designed to enable the United Kingdom and the European Union to negotiate a partnership agreement that will define the terms of their future relationship, the main principles of which are set out in the political declaration signed on 17 October 2019. These negotiations began in March 2020 and are due to be completed by 31 December 2020.

■ In financial services, the equivalence regimes included in some European legislation (and in UK law, which has "onshored" them under its European Union (Withdrawal) Act 2018) will be the instruments that the European Union intends to use to manage its interactions with the UK. These regimes, which do not cover all financial services, result in unilateral decisions taken by the European Commission where appropriate. Under the terms of the October 2019 political declaration, the European Union and the United Kingdom have agreed to conduct an analysis of their respective regulatory and supervisory frameworks for each of these regimes by the end of June 2020.

■ Given the weight of London's position in Europe, the exit of the United Kingdom will have consequences for the markets and the European financial industry. With this in mind, the AMF remains committed – along with other regulators in Europe – to ensuring that the United Kingdom's withdrawal takes place without adverse consequences for market participants and investors in all possible scenarios. This was the case already in 2019, when the threat of a "no deal" exit was particularly acute.

Contingency measures now no longer applicable in view of the ratification of the withdrawal agreement

■ Throughout 2019, the difficulties that the United Kingdom faced in ratifying the withdrawal agreement raised fears that it would leave the European Union without an agreement, which could cause major disruption to the financial sector, particularly as a result of the termination of the passport and mutual recognition systems. Given this threat, various contingency measures were taken at national and European levels to cushion these adverse effects as far as possible. The most significant provisions are summarised here:

- In France, Executive Order 2019-75 of 6 February 2019 included provisions establishing transitional periods and "grandfather clauses" for UK securities eligible for investments in PEAs, SME-PEAs and private equity funds (FCPRs, FCPIs and FIPs) to ensure that the end of their eligibility would not be detrimental to retail investors' interests. It also introduced certain amendments to French law to facilitate the replacement of derivative framework contracts with framework contracts governed by French law with tacit consent from clients;
- The adoption by the European Commission in December 2018 of a temporary and conditional equivalence decision concerning the UK framework for clearing houses for a period of twelve months from the date the United Kingdom exits the EU without an agreement, in order to guarantee that there would be no immediate disruption to the central clearing of derivatives. This decision was followed in early 2019 by ESMA's recognition of the three UK clearing houses.

■ In view of the United Kingdom's ratification of the withdrawal agreement, these contingency measures are, for the time being, no longer applicable.

■ Lastly, a cooperation and information-sharing agreement (Memorandum of Understanding) between the 27 European national regulators, including the AMF, and the UK FCA, was concluded on 1 February 2019 to cover the eventuality of the United Kingdom leaving without an agreement. It may nevertheless be activated in other circumstances, such as at the end of the transition period.

Specific issues around share trading after Brexit

■ In 2019, European regulators focused their attention on the subject of share trading by European investment firms on UK platforms following Brexit. European investment firms are not authorised, under the trading obligation set out in Regulation (EU) 600/2014 (the "MiFIR Regulation"), to trade shares falling within the scope of this obligation (i.e. shares admitted to trading or traded on EU platforms) on platforms in third countries that do not benefit from an equivalence decision. The concern was therefore that in the event of no deal, and in the absence of an equivalence decision granted to the United Kingdom by the European Commission, EU investment firms would no longer be able to access the liquidity offered by UK platforms on securities listed both in the United Kingdom and in the EU.

■ To reassure market participants and minimise the risk of market disruption in a no-deal scenario, ESMA clarified in a statement in May 2019 that it considered that only shares with an ISIN code from a country belonging to the European Economic Area would be subject to the MiFIR trading obligation. While this clarification was made on the assumption that United Kingdom would exit the EU without ratifying the withdrawal agreement, which did not materialise, it nevertheless constitutes a useful interpretation of the European legislation that could become relevant again at a later date, depending on the outcome of the ongoing negotiations between the EU and the United Kingdom.

Ensuring contract continuity

■ The ability of UK financial firms to enter into financial services contracts with EU counterparties is dependent, in particular, on the availability of the European passport. Brexit therefore raises doubts about the continuity of such contracts if they are still ongoing when the UK leaves the Single Market. As contract law is essentially national, the views of the Legal High Committee for Financial Markets of Paris has helped to uphold an open interpretation that ensures the continuity of contracts in a large number of cases in France. The risk of breach of contract would ultimately be confined to a few specific cases of contractual novation. Moreover, even if recourse to English law and to the courts of the United Kingdom remains possible in contracts, the decisions of those courts will no longer be enforceable by operation of law in the European Union after the end of the transition period, and it will be necessary to apply for enforcement to a court of the European Union. Transferring contracts for which uncertainty persists to an EU-based entity is therefore advocated and has been encouraged by various means in 2019 (in particular the February 2019 executive order). The International Swaps and Derivatives Association (ISDA) has developed a framework contract for derivatives transactions governed by French law and jurisdiction.



Shaping the EU27 capital markets to meet future challenges

■ Beyond managing the impacts of Brexit, the United Kingdom's exit poses another challenge for Europe. While the United Kingdom contributes only 15% of the European Union's GDP, UK capital markets represent nearly 37% of the 28-member EU's overall capital markets (source: New Financial index). While it is essential for financial Europe to face the major challenges of the future, the 27 countries of the Union must also learn to work together, without the British "locomotive", and strive to simplify European legislation to regain agility.

■ To this end, the AMF will support initiatives to develop more competitive and self-sustaining capital markets in the EU27 while ensuring that European regulation keeps pace with the changing financial landscape resulting from the exit of the UK market.

Promoting an ambitious vision for European financial markets

■ It is becoming increasingly clear that the Capital Markets Union (CMU), as initially envisaged, will not be able to successfully achieve all the objectives assigned to it: to facilitate access to financial markets for companies, reduce the cost of capital, facilitate investment and support long-term projects. The financing of the economy is constrained by structural changes, such as the decline in the attractiveness of stock markets or the growing role of private equity and index management. The 27 countries will therefore have to continue their efforts to develop an overall vision of financing in Europe, which will help strengthen the competitiveness of European market players, particularly in relation to their American competitors, revive personal savings and overcome the weaknesses in financing SMEs. The key cross-cutting issue of data, particularly in terms of cost and access conditions, also needs to be addressed.

■ In November 2019, the Commission set up the High Level Forum, a group of financial market experts invited to reflect on the new directions to be pursued by the CMU. Other initiatives have also emerged, such as the Next CMU group, made up of experts from seven member countries (France, Germany, the Netherlands, Italy, Spain, Poland and Sweden), whose conclusions were endorsed by the European Council. Another initiative also worth mentioning is Markets for Europe, led by the European Banking Federation. Its initial proposals represent a good compromise between political and technical considerations.

Achieving regulatory convergence

■ The European framework is robust and proven, but it has become considerably more complex over the last ten years. This is particularly the case for asset management regulation and supervision. The regulatory framework suffers from an implementation that can vary from one Member State to another and is not well suited to the cross-border nature of its value chain (asset manager, delegatee, depositary and distributor), which is fragmented across several countries. The AMF will continue to advocate the implementation of a common set of rules for asset management industry participants and the modernisation of the Eligible Assets Directive applicable to UCITS, with a view to achieving a uniform implementation in all Member States.

■ More generally, the AMF supports the principle of a convergence of financial market supervision in the EU27, focusing on key issues, by strengthening the ways in which national authorities cooperate with each other and with European bodies. The forthcoming reviews of certain pieces of European legislation (the Markets in Financial Instruments Directive (MiFID), the Benchmark Regulation (BMR) and the Market Abuse Regulation (MAR)) will provide an opportunity to clarify and refocus the legislation on its key provisions and to simplify the requirements where they are not in line with the objectives pursued.

Realising ambitions in sustainable finance

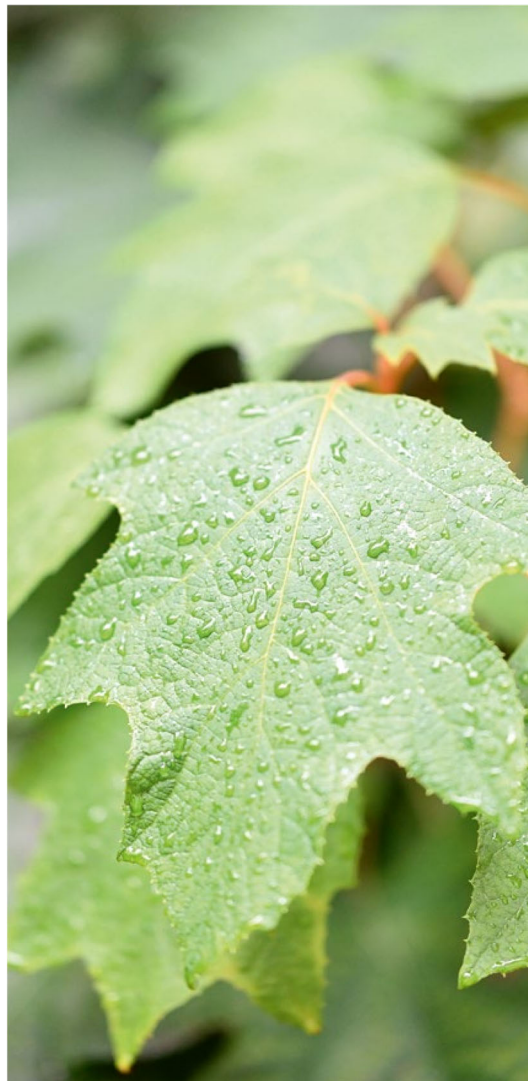
■ Sustainable finance is clearly emerging as a major and unavoidable challenge. To consolidate its lead in this area, Europe must now ensure that the measures introduced are consistent and effective. The momentum will continue unabated in 2020. Work will also focus on defining a more unified and robust framework for non-financial reporting at the European level. Based on the work carried out in France on responsible investment management, the AMF will also put forward proposals on both the disclosure requirements applicable to products and market participants and encouraging greater clarity around products, through a European label or minimum standards.

Leveraging innovation

■ To remain competitive in the financial world of the future, Europe must also create the right conditions for the emergence of European digital champions. At the same time, it must maintain the stability of the financial sector, the orderly operation of the markets, investor protection and the fight against money laundering.

■ In 2016, the AMF set up a team dedicated to financial technology, innovation and the competitiveness of the Paris financial ecosystem in terms of digital technology. Furthermore, with the introduction of the PACTE Law, France has developed a pioneering framework for regulating digital assets, which previously operated in a legal vacuum. Based on the experience acquired, the AMF therefore intends to put forward proposals for building a European framework that fosters financial innovation. This will include areas for regulatory experimentation and a framework for crypto-assets and financial instruments traded on a distributed ledger (blockchain). This principle also raises an important issue: blockchain is a decentralised technology whereas regulations tend to introduce intermediaries. The planned revision of certain European directives will no doubt provide an opportunity to make them more consistent with the needs of new technologies.

■ Lastly, to maintain retail investor confidence in new investment offers, the fight against financial scams must be stepped up and market participants must be supported in addressing cyber risk. Each of these objectives are inextricably linked to the proactive monitoring of financial sector innovations resulting from new technology (artificial intelligence, RegTech, big data, etc.)



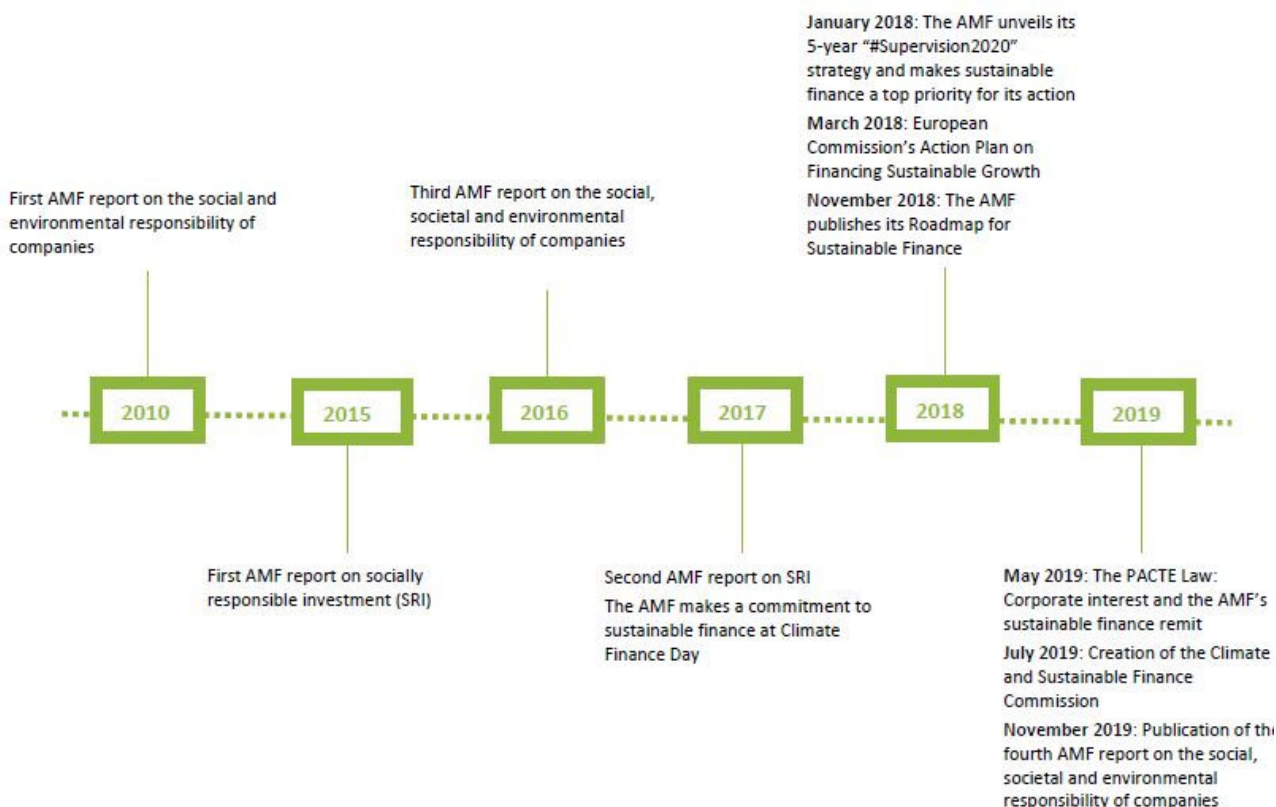


Sustainable Finance

■ The decade that has just come to an end was marked by two years of record-breaking temperatures (2016 and 2019) and stands out as the warmest since records began in 1850.¹ Faced with this climate emergency, the catalysts for change lie firmly in the hands of governments. Nevertheless, it is becoming increasingly clear that the involvement of the private sector is essential. For several years now, this has taken the form of commitments and actions aimed at better integrating more sustainable development models that are more environment- and people-friendly. Involving the private sector, and particularly the financial sector, is also at the heart of the European Commission's Action Plan for Sustainable Finance published in March 2018, which saw several initiatives come to fruition in 2019.

■ Once again this year, this new paradigm has been a guiding principle for the AMF, which has stepped up its initiatives to help shape and promote sustainable finance and support ongoing changes, to protect investors and maintain trust. In July 2019, the AMF created a Climate and Sustainable Finance Commission and announced at the same time the implementation, in conjunction with the ACPR, of a mechanism to monitor and assess the climate-related commitments made by Paris financial centre entities. Alongside its work at European and international levels, the AMF also published several reports and studies, established contacts and expressed its views on a subject that is attracting attention well beyond the financial sector.

Main initiatives of AMF relating to sustainable finance



An important role for the regulator in a fast-changing environment

■ In the spring of 2018, the European Commission presented its action plan for promoting the financing of a more sustainable economy. This consisted of ten initiatives setting out an innovative framework to accelerate the transformation of the European financial industry towards sustainable finance. The AMF's roadmap was published in November 2018, drawing on the expertise already developed in this area and setting out the regulator's commitments towards a financial model that takes greater account of sustainability issues. The roadmap details five areas for action:

- Supporting market participants, particularly through recommendations and guidance, to create the right conditions for the development of sustainable finance, raise the awareness of less advanced participants and facilitate the implementation of new European regulations;
- Supervising and monitoring in particular the quality of information provided to clients and the market by regulated entities;
- Participating in European and international work and collaborating with other regulators;
- Strengthening education for retail investors and better understanding their expectations and needs in terms of responsible investment;
- Developing in-house expertise and knowledge sharing by providing targeted training courses and facilitating a network involving all the AMF's departments.

Climate and Sustainable Finance Commission: mobilising new skills for new challenges

■ On 2 July 2019, the AMF announced the creation of its Climate and Sustainable Finance Commission (CCFD). Its role is to assist the AMF in carrying out its regulatory and supervisory missions on matters related to sustainable finance and to provide a forum for dialogue with the aim of contributing to the effective mobilisation of the financial sector in response to climate risk. It may make recommendations and will contribute to the work carried out by the AMF in collaboration with the ACPR on the monitoring and evaluation of the climate commitments of financial institutions.

■ The new Commission is composed of 24 members selected by the AMF Board for their knowledge on climate risks and sustainable finance. They are appointed for a three-year renewable term. Its membership was determined with the aim of striking a balance between different stakeholders and areas of expertise: issuers, representatives of the financial sector, non-financial analysts, researchers, auditors, civil society, etc. It is chaired by Thierry Philipponnat, a member of the AMF Board.



**Find out more about
the Climate and
Sustainable Finance
Commission**



WORK WITHIN ESMA AND IOSCO

The AMF is an active participant in the two sustainable finance networks created in 2019:

- ESMA's Coordination Network on Sustainability, chaired by the Spanish National Securities Market Commission (CNMW)
- IOSCO's Sustainable Finance Network (SFN), chaired by Sweden's Finansinspektionen. The AMF is a member of the SFN steering group. The other countries represented are Spain (CNMV) and Hong Kong (SFC), vice-chairs of the network, and Brazil (CMV), China (CRSC), the United States (SEC), Japan (FSA) and the United Kingdom (FCA).

Independent monitoring and assessment of climate-related commitments

■ The Climate and Sustainable Finance Commission works closely with the Commission set up at the same time by the ACPR. It is expected to contribute to the work carried out jointly by the two authorities for the independent monitoring and assessment of climate-related commitments made by participants of the French marketplace.

■ The AMF and the ACPR will publish an annual report on their work. The report, the first of which will be published at the end of 2020, has a twofold objective: to take stock of the progress made by market participants and to make recommendations on monitoring the commitments and regulatory tools useful for sustainable finance.

Europe: significant progress in 2019

■ The European Commission's Action Plan on Sustainable Finance was the fourth pillar of its climate and sustainable development programme to achieve carbon neutrality by 2050.

■ A priority of the Capital Markets Union (CMU), this action plan has three main objectives:

- To redirect capital flows towards investments that support more sustainable and inclusive growth;
- To prevent and manage the financial risks inherent in climate change, the scarcity of natural resources, and environmental and social issues;
- To promote transparency and sustainability in economic and financial activities.



THE AMF – A PARTNER IN THE EUROPEAN FINANCECLIMACT PROJECT

The FinanceClimAct aims to develop France as a lead market for climate finance. It has received financial support from the European Commission as part of the LIFE Integrated Projects programme, a programme entirely dedicated to environment- and climate-related projects.

Under the impetus of the Ministry for Ecological and Solidarity Transition (MTES), the FinanceClimAct programme is coordinated by the French Environment and Energy Management Agency (ADEME) and will run for five years. The MTES, ADEME, the AMF, the Autorité de Contrôle Prudentiel et de Résolution (ACPR), 2° Investing Initiative (2°ii), the Institute for Climate Economics (I4CE), Finance for Tomorrow (F4T) and GreenFlex are all involved. The project will enable the AMF to bolster its expertise and resources in climate risk and sustainable finance and to step up its action in this area.

What is the state of play in Europe?

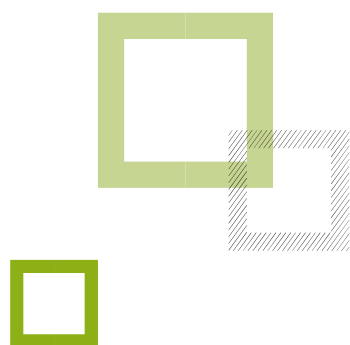
At European level, 2019 was marked by several decisive steps forward, including the adoption of three highly significant regulations. Firstly, the Disclosures Regulation¹ which defines new transparency requirements for investors and asset managers with regard to sustainability (at the product and market participant level). Secondly, the Benchmark Regulation,² which creates two benchmark indices, the Climate Transition Benchmark (CTB) and the Paris-Aligned Benchmark (PAB), and imposes environmental, social and governance transparency requirements on traditional indices. The first provisions related to this regulation, and in particular the specifications for the two labels, will apply from 30 April 2020. Lastly, the Taxonomy Regulation,³ which creates a classification system for activities considered as sustainable or contributing to climate transition, leading to the adoption of a common language in this area at the European level. This regulation, which is the cornerstone of the European Commission's plan for sustainable finance, already includes increased transparency requirements for both investors and issuers, based on this new nomenclature.

Other work included two sets of technical advice issued by ESMA in May 2019 for investment firms and asset managers on the integration of ESG risks and factors. ESMA began work in the summer of 2019 on developing Regulatory Technical Standards for implementing the Disclosures Regulation. Potential changes to the MiFID 2 Delegated Regulation and Directive are also being studied, both in terms of product governance and client suitability testing. In late 2019, at the request of the European Commission, ESMA also published a report on short-termism, highlighting issues relating to the quality of non-financial information published by companies. The AMF played an active role in this work, as well as in discussions on, among other things, the future ecolabel for financial products.



THE SIX ENVIRONMENTAL OBJECTIVES OF THE EUROPEAN UNION

1. Climate change mitigation.
2. Climate change adaptation.
3. Sustainable use and protection of water and marine resources.
4. Transition to a circular economy.
5. Pollution prevention and control.
6. Protection and restoration of biodiversity and ecosystems.



¹ Proposal for a Regulation on the publication of information relating to sustainable investment and sustainability risks, amending Directive (EU) 2016/2341.

² Regulation (EU) 2016/1011 of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of

investments, amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) 596/2014.

³ Proposal for a Regulation on the establishment of a framework to promote sustainable investment.



THE GROWING INTEREST IN RESPONSIBLE INVESTMENT AMONG FRENCH PEOPLE

At the request of the AMF, the Audirep research institute conducted a survey in June 2019 on French people's perceptions of sustainable finance and related investments.

The results are encouraging, revealing that 45% of those surveyed show a keen interest in socially responsible investment when it comes to savings. Furthermore, more than 7 out of 10 respondents feel it is important for financial institutions to consider issues related to energy transition and sustainable development. Despite this enthusiasm, there is still a lack of information. For example, 50% of respondents would like more information on the range of socially responsible financial products. This factor is even more important as 42% of them consider that better information increases confidence in these investments. For 7 out of 10 respondents, information quality is linked to transparency over the use and real impact of the investments made.

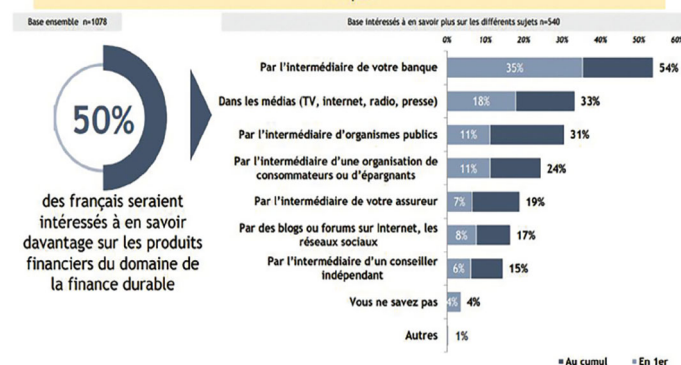


Find out more about the study on French people and responsible investment

GRAPHIQUE 1.

B3 - Seriez-vous intéressé(e) à en savoir davantage sur ces différents sujets ?
B4 - Par quels moyens préféreriez-vous obtenir de l'information sur ces différents sujets ?

Un répondant sur 2 serait intéressé à en savoir plus sur les produits financiers.
Parmi eux, ils sont plus d'un tiers à préférer obtenir ces informations par l'intermédiaire de leur banque.



Source : Audirep Study

B3 – Would you be interested in knowing more about these different topics?

B4 – Through what means would you prefer to receive information about these different topics?

**One out of two respondents would be interested in finding out more about the financial products.
More than one-third of them prefer to obtain this information through their bank.**

Total base n=1078

50%

of people in France would be interested in knowing more about sustainable development financial products

Based interested in knowing more about sustainable finance

Through your bank: 35% - 54%

In the media (TV, Internet, radio, press): 18% - 33%

Through public organisations: 11% - 31%

Through a consumer or investor organisation: 11% - 24%

Through your insurance company*: 7% - 19%

Through blogs or internet forums, social media: 8% - 17%

Through an independent advisor: 6% - 15%

Don't know: 4% - 4%

Other: 1%

1st figure : ranked first – 2nd figure : cumulatively



DOCUMENTATION STILL NOT EASY TO READ

In addition to the quantitative study on the perception of responsible finance, the AMF conducted a qualitative survey in September 2019 with the CSA Institute on the readability of documents made available to investors with information on SRI funds. The aim of the survey was to gain a better understanding of investors' expectations and thus assess the clarity, interest and usefulness of the documents provided by investment firms.

Firstly, socially responsible investment (SRI) requires a higher level of transparency to ensure that its principles are not diminished. However, in the absence of sufficiently tangible information, socially responsible products and their promises can inspire a certain amount of mistrust. This is compounded by the fact that the concepts that shape SRI, which are too technical and not sufficiently explicit, can be an obstacle to understanding and identifying the themes and objectives of responsible products. Better information on the investment process is therefore an essential tool for strengthening investor confidence in socially responsible

investments.

**Read the study
on the readability
of SRI investment
documentation**



Information transparency

Supporting asset management companies in their approach to carbon offsetting

■ Supporting market participants and fostering innovation figure prominently in the AMF's roadmap. In March 2019, the AMF published a best practices guide on information and processes for carbon offsetting by collective investment undertakings (CIUs). This method is characterised by the use of carbon credit cancellation transactions to partially or totally offset the greenhouse gas emissions associated with the assets held in investors' portfolios.

■ The AMF has identified a number of best practices in the use of "carbon credits". These practices include the use of labels awarded by a recognised entity that certifies the issuance of credits and a reliable independent record keeping system. This guide also highlights aspects such as the importance of properly determining and communicating the methodologies used to estimate the carbon footprint, such as using a method that factors in changes to portfolio assets over the calculation period in question and stating and justifying exclusions from the scope of the offsetting calculation carried out.

Mandatory information in prospectuses for green bonds

■ As part of its discussions and work with other European regulators, and to contribute to the debate on the future EU Green Bond Standard announced by the European Commission, the AMF and its Dutch counterpart – the *Autoriteit Financiële Markten* (AFM) – published joint proposals in April 2019 on the content to be included in prospectuses for green bonds. These are a powerful lever for financing projects supporting the energy transition.

■ For a green bond to be able to qualify for this designation, the AMF and the AFM stress that certain information should be included in the prospectus that accompanies its issue. In particular, there should be a focus on how the funds raised are used and managed and on the choice of projects financed. Furthermore, the issuer should specify whether it wishes to comply with green bond standards and request an external evaluation.

■ While remaining reasonable for green bond issuers, this additional information in the prospectus would help to increase transparency and therefore investor confidence, which is essential for the development of the European green bond market.

Review of non-financial reporting

■ Four years after the entry into force of Law 2015-992 of 17 August 2015 on the energy transition for green growth (LTECV), the AMF, in conjunction with the Ministry for the Economy and Finance, the Ministry for Ecological and Solidarity Transition and the ACPR, published a report in July reviewing the implementation of the provisions of Decree 2015-1850 (the “Article 173-VI” mechanism) implementing the LTECV. This mechanism requires portfolio management companies domiciled in France to disclose information on their general approach to the consideration of non-financial criteria and, for their collective investments with significant assets under management, specific information regarding the consideration of these criteria in their investment policy and, where applicable, in their risk management policy.

■ Firstly, the review reveals that a growing proportion of market players are reporting on their commitment to take environmental, social and governance (ESG) factors into consideration in their investment policies. Secondly, it appears that by defining a concrete framework of transparency requirements, this mechanism has led to new participants committing to this approach. Lastly, this review provides an opportunity to report on the progress still to be made in harmonising and ensuring consistency across the methodologies adopted, particularly on the issue of climate risks and the contribution to the energy transition objectives.

Report on the social, societal and environmental responsibility of listed companies (November 2019)

■ Executive Order 2017-1180 of 19 July 2017, transposing into law Directive 2014/95/EU of 22 October 2014, introduced the requirement for companies of a certain size to publish a non-financial information statement (NFIS). Echoing its three previous reports published on this subject in 2010, 2013 and 2016, the AMF published its fourth report on the social and environmental responsibility of listed companies in November 2019. It reviewed the non-financial information statements published by a sample of 24 companies (including 19 CAC 40 companies) for the 2018 financial year.

■ The AMF’s aim with this report is threefold: to support French issuers in this transition from one regulatory framework to another by sharing encouraging implementation practices, to limit the production of new policies, and to answer the questions from the market on the linkage between the texts applicable in France.

■ The AMF identified the 12 challenges faced by issuers in terms of successful non-financial reporting, including: ensuring that the NFIS is concise by limiting it only to those non-financial risks and opportunities that the company considers material; reporting on the consolidated scope and considering whether it is appropriate to expand the scope given a particular business model; and selecting and justifying a limited number of relevant and clearly defined key performance indicators. Lastly, the report stresses the importance of the overall consistency of the NFIS. It also reminds companies of the French and European background regulations.

■ Based on its analysis, the AMF has identified a number of avenues for future discussion on non-financial reporting at the European level and is in favour of revising the Non-Financial Reporting Directive.



HIGHLIGHTS AND KEY FIGURES



THE AMF AND INVESTORS



FINANCIAL SERVICE AND SAVINGS PRODUCTS



MARKET INFRASTRUCTURE ACTIVITY AND REGULATION



37 TRANSACTIONS AND INFORMATION OF LISTED COMPANIES

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60 SETTLEMENTS, The AMF and investors

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THE AMF and investors

■ The protection of savings invested in financial products and investor information are among the primary missions of the AMF. In 2019, the AMF fulfilled this role by continuing its mystery visit operations, by a communication campaign aimed at investors and by developing new tools based on artificial intelligence.

Post-MiFID 2 mystery visits

■ The MiFID 2 directive aims to improve the security, transparency and functioning of financial markets, and to enhance investor protection. It is against this backdrop that between December 2018 and February 2019 the AMF organised two new "risk-averse" and "risk-loving" mystery visit campaigns with eleven retail banks throughout France, representing 220 mystery visits. The aim was to assess pragmatically the implementation of MiFID 2, notably by examining the conditions and practices for marketing of financial products.

■ Since 2010, the AMF has conducted 21 mystery visit campaigns during which various scenarios were tested, such as practices for determining and assessing customer's needs using the profiles of a young working person, a risk-averse customer, a risk-seeking customer and an online banking customer.

■ For this new campaign, for the first time the AMF tested a "new customer" profile *where the customer is expecting to inherit Eur 70,000* and wanting to open a deposit account, invest in a financial product and make a deposit.

Significant progress...

■ These mystery visits show that:

- most banks have adapted their practices to the MiFID 2 era, by investing in information systems and in training for their advisers;
- bank advisers are more receptive, which allows better discovery and contact with the customer. Bank advisers question customers more concerning their financial position and their objectives;

- the number of products presented to customers has again increased (3.6 on average versus 3.1 during the 2015 campaign).

... but there are still shortcomings

■ Although significant steps forward have been observed, progress still remains to be made:

- The question regarding "risk tolerance" is apparently seldom asked. The potential customers surveyed were not questioned sufficiently regarding their financial knowledge and experience, and self-assessment is still practised excessively in some institutions;
- The presentation of the advantages and disadvantages of the recommended products is in some respects unbalanced;
- The information communicated verbally regarding costs remains very inadequate, because less than half of the advisers mention the costs related to financial wrappers or instruments. This is a crucial factor which the institutions absolutely must correct;
- Commercial and marketing documentation remains the almost exclusive product presentation format. Commercial dialogue should take place more around these regulated and standardised documents which are designed to be simple and concise (like the KIID for funds). These documents intended for investors should lead them to ask themselves the right questions regarding investments, and thereby contribute to their financial education;
- Investors' different investment horizons and the diversification of investments should be given better consideration. In an environment of structurally low interest rates, this enables the bank to provide advice adapted to the customer's profile, objectives and preferences;
- Formalised advice in a suitability report should be submitted to the customer before any investment operation.

An extensive system

■ In addition to the publications of its Household Savings Observatory (studies, mystery visits, annual AMF Savings and Investment Barometer, newsletters), the AMF has sensors to monitor marketing trends thanks to its AMF Épargne Info Service public relations centre and its tools for watching and supervising new offers. The AMF has expressed its will to go further in detection by developing new approaches based on artificial intelligence in its Datalab. Always keen to alert the public more effectively to cope with the increasing number and diversity of financial scams and identity thefts, it has chosen to communicate even more (video testimony campaigns, press conference, etc.) in order to enhance its vigilance.

AMF Épargne Info Service

■ This AMF public relations centre was established in 2010 and answers investors' questions concerning financial investment products, financial intermediaries and potential investment scams. With more than 11,000 queries processed in 2019, it is a leading indicator for sensing marketing trends.

Strong demand for regulated savings products

■ In 2019, around half of the queries on financial products processed by AMF Épargne Info Service (EIS) concerned regulated savings (employee savings schemes, "PEA" personal equity savings plan, transfer of a securities account, listed/unlisted securities, illiquidity of certain investments, reporting of corporate actions, disputed financial transactions).

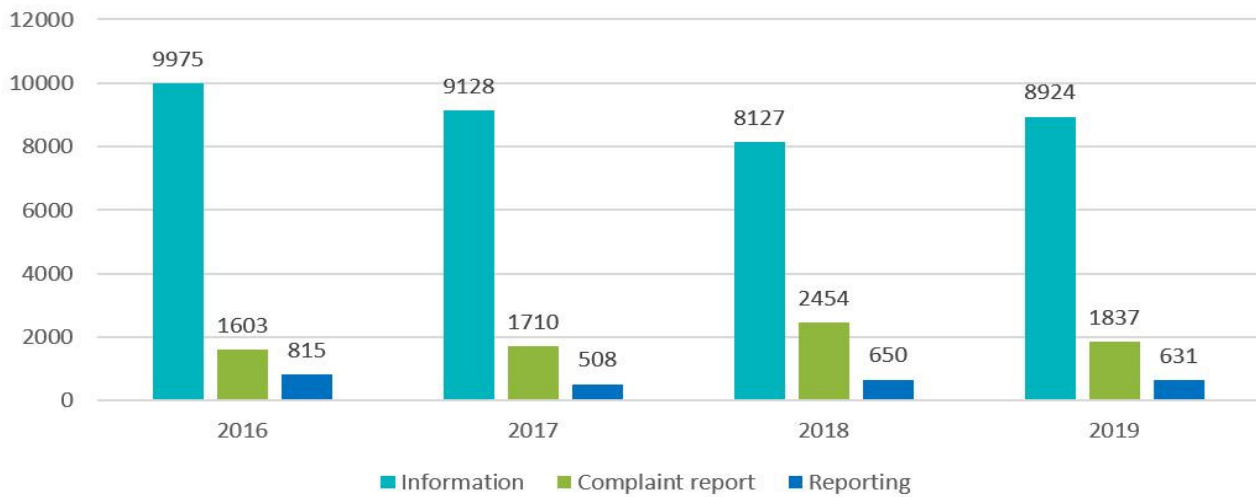


OVERHAUL OF THE AMF PROFESSIONAL CERTIFICATION

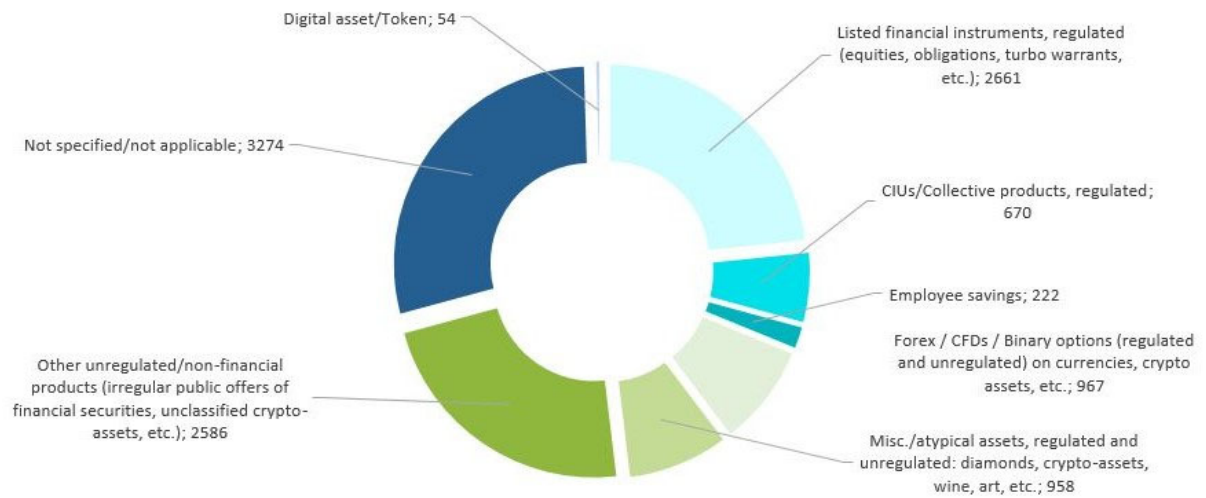
The AMF professional certification was created in July 2010. The scheme, which was largely a precursor of European legislation to ensure that professionals have the minimum knowledge that is essential to perform their job, was entirely redesigned in 2019 with the accredited training organisations. A common base of examinations was created for which the organisations are collectively responsible, and it will be deployed in 2020. This base consists of some 2,500 questions from which the examination questions will be taken. This project enhances the quality of the scheme without making it more difficult, encourages the learning of knowledge rather than "cramming" strategies consisting of learning the questions without understanding the issues. The AMF's objective is to enable candidates to increase their skills and also to make this professional certification a tool for enhancement of the Paris marketplace.

The aim is still to verify that they have a minimum level of knowledge on twelve topics relating to the regulatory and ethical environment and financial techniques, topics that have been investigated in greater detail or supplemented to include new issues for the finance industry (links between microeconomic and macroeconomic risks, sustainable finance, marketing issues and new investments such as miscellaneous assets, digital assets, etc.). These changes also apply to the in-house certification examination organised directly by the companies.

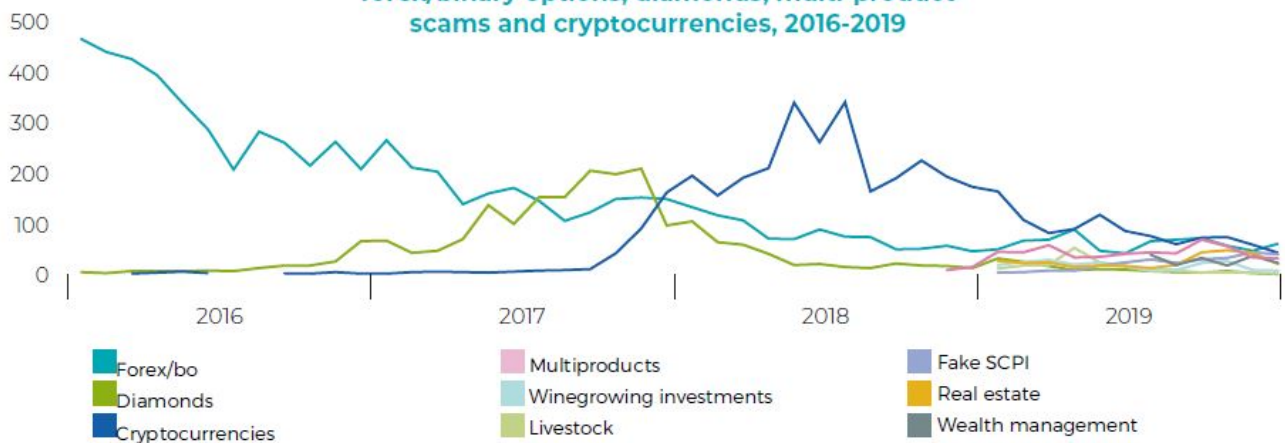
Graph 2
Queries processed by type of query



Graph 3
Queries processed by type of product



GRAPH 4.
Comparative growth in queries concerning forex/binary options, diamonds, multi-product scams and cryptocurrencies, 2016-2019





EUROPEAN PRODUCT INTERVENTION MEASURES ON BINARY OPTIONS & CFDs FURTHER EXTENDED.

On 2 July 2019, the AMF took two measures which correspond to its desire to constantly better protect retail investors. Following a public consultation, concerning, in particular, their complexity and the known risks of losses, the AMF prohibited the marketing, distribution and sale of binary options in France or from France to **retail** investors. At the same time, as of 1 August 2019, the AMF restricted the marketing, distribution and sale of Contracts for Difference (CFDs) to individual investors. These measures merely extended permanently those taken in the summer of 2018 by the European Securities and Markets Authority (ESMA). It should also be noted that many other national authorities in the EU are currently engaged in similar processes to ensure that the ESMA measures are maintained in the long term.

Fragmentation of the unregulated offering

■ The EIS platform has recorded a significant diversification of queries about unregulated offers, i.e. unauthorised offers or scams (see Chart 4). This fragmentation of unlawful offers demonstrates the agility of the fraudsters, who adapt to fashions to trap investors at the better. Forex, diamonds and cryptocurrencies have been replaced by multi-product websites, cattle, fine wines, fake "SCPI" real estate investment trusts or the identity theft of authorised market participants (asset management companies, private banks, FIAs, CIAs, etc.) in France and in the European Union. By multiplying their offers, fraudsters can slip "beneath the radar" of the regulators and banks and, ultimately, the law. But they also become more credible in the eyes of investors, to encourage them to constantly invest more and thereby risk entering an escalating commitment. Increasingly often, a process of ascendancy is observed, which proves extremely difficult to break.

■ However, over several years, and compared with 2016, queries relating to scams have decreased significantly, especially since the start of 2019 (see Chart 4). The massive phenomenon of the forex/binary options scam was stamped out partly thanks to the various measures which the AMF had supported strongly (prohibition of advertising for certain products, prohibition and restriction of marketing of binary options and CFDs introduced by ESMA and adopted this year by the AMF, shutdown of unlawful websites) and the initiatives that it conducted (alerts, prevention, etc.). It will remain vigilant faced with increasingly fragmented and pernicious scams.



Increasing professionalism of fraudsters

■ This fragmentation is linked to the increasing professionalism of fraudsters, and reveals a more agile and evolving criminality, which caused at least €1 billion in losses between July 2017 and June 2019. The fraudsters adopt targeted marketing approaches and monitor market trends more closely. For example, the growing success of SCPIs with retail investors is leading to an increasing number of scams surrounding this product. Likewise, the websites of these fraudsters are extremely well designed. Their phishing techniques are also becoming more sophisticated. Based on the promise of an attractive return on investment, they have investors fill in forms online, the sole purpose of which is to collect their personal data (name and postal address, telephone data, etc.). This information is then sold and resold to other professional fraudsters who contact the potential investors by phone to obtain other more sensitive information from them (estimate of their savings, types of investments, etc.). Until payment of the first amount, which is often small to establish trust with the customer. Then the small amounts become large and the fraudsters' benevolence morphs into threats, notably when investors want to retrieve their funds.

Not really any typical victim

■ An AMF study with banks on financial scams for all financial assets combined reveals that the age group most affected is over 60 years. According to the AMF, this observation can be explained both by this age group's greater wealth in comparison to the average population, greater availability when solicited by phone, as well as certain vulnerability factors, such as isolation from family or the search for social contact. However, apparently no age group is spared. Likewise, all socio-professional categories and every region of France are affected.

Innovation, communication and a new service

Artificial intelligence: a reality at the AMF

■ In this context, the AMF is adapting its methods and tools by innovating. Supported by its DataLab, the AMF has developed surveillance facilities, based on artificial intelligence, some of which were brought into production at the end of 2019. They can be used to watch and monitor unregulated offers and market participants by processing new data sources, such as the spams reported by the Signal Spam organisation.

Video testimony

Retail investors' vigilance remains the AMF's strongest trump card to counter the scourge due to the increasing professionalism of frauds and the power of the internet. The aim is to ensure that savers are increasingly resilient, more capable of protecting themselves due to an increased awareness of the fact that they could be lured into a trap and that they could become a scam victim. Accordingly, to raise savers' awareness of the risks and enable them to better empathise with victims, the AMF launched a communication campaign on the social networks under the hashtag #ArnaquesParlonsEn with three video testimonies of victims.



Discover the
scam
experienced by
Alain

The "AMF Protect Épargne" reflex

■ In parallel, in the autumn of 2019 the AMF launched a new service designed for retail and professional investors: AMF Protect Épargne. Available via the internet and a mobile app, user-friendly and ergonomic, this service is designed to allow savers to obtain an indication regarding the scam risk level of an investment proposition. From this application, savers may be alerted in real time concerning the latest warnings via email notices or alerts. They can also access the AMF's regularly updated blacklists of unauthorised companies and websites. In practice, a questionnaire helps them detect whether proposals made to them are scams or not. If what is involved is a financial investment scam coming within the scope of action of the AMF, then savers can report it to the Épargne Info Service platform. Indeed, it is important that everyone should act by reporting suspicious offers in order to contain the scam. The aim is also to guide savers to the competent authorities as quickly as possible.

■ However, the AMF's role is confined to prevention and alerting within its scope of competence. Only a judge is competent and empowered to intervene in cases of fraud. That is why, in the event of a proven scam, it is essential to make a complaint rapidly to the nearest police station or gendarmerie and compile a dossier with the most convincing possible materials (messages, emails, copies of funds transfers, etc.) to enable the legal system to take action. The chances of recovering part of your investment are practically nil.

FOR IMPROVED FINANCIAL EDUCATION OF RETAIL INVESTORS

In a universe of chronically low interest rates which is changing the parameters for savings, it is becoming increasingly essential to help savers acquire the appropriate benchmarks, notably regarding the returns and risks of investments (see AMF Household Savings Observatory of January 2020).



**Read the AMF
Household Savings
Observatory of January
2020**

Asking oneself the right questions before investing, clarifying one's financial needs, diversifying one's investments and adopting longer investment horizons, and protecting oneself better against financial scams, all these matters depend on improved financial literacy.

The FinQuiz free mobile app proposed by the AMF plans to meet this need. In a playful way, savers can improve their knowledge and skills regarding savings and financial investments. The objective is that they should have more control over their investments, be capable of analysing the documents made available to them, define their needs and objectives, take better decisions, and be better equipped to avoid traps and detect scams. And in 2019, the AMF and La Finance Pour Tous created FinQuiz Jeunes intended for the 15 to 25 age group, accessible via the stores on mobile phones.

EMPLOYEE SAVINGS SCHEME FUNDS (FCPEs): WELL PLACED IN TERMS OF COSTS

For the first time, the AMF has published a quantitative study allowing a ranking of employee savings funds in the universe of collective investment undertakings distributed in France.

The analysis shows that the total expense ratio (TER), i.e. all the costs paid by the employer and the employee, for employee savings scheme funds (FCPEs), is mid-way between the ratio of institutional funds and that of equity and bond funds for retail clients. However, the difference in pricing between employee savings scheme funds (FCPEs) and institutional collective investment undertakings (CIUs) is not statistically significant in the case of money market funds. And as regards diversified funds, FCPEs appear less expensive compared with the TERs of institutional funds and retail investment funds, which are higher by 8 and 52 basis points respectively. As regards performance, the study conclusions did not really show a clear ranking between funds reserved for institutional investors, those for retail investors, and employee savings scheme funds.

Universal mobilisation

■ Combating scams requires the constant involvement of all those who are in positions of responsibility. The AMF is therefore working jointly with the Public Prosecutor's Office of the Paris High Court, the Autorité de Contrôle Prudentiel et de Résolution (ACPR), and with the national police and Gendarmerie. This results in exchanges of information on the trends and practices of fraudsters, using the scope of operation of each entity as well as possible to act as effectively as possible and in a complementary manner.

■ In September 2019, a press conference was held jointly by the AMF, the Public Prosecutor's Office of the Paris High Court and the ACPR. Faced with the constantly growing scale of this scourge, the three institutions decided to produce a new review of financial scams in France, and to call on the public for the utmost vigilance to protect themselves better. Lastly, there are increasingly frequent bilateral contacts and exchanges of experience on the European level concerning scam issues. Given its broad savings pool, the AMF is among the most active entities in Europe on these subjects. The Belgian Financial Services and Markets Authority is also very active and innovative in this area. There are regular discussions between the two authorities.

PACTE LAW: SEVERAL SIGNIFICANT STEPS FORWARD REGARDING INVESTOR PROTECTION

For digital-asset transactions or the provision of a digital-asset service, direct marketing is now prohibited for digital-asset service providers that have not obtained the optional authorisation from the AMF and for token issuers that have not received an AMF approval. The PACTE Law also provides for a ban on a very specific form of advertising that resembles direct marketing. Specifically, this involves prohibiting the use of banners displayed on the internet and directing users to an online form used to contact them later. Only authorised service providers and issuers that have obtained an AMF approval may use this form of advertising. There is also an authorisation to block sites proposing unauthorised crowdfunding offers, or investments in miscellaneous assets (e.g. diamonds and crypto-assets) for which registration with the AMF is mandatory. Regarding this, the AMF publishes "white lists" indicating the registered investments in miscellaneous assets and digital-asset service providers, as well as token offerings that have obtained approval and investment service providers that have obtained an authorisation. Regarding employee savings schemes, in the absence of an option exercised by the employee saver, 50% of the amounts resulting from profit sharing are paid by default into a PERCO plan, and therefore blocked until the persons concerned retire. The new collective retirement savings plans (PERs, or "plans d'épargne retraite") stipulate that the saver can release this amount during the month following notification of its allocation to the plan. Lastly, the PACTE Law provides for the transferability of products to the new individual retirement savings plan and limits the charges for new payments when the employee leaves the company. Improvements have also been made concerning the worthless securities of companies in receivership which prevented the transfer of "PEA" personal equity savings plans.

Offering an Ombudsman service

■ In accordance with the regulations, the AMF's Mediation activity is presented each year in a public annual report. This report, which has been published in May 2020, is available in the "Ombudsman" section of the AMF website.



Find out more about the Ombudsman

■ The AMF Ombudsman is Marielle Cohen-Branche. Matters may be referred to the AMF Ombudsman either online on the AMF website (www.amf-france.org) by downloading a form, or by postal mail sent to the AMF Ombudsman, 17 place de la Bourse, 75082 Paris Cedex 02.

A FREE SERVICE FOR THE OUT-OF-COURT SETTLEMENT OF DISPUTES

Mediation is a free public service that provides for the out-of-court settlement of financial disputes. It targets savers and investors, both individuals and corporate entities (a retirement fund or an association, for example). The range of disputes eligible for mediation corresponds to the AMF's jurisdiction, i.e. disputes with an investment service provider (a bank, a management company, etc.), a financial investment adviser or a listed company. The Ombudsman also has jurisdiction over crowdfunding investment advisers. On the other hand, she has no jurisdiction in the areas of taxation, life insurance and bank transactions or investments.

By law, the AMF Ombudsman has exclusive jurisdictional authority over financial disputes with investment service providers and listed companies. The law also allows agreements to be reached between the AMF Ombudsman and contractual ombudsmen capable of handling mediation for financial disputes. When such an agreement has been signed, in the event of a financial dispute an institution's client can choose, definitively, to refer the case to the institution's ombudsman or the AMF Ombudsman. The Commission d'Évaluation et de Contrôle de la Médiation de la Consommation (National Commission on Assessment and Supervision of Consumer Mediation) must be informed whenever such an agreement is signed. At the end of 2019, four such agreements had been signed.

Through her position as a legally recognised public ombudsman, signifying that she is an independent third party, and drawing on her own experience and the technical expertise of her dedicated AMF team, the AMF Ombudsman will, once the claim has been investigated and appears justified, propose an out-of-court solution to the financial disputes submitted to her. She will do this in accordance with law and equity and as efficiently as possible. If the ombudsman's recommendation, expressed in a strictly confidential notice, finds in favour of the investor, the recommendation, once accepted by both parties to the dispute, takes the form of a total or partial payment of compensation for the loss suffered, which does not imply acknowledgement of any kind of liability on the part of the professional.

TABLE 1.

Cases received and processed by Mediation in 2019

	2017	2018	2019
Cases received	1,361	1,438	1,295
Cases falling within the AMF's jurisdiction	51%	55%	59%
Cases processed ¹	1,406	1,408	1,322
Ombudsman's decision	506	523	451
Of which decisions in favour of the plaintiff	54%	54%	41%
Approval rate ²	97%	94%	96%

1- The cases received are all destined to be processed, and the difference between the cases received and cases processed in a given year constitutes the change in the stock of cases on going.

2- Rate of compliance with proposals favourable to savers and rate of dispute of unfavourable decisions.

The Ombudsman reports regularly on the matters brought via real-life cases, in her monthly Blog (disseminated on the AMF website) and also as part of her monthly chronicle in the Intégrale Placement programme on the BFM Business television channel while protecting the anonymity of the parties to the dispute.



Visit the AMF
Ombudsman's blog



Investments services providers and products



■ Significant events of 2019 included the full entry into force of the European Regulation on money market funds, the establishment of supervision tools to efficiently tackle financial crime, the amendment of the AMF General Regulation following the entry into force of the PACTE Law, and the digitisation of the AMF's services and processes.

HIGHLIGHTS

Money market funds

■ The full entry into force of the European Regulation on money market funds,⁴ on 21 January 2019, brought to an end the transition period which had prevailed until then. In the scope of the new European Regulation, existing money market funds had therefore to submit an application to the AMF, either for authorisation as a money market fund, or for a transformation, merger or winding up. From an operational viewpoint, the beginning of the year was therefore largely devoted to the work of authorising these funds. Overall, about 250 applications of this type (including about 220 applications for authorisation) were processed, originating from about forty asset management companies. Meanwhile, to assist market operators willing or having to have one or more money market funds authorized, the AMF communicated with the marketplace and took part in conferences on the subject. In particular, the new regulatory requirements prohibit money market funds of funds and master-feeder funds (except FCPEs). The entry into force of this regulation therefore resulted in changes in existing funds. Asset management companies were incentivised to streamline their product ranges by either merging or eliminating funds. This industrial strategy therefore gave rise to a downsizing of the existing product ranges, which explains the reduction in the number of money market collective investment undertakings (CIUs).

Anti-money laundering measures

■ The AMF made significant progresses on anti-money laundering and countering the financing of terrorism (AML/CFT), a 2019 supervision priority. The work on the transposition of Directive (EU) 2015/849 (known as the "fourth money laundering directive") was completed by the revision of the AMF General Regulation and a comprehensive overhaul of its policy: four new guidelines were published. The first Anti-Money Laundering questionnaire was sent to all the asset management companies, with the aim of gathering the necessary data for assessment of the risks of money laundering and terrorist financing to which each asset management company is exposed. The information received in reply, and that coming from the annual reports on internal control of AML/CFT – a new reporting exercise imposed by the legislator – contribute to a better understanding of the risks, as a preliminary to implementation by the AMF of a supervision based on these risks in accordance with the European supervisory authorities guidelines, with which the AMF complies. As a member of the Steering Committee on the Fight against Money Laundering (COLB), the AMF took an active part in its work: production of the National Risk Analysis and preparation of the assessment of the national framework by the Financial Action Task Force (FATF).

5-

⁴ Regulation (EU) 2017/1131 of 14 June 2017 on money market funds.



SECTORIAL RISK ANALYSIS: LEVEL OF EXPOSURE OF VARIOUS ACTIVITIES

The AMF's Sectorial Risk Analysis applies the National Risk Analysis (NRA) published in September by the COLB to the professionals under its supervision. Applying the same methodology, the SRA cross-checks threats and vulnerabilities, concluding that:

- The "conventional" collective management of financial instruments is exposed to a low ML/TF risk;
- Private equity is exposed to a moderate ML/TF risk;
- Real estate investment is exposed to a moderate ML/TF risk;
- Discretionary management is exposed to a moderate ML/TF risk;
- The FIA sector is exposed to a moderate ML/TF risk;
- The CIA sector is exposed to a moderate ML/TF risk;
- The activities of the Central Securities Depository are exposed to a low ML/TF risk;
- The crypto-assets and digital assets sector (DASPs and ICOs) is exposed to a moderate ML/TF risk.

MiFID 2

■ With the entry into force of the Markets in Financial Instruments Directive (MiFID 2) and the work carried out in this context to distinguish in French law between the legal frameworks of investment firms and asset management companies, the AMF has performed a significant amount of work in the past two years to overhaul its policy. In all, more than a hundred documents were amended in light of the new European regulations. In 2019, this work mainly concerned the provision of investment services. The first task was to update the position paper on the service of investment advice (DOC-2008-23). The obligations of those providing this service, which were initially partially replicated in the policy document, are now regulated precisely by the MiFID 2 regulations (see, in particular, DOC-2018-04 and DOC-2019-03). A second task concerned the instruction relating to the activity programme of investment service providers (ISPs) requesting AMF approval for all investment services since 3 January 2018 (DOC-2014-01). Updating of the policy documents in other areas relating to discretionary portfolio management made it possible to streamline AMF policy on this aspect by bringing together in a single document the stipulations concerning the professional obligations of investment service providers (including asset management companies) with regard to retail clients (DOC-2019-12). The AMF has also updated its policy on inducements and fees (DOC-2013-10) notably by covering the system of remuneration of discretionary fund managers, in particular concerning the turnover commission and the collection of fund subscription fees by the latter. At the end of 2019, document updating within the framework of application of the MiFID 2 directive has been almost fully completed.

Implementation of the PACTE Law

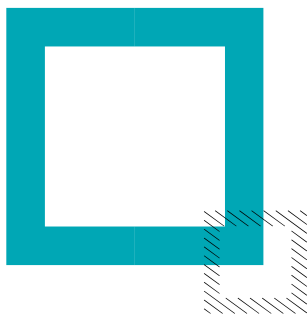
■ Other updates of existing documents were also performed, notably to take into account and extend to the lower regulatory level the new provisions of the PACTE Law, in particular concerning the introduction of the new retirement savings plan (PER), the listing of CIUs, multilateral trading facilities, eligible counterparties for CIU transactions, digital service providers, private equity, etc.

■ Several provisions involved work to amend the AMF General Regulation and policy as a consequence. These provisions concern the conditions of redemption of private equity fund units, the investment areas of local investment funds (FIPs), the updating of legislative references to intermediaries in miscellaneous assets, side pockets, the shareholder engagement policy of asset management companies, investment in FCPE fund units by insurance companies within the framework of the PER retirement savings plan, and the possibility of limiting or suspending redemptions of specialised financing vehicles (OFS).

■ The AMF also transcribed into its General Regulation its new prerogatives (since 2019) related to the PACTE Law concerning monitoring of the quality of information provided by asset management companies in the area of socially responsible investments (see page 58). In the same spirit, the AMF has also actively led a reflection on the establishment of a policy to regulate market participants' communication on non-financial issues in the area of collective investment management. This resulted in a draft policy being submitted to the professional associations for consultation, leading in March 2020 to the publication of a policy paper on the subject. Finally, and again in the same framework of the entry into force of the PACTE Law, the same transcription process was performed concerning the AMF's new prerogatives regarding digital-asset service providers (DASPs).

Digitisation of the AMF

■ A last major project concerned the digitisation of the AMF's services and processes. While all the "product" instructions had previously been amended accordingly, it has been compulsory since November 2019 to use electronic processes. In particular all applications for approval are now fully digitalised – except for exceptional cases relating to foreign asset management companies not having a dedicated extranet.



Supervision of market participants

Asset management companies

■ After a relatively lacklustre trend the previous year, 2019 was characterised by a significant increase in the number of existing asset management companies (AMCs) to 657, compared with 633 and 630 at the end of 2018 and 2017 respectively. This trend is due to the 45 new company

creations (with final authorisation delivered in 2019). While some applications were in the process of authorisation at the end of 2018, the AMF received 43 applications for authorisation, three of which were still in the examination process at the end of 2019.

TABLE 2.

Summary of management company authorisations in 2019

Companies existing on 31/12/2018	633
New AMCs (companies finally authorised in 2019)	45
	o/w 10 Brexit
Withdrawals decided in 2019	21
Of which final authorisation withdrawals announced in 2019	13
Of which pending authorisation withdrawals announced in 2019	8
Companies existing on 31/12/2019	657

■ This renewed vigour is due to creations of private equity and infrastructure asset management companies, which account for 44% of the total. This proportion is much higher than the 33% figure for 2018. The increase can be explained both by the relocation of a number of companies and by a dynamism specific to this asset class, unlike real estate management companies whose share declined from 29% in

2018 to 18% in 2019. After declining over the past three years (50% in 2018, 51% in 2017 and 60% in 2016), entrepreneurial projects represented 58% of company creations, while the proportion of creations by financial groups declined to 42%.

TABLE 3
Nature of initial authorisations

	2018	2019
Private equity and infrastructure	33%	44%
Real estate	29%	18%
Conventional management	25%	22%
Sophisticated management	13%	16%
		Of which structured debt, crypto-assets and quant management
Entrepreneurial projects	50%	58%
Group projects	50%	42%

■ The trend noted in 2019 is also due to stagnation in the number of authorisation withdrawals (final or pending), of which there were 21. Of these withdrawals, one was initiated by the AMF, which is a relatively rare procedure. Although the number of withdrawals in 2019 remained the same as that recorded the previous year, it tends to confirm once again the ongoing consolidation in the sector. In 52% of cases, the withdrawals are due to a group alliance or reorganisation, with the balance being on economic grounds related to a lack of business.

■ Following 2017 which was marked by a large number of extensions of authorisation (AIFM directive) due to regulatory changes, and a return to normal (71) in 2018, there were 95 applications for extension in 2019, concerning 122 activity programmes. This trend is characterised notably by the further significant growth of companies allowed to grant loans. This is an especially important factor in that this activity is one of the AMF's supervision priorities for 2020.

TABLE 4
Extensions of programmes of activity

	Received in 2019	Investigated in 2019
Number of extensions	95	89
Number of programmes of activity concerned	122	18%



THE BREXIT EFFECT

Although it is not the main explanation for this, Brexit partly contributed to the trend noted in 2019 with regard to asset management company creations. Of the 45 identified creations, 10 are directly related to the consequences of Brexit. Anticipating this demand, as of September 2016 the AMF had implemented measures to simplify and accelerate authorisation procedures. Since 2018, a total of 20 cases of this type have been the subject of an application for authorisation to the AMF. This interest underlines in particular the attractiveness of the French marketplace, and is due to both the desire for continental offshoring of foreign groups (some of them English) and the desire for relocation by French companies established in the UK.

But the handling of Brexit by the AMF is not limited to welcoming and authorising applicant firms. It is also keen to help French asset management companies face up to the consequences of Brexit to enable them to manage its undesirable effects as well as possible. The transition period which begins in 2020 does not guarantee a smooth exit. To avoid this type of trouble, the AMF has acted proactively to inform, explain and support the government's work to attenuate certain undesirable consequences. For example, this educational effort covered the eligibility of British securities for the "PEA" personal equity savings plan in the event of a no-deal Brexit.

Registered managers

■ Since 2014, the AMF has registered AIF managers not having to be authorised as asset management companies. This option results from the AIFM directive and is only available to managers, very often in the form of self-managed funds, that do not exceed the thresholds for assets under management provided for in the directive and that target only professional investors within the meaning of the MiFID directive.

■ At the end of 2019, 32 fund managers were registered, compared with 38 the previous year: most of the deregistrations corresponded to ongoing development, with a further authorisation as an asset management company.

TABLE 5
Summary of registered managers in 2019

Companies existing on 31/12/2018	38
2019 registrations	4
2019 deregistrations	-10
Companies existing on 31/12/2019	32

Market intermediaries

■ In addition to the asset management company authorisations granted, since 2018 the AMF has examined 22 applications for authorisation or an extension of authorisation for market intermediaries. At the end of 2019, several other applications are still being examined. Generally, the AMF's missions in preparing market participants for Brexit comprise several aspects corresponding to various contingencies. A first possible case concerns foreign firms wanting to make Paris their bridgehead in Europe. In this case, the authorisation granted to the subsidiary will concern services for clients in France and, potentially, in the rest of Europe. A second possible case concerns firms that have chosen to set up in business in another EU country but that want to have a branch in France

to serve French clients. Since the end of 2018, about thirty incoming branch applications have accordingly been analysed, coming mostly from German, Irish, Dutch and Luxembourg entities. A third possible case is that of large French investment banks which have branches in London and have to repatriate part of their operations to Paris. Regarding this aspect, the AMF has been especially careful to get a proper idea of the preparations of French market participants. A final category is that of UK firms which carry out business related to French clients from London. In this case, the regulator's role is to ensure that these firms clearly have a plan for adaptation to Brexit in order to ensure the continuity of their business in France. All this work aims to check that, after Brexit, there will no longer be investment services provided from London to continental clients.

Supervisory convergence

■ In the context of Brexit, since 2017 ESMA has established the Supervisory Coordination Network (SCN) bringing together the senior managers of the supervisory teams in all the European authorities. Based on anonymised individual presentations, this body reviewed all the applications for authorisation submitted by UK market participants to the national authorities. In all, 250 applications have been examined in this way since 2017. Given the risk inherent in competition between markets for attractiveness, and the underlying possibility of over-lenient authorisations, this body had the task of checking with each supervisor the quality of examination of the applications, and in particular the arrangements accepted for setting up these operations. This work also enabled the relevant authorities to agree on certain practical approaches (such as temporary adaptation arrangements) and jointly define a minimum level of requirements. This process of convergence with a view to Brexit also led to the setting up of voluntary supervisory boards for two major US investment banks which will have several operations in continental Europe. Their aim is to ensure good exchange of information and analyses between the regulators of each of the entities concerned in order to have a consolidated view of operations and, where appropriate, identify supervision activities that could be carried out jointly.

■ These missions, in which the AMF took part, come within a broader framework of evaluation of supervision practices on the European level through peer reviews. The peer review, which is mentioned explicitly in the ESMA regulations, is a mechanism by which each supervisor is evaluated regularly by a team formed of representatives of the other national authorities (and ESMA) regarding the quality of practices concerning a given theme. In 2019, accordingly, the AMF was subjected to a peer review on EMIR reporting, which led to satisfactory conclusions. Along the same lines, another initiative was introduced in 2019: the Common Supervisory Approach (CSA). This involves national authorities simultaneously but separately conducting supervision operations on a common regulatory theme in accordance with a jointly established methodology. These operations give rise to reports submitted to ESMA and, subsequently, an overall review of all the European actors regarding the implementation of a particular measure. In 2019, the exercise concerned a provision of the MiFID 2 directive regarding verification of the appropriateness of client questionnaires for services other than advice and management.

■ In parallel, and like in previous years, in 2019 the AMF took part in another exercise called Data Quality Reviews. Conducted regularly (two or three times a year) within the

framework of ESMA, this takes the form of coordinated supervision operations regarding the reliability of EMIR and MiFID 2 regulatory reporting.

■ The AMF supports all these convergence initiatives but also emphasizes the need to rationalise their frequency and methodology, given the significant and growing allocation of resources that they require.

Benchmark indices (Benchmark Regulation)

■ Regarding benchmark indices, the AMF's mission consists of three parts. First, it aims to examine the authorisation or registration applications of the benchmark index suppliers (administrators). In order to restore trust after the manipulations that occurred a few years ago, the Benchmark Regulation⁵ – which came into force in early 2018 – governs the activity of benchmark index supply, but also the use of and contribution to the benchmark indices. The requirements introduced for the administrators cover several aspects ranging from governance to conflict of interest management, the establishment of a supervisory function or else the transparency of the indices for users and investors. As a result, every European supplier of indices had to apply for an authorisation or a registration no later than 1 January 2020 to ensure that their benchmark indices could continue to be used after that date. In this context, since 2018 and throughout 2019, 10 applications were examined by the AMF, which, at the end of 2019, had 10 benchmark administrators under supervision. These include asset management companies, an investment firm, but also investment service providers (ISPs) which have developed a business creating proprietary indices, and entities which were previously not supervised by the AMF. At the end of 2019, other applications for authorisation are still being examined.

⁵ Regulation (EU) 2016/1011 of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of

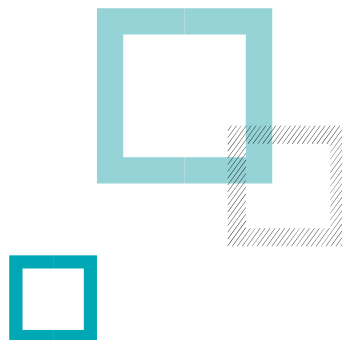
investment funds, amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014.

■ The AMF's second mission is to alert users concerning the coming changes and prepare them for the gradual transition that is taking shape. This transition is characterised both by the methodological reform of the big critical benchmark indices (Euribor, Eonia and Libor) to comply with the Benchmark Regulation, but also by the rapid growth of new alternative risk-free interest-rate indices. In December 2019, the AMF therefore announced the important aspects to be taken into consideration by the users to prepare this transition. The identification of contracts impacted by this change, amendment of the contracts in question, the management of asset transfers due to the change of benchmark indices and the potential effects on the compatibility of collateral are all factors to be taken into consideration.

■ Finally, as supervisor of the contributors (the major French banks being contributors to the three critical benchmark indices), the AMF is a member on the supervisory boards of Euribor, Eonia and Libor.

Data-driven supervision

■ Due to the new (quantitative and qualitative) reporting requirements, each year the AMF gathers an increasing volume of data. The large increase in the quantity of data received has led the AMF to automate data processing and analysis thanks to its ICY tool (see page 81). In addition to the mere gathering and qualitative analysis of reports, this tool can swiftly identify anomalies and risks so as to process them with the same speed. This also makes it possible to observe significant changes in the breakdown of a firm's activities by product and/or by market. Without having to query the tool, the AMF can also see continuously activities that have started, on which asset class, in what volumes, etc. This tool has made it possible to monitor regularly the growth of market participants authorised within the framework of Brexit, for example. By extension, data-driven supervision is a major issue for supervisors, permitting significant gains in autonomy and efficiency. On the back of its progress in this area and its transversal approach to data processing, the AMF is endeavouring to promote this approach on the European level.



Depositories

■ After completion of the work of approval of the specifications for UCITS depositories in 2018, 2019 was devoted to the establishment of individual monitoring of the 19 French UCITS depositories by regular, individual follow-up, analysis of the various alerts arising from the step-by-step intervention procedures implemented by the depositories, and, finally, the deployment of a new annual fact sheet specific to the depository activity.

■ 2019 was also the year of the first approval by the AMF of the specifications for a branch of a European investment service provider (following the transformation of a subsidiary into a branch office).

Financial Investment Advisers

■ At the end of 2019, 5,747 financial investment advisers (FIA) were registered with the French Insurance Intermediaries Registration Body (ORIAS), compared with 5,150 a year earlier, representing 11.6% growth. As regards their total revenues, based on the data collected by the AMF in 2019 for the 2018 financial year, they also posted a 3.8% growth to €2.7 billion. However, the proportion of revenues coming strictly from the FIA business declined to 24% (vs 27% in 2017).

Upgrading of the authorisation for FIA associations

■ From the end of 2018 and throughout the year 2019, the AMF upgraded the authorisations for FIA associations. In practical terms, this took the form of validation by the AMF Board of their code of good conduct, i.e. the code which governs their relations with their members and which instructively reminds each member of the measures applicable to them, and their obligations. It also introduces specific rules that apply exclusively to the members of each association.

Strengthening communications between the AMF and FIAs

■ At the instigation of the AMF, the associations also strengthened their organisation and their conflict of interest management policy so as to establish the information transmission framework agreed between them and the AMF. To this end, the AMF is already planning to amend its General Regulation in order to establish, within each association, the legally binding function responsible for the mechanism of sharing information with the AMF. One of the purposes of such information sharing will be to inform associations of identified potential regulatory breaches by their members, which they can then check or monitor appropriately.

AMF certification now mandatory

■ Whereas they were previously exempted from it, another feature of 2019 was FIAs' transition to the obligation of AMF certification. They are now aligned on investment service providers (ISPs). An alternative system of three training modules provided by the associations or by their service providers, for which they had to check the satisfactory application, had been put in place until 31 December 2019. Hence, since 1 January 2020, every new FIA must successfully pass the AMF certified examination. As a consequence, "old" FIAs who have passed neither the certification exam nor the three modules can no longer act as FIAs.

Application of the MiFID 2 analogous regime

■ Lastly, 2019 is the first full and complete year of application of the MiFID 2 analogous regime for FIAs. The latter are accordingly subject to certain requirements analogous to those of investment firms and credit institutions when they provide investment services. The new rules applicable to FIAs include, *inter alia*, even more stringent client information requirements, notably regarding the costs and charges of recommended financial instruments, distributors' obligations concerning product governance, and more stringent suitability testing criteria.

Crowdfunding investment advisers

■ As at 31 December 2019, ORIAS counted 59 crowdfunding investment advisers (CIAs), i.e. two more than in 2018. Growth was not as strong as in 2018, while registrations of new CIAs were practically identical (7 new registrations in 2019 versus 8 in 2018). This can be explained by a larger number of CIA deregistrations in 2019 (5) than in 2018 (3). The termination or reorientation of the business of two influential actors in the crowdfunding sector showed the difficulty experienced by most platforms in finding a sustainable business model.

A single European framework

■ At the end of December 2019, and ten years after the creation of this ecosystem, the European Parliament and the Council of the European Union reached a political agreement on the creation of a European crowdfunding system.

Product monitoring

■ Following the 6.3% slump in 2018, assets under management in collective investment schemes picked up again in 2019, growing 7% over the period to €1,644 billion. This rebound mostly reflects valuation effects, as most fund categories saw outflows, especially equity funds. The only funds with net inflows are real estate funds, fixed-income funds and employee savings schemes. Even though France remains the leader in the EU-27 in actual fund management, it is less and less a financial centre for fund domiciliation. Despite the increase in the number of funds, in Europe the proportion of assets held in funds domiciled in France is shrinking regularly, being replaced by funds domiciled in Luxembourg or Ireland.

TABLE 6.
Review by product category

Review by product category	2018*	2019	Change	% change
CII AUM (€ billion)	1,536	1,644	108	7%
Number of CII's	11,348	11,379	31	0%
UCITS AUM (€ billion)	801	831	30	4%
Number of UCITS	3,301	3,180	-121	-4%
Retail investment fund (FVG) AUM (€ billion)	321	332	11	3%
Number of FVGs ¹	2,488	2,465	-23	-1%
AIF AUM (excluding FVG funds - in € billion)	413	481	67	16%
Number of AIFs (excluding FVG funds)	5,559	5,734	175	3%

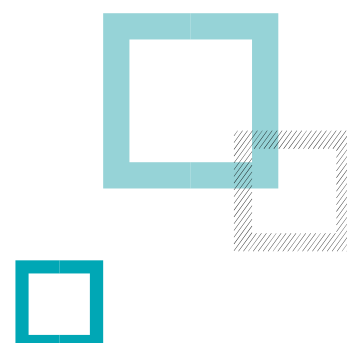
* The amount of the AUM for products in 2018 is slightly different in the present Annual Report from that published in 2018, because the change of method for calculating the number of funds described hereafter could have had repercussions on the amount of assets under management. The methodology was revised so as to take into consideration all the living funds (including funds which do not send their net asset value to the AMF, notably securitisation funds).

TABLE 7.

Review by asset class

Asset class	Net assets (in € billion)				Number of funds			
	2018	2019	Change	% change	2018	2019	Change	% change
Equities	282.8	323.7	40.8	14%	1,887	1,837	-50	-3%
Euro-zone equities	97.7	110.1	12.4	13%	507	505	-2	0%
EU country equities	315	36.0	4.5	14%	298	291	-7	-2%
French equities	22.7	23.3	0.6	2%	142	135	-7	-5%
International equities	131.0	154.3	23.4	18%	940	906	-34	-4%
Bonds	261.6	277.2	15.5	6%	1,150	1,143	-7	-1%
Euro-denominated bonds and debt securities	182.2	193.8	11.6	6%	797	782	-15	-2%
International bonds and debt securities	79.5	83.4	4.0	5%	353	361	8	2%
Mixed funds (formerly Diversified)	366.2	393.4	27.1	7%	3,846	3,801	-45	-1%
Money market funds	339.9	334.2	-5.7	-2%	273	230	-43	-16%
Money market funds with standard variable net asset value	287.8	287.8	0.0	0%	208	175	-33	-16%
Money market funds with short-term variable net asset value	52.1	46.4	-5.7	-11%	65	55	-10	-15%
Real estate	111.0	124.6	13.6	12%	608	633	25	4%
Private equity	64.7	72.8	8.1	13%	2,026	2,031	5	0%
Other	109.2	117.7	8.5	8%	1,558	1,704	146	9%
Total CUs	1,535.6	1,643.6	108.0	7%	11,348	11,379	31	0%

Other 2019: problem of classification of 80 private equity funds. A manual reallocation was performed.



■ In 2019, only the number of real estate and private equity funds increased, although without taking into account other funds.

■ For the first time since 2008, the trend for creation of French funds became positive again in 2019, with 31 CIUs. This rebound is mainly thanks to alternative investment funds (AIFs) excluding 'FIVG' general investment funds, the number of which increased by 175 and the AUM by €67 billion year on year. However, it is penalised by the downward trend in Undertakings for Collective Investment in Transferable Securities (UCITS) and general investment funds (FIVG), which continued to decline in 2019 in the wake of 2018. Although their number declined, by 121 and 23 respectively, their AUM nevertheless increased by 4% and 3%. This phenomenon can be explained by restructuring operations inherent in the changes in the European regulatory framework since the start of 2018. The prohibition, except in employee savings schemes, of money market and feeder funds of funds resulted, in practice, in an optimisation and rationalisation of fund ranges either by merger or termination (especially in the first quarter of 2019). Add to this the transfer of ABN AMRO and Lyxor International AM funds to Luxembourg, which took the form of a cross-border merger.

■ As regards CIUs intended for professional or equivalent investors, where AUM increased by 15% to €140 billion, an analysis of the trends highlights the dynamism of real estate funds. AUM in real estate investment companies (SCPIs) grew 12.2% to €48.2 billion, while those in real estate collective investment undertakings (OPCIs) also rose sharply, by around 22%, to €21.6 billion. The strongest growth was posted by AUM in FCPI innovation venture capital funds which, after a 3.1% decline in 2018, surged 41.4% in 2019 to pass the €10 billion level. Professional

private equity investment funds still have the largest AUM of CIUs intended for professionals or equivalent with now above €60 billion (a 6.7% increase). Conversely, local investment funds (FIPs), which had remained stable in 2018, posted the largest outflows, with AUM declining by 8.4% to €2.8 billion. Lastly, funds of alternative funds also struggled, with a 2% decline in assets under management.

■ The good situation of private equity is reflected by a greater number of fund creations (5). The same can be said for real estate, which totalled 25 creations during the year. Conversely, and not surprisingly in light of the European regulatory context, it is the money market funds which posted the most substantial decrease, with the disappearance of 43 funds in the year. The decline in the number of equity funds is mainly due to the decline in international equity funds (-34). Lastly, following 76 fund creations in 2018, there were 45 fewer mixed funds at the end of 2019.



Monitoring of marketing practices

■ One of the AMF's missions is to keep watch on the marketing of financial products to the general public. This monitoring is performed every day, both before and after marketing, notably to ensure that clients receive clear, accurate and non-misleading information. In 2019, several initiatives consolidated this mission.

Differentiated examination of marketing materials

■ In 2018 the AMF had made changes in its approach to the examination of marketing materials, as part of its strategic plan #Supervision2022. Accordingly, 2019 was the first full year in which this differentiated new approach was applied, which concerns collective investment undertakings and structured debt securities issued by banks, which are marketed in France to the general public. For products for which the risk of mis-selling for retail investors is lower (given the nature of the product, or the experience acquired in presentation of commercial information by the commercial document designers), the documentation is no longer systematically reviewed beforehand by the AMF. On the other hand, monitoring resources were increased in 2019. The distributors of financial instruments must provide, in their reports, more precise information concerning the most intensely marketed products, thus allowing the AMF to give priority to examining the most widely circulated materials. On the other hand, nothing has changed for the marketing materials of products liable to represent a major risk of mis-selling for retail investors, which continue to undergo an ex ante review to check that they comply with the regulations.

Improved oversight of communication concerning sustainable finance

■ Although retail investors are showing increasing sensitivity to sustainable development issues (53% according to the Audirep survey on behalf of the AMF Household Savings Observatory, see page 33), they are still sceptical with regard to the real impact of the investments made, and the relevance of labels. Faced with increasingly ambitious, even aggressive sales pitches, it is essential to supervise this communication more effectively in order to prevent corruption of the very concept of ESG and to avert the risk of *greenwashing*.

■ Accordingly, in 2019 the AMF continued the initiatives undertaken in the past few years concerning the quality of extra-financial information, with both the securities issuers and asset management companies and their funds. In particular, the AMF reviewed the quality of the information relating to authorised products which include an extra-financial component, which grew strongly in 2019. In parallel, it conducted planning work on the publication of standardised rules relating to the communication of collective investment schemes having a socially responsible aspect.

■ Moreover, the PACTE Law added to the AMF's fundamental missions the monitoring of "the quality of information provided by collective investment management companies on their investment strategy and the way they manage risks related to the effects of climate change".

■ Lastly, the AMF continued its efforts – and plans to maintain them – to promote standards or at the very least minimum standards (in particular for reporting) on the European level so that a given reference to ESG or sustainable development may not cover products which are profoundly different with regard to their real impact.

Raising distributors' awareness

■ In 2019 the regulator continued its work on raising awareness, among the distributors of financial products, regarding compliance with marketing and communication rules. The AMF sent a letter to the four professional associations of FIAs reminding them of a number of obligations.

■ The low-interest-rate environment is conducive to a resurgence of atypical investment offers proposed to the general public (real estate life annuities, renewable energies, works of art, precious metals, precious woods or oils, etc.), sometimes organised according to unconventional schemes (use of partnership shares, use of unconventional investment vehicles, etc.). The AMF recalled a number of rules to be complied with by all products marketed in France. For example, all the information sent by an FIA must be of an accurate, clear and non-misleading nature and should not try to conceal the fact that high returns always involve high risk. FIAs must have a thorough understanding of the investments proposed to their clients and of their applicable frameworks.

■ The AMF also gave a reminder of which foreign vehicles or vehicles managed by a foreign entity were authorised for marketing in France. The submittal to investors of prefilled documents designed to suggest a spontaneous choice by them to invest in an AIF which is not authorised for marketing in France represents a blatant evasion of this prohibition.

Reminder regarding Article 44 of European Regulation 2017/565

■ European Regulation 2017/565 supplementing the MiFID 2 directive, which came into force in 2018, made various changes notably with regard to commercial documentation. In particular, its Article 44 concerns all the information, including advertising, that investment firms must provide to their clients, without distinguishing between professionals and non-professionals, existing or potential. This represented a change compared with the old AMF General Regulation, which producers and distributors had to be reminded of throughout 2019.

Facilitating the cross-border marketing of investment funds in the EU

■ The legislative package consisting of Directive (EU) 2019/1160 and Regulation (EU) 2019/1156 published in the OJEU of 12 July 2019 contains a series of new provisions designed to remove certain barriers to the cross-border marketing of funds. The directive amends directives 2009/65/EC (the "UCITS directive") and 2011/61/EU (the "AIFM directive") and must be transposed into national law before 2 August 2021, while the regulation amends regulations 345/2013 (the "EuVECA regulation") and 346/2013 (the "EuSEF regulation") and concerns the managers of UCITS, AIFs, EuVECA and EuSEF. These documents make it possible, from 2 August 2021, to perform the pre-sale of funds to professional clients for AIF, EuSEF and EuVECA managers. The managers of alternative funds and UCITS will also be able, as of that date, to deregister with the regulator a fund that is no longer marketed. Harmonised principles are also laid down for the marketing communications of investment funds and for supervision of this documentation by the authorities. By 2 February 2022, ESMA is to set up on its website a public database listing the rules applicable to marketing materials in each Member State, and the amount of the contributions owed by asset management companies to their regulator. ESMA will also publish a list of all the funds that have been covered by a passport notification.



MARKET INFRASTRUCTURE ACTIVITY AND REGULATION

Regulated markets

Euronext regulated markets

■ In November 2019, Euronext completed the third and final phase of the Optiq programme to overhaul its trading architecture, with trading in derivative products being migrated to the new platform. This migration, which for Euronext Paris concerned financial derivatives on equities and indices as well as commodity derivatives, took place without any major problem after having obtained the non-objection of the College of Regulators.⁶ In parallel, the latter supervised the operational integration of the Dublin Stock Exchange, which was finalised in February 2019 with the migration of equities trading to Optiq Cash. The changes in the Euronext operating rules resulting from these migrations were validated by the AMF.

■ Moreover, Euronext continued its policy of expansion, with the launch in early 2019 of a takeover bid on the Norwegian group Oslo Børs VPS, which was concluded positively at the end of June 2019 with the acquisition of 100% of the group's shares, after having received the non-objection of the Norwegian authorities and the College of Regulators. Oslo Børs VPS manages several regulated markets and multilateral trading facilities as well as a Central Securities Depository. The integration of the Norwegian entities into the federal model of Euronext is expected to take place over a period of about two years. The migration of trading onto the Optiq platform, which will be subject to the non-objection of the supervisory authorities, is forecast for 2020.

■ Euronext also strengthened its position in the Nordic countries, while diversifying its operations, with the acquisition of 66% of the shares of the Nord Pool power exchange. The transaction was finalised in January 2020.

■ In March 2019 the AMF approved the registration of Euronext Paris as a benchmark administrator, in accordance with the provisions of Regulation (EU) 2016/1011 on benchmark indices. The dossier was analysed jointly with the College of Regulators authorities to which Euronext group's other market operators had submitted a similar application for registration.

■ In light of these developments, the cooperation agreement for the coordinated supervision of market operators and regulated markets of the Euronext group was revised at the end of 2019. The Norwegian supervisory authority (Finanstilsynet) joined the College of Regulators and the scope of supervision was extended to the group's benchmark administrators.

■ In the Euronext College of Regulators, the AMF also continued its supervision activities and in particular ensured Euronext's compliance with the regulatory reporting obligations concerning orders and transactions, notably for the production start-up of its new market database on the cloud.

■ During the year, Euronext also submitted several adaptations of its operating rules to the AMF and the College of Regulators:

- For example, Euronext sent a request for amendment of the rule which defines the framework of its responsibility with regard to one of its members or an issuer.

⁶ The Euronext College of Regulators comprises, in addition to the AMF, the Belgian, British, Irish, Dutch, Norwegian and Portuguese market authorities.

- The Euronext trading system dedicated to retail clients was revised and renamed Best Of Book. The universe of eligible securities was extended in the past three years, because this system for matching retail clients' orders now covers 580 securities including the most liquid equities on Euronext's domestic national indices, and has around 33 intermediaries dedicated to retail clients.
- Finally, Euronext Paris proposed to the AMF changes in its non-harmonised rules, in order to allow for the possibility offered to issuers by the PACTE Law to request a squeeze-out on completion of any public offer, of whatever kind, when the bidder holds securities representing at least 90% of the capital and voting rights of the target company. Euronext also proposed restricting the use of the delisting mechanism in cases of illiquidity, as provided for by the rules, to only those issuers that will be unable to avail themselves of the national arrangements relating to squeeze-outs.

■ The AMF approved all these rule changes.

The Powernext Derivatives regulated market

■ At the end of 2019, Powernext SAS solicited the AMF to have regulated market status withdrawn from its power derivatives market, Powernext Derivatives. This request was made within the framework of the plan to transfer the activities of Powernext SAS to its parent company EEX AG located in Leipzig, in order to consolidate the group's similar businesses. The AMF ensured that this transfer of activity would be carried out in an orderly manner and issued a positive opinion to the Minister for the Economy, who subsequently announced the withdrawal of the regulated market status for Powernext Derivatives.

Multilateral trading facilities (MTFs)

Euronext Access

■ In order to compete with the platforms already existing in the competitive segment of exchange traded products (ETPs), Euronext proposed offering institutional investors a single access point for trading ETPs admitted to trading on the European Union regulated markets: Euronext ETP Access, a new segment of the existing MTF, Euronext Access. Two trading modes will make it possible to trade in an order book continuously, or alternatively within the framework of a specific RFQ protocol combining the liquidity of the order book with that offered by market makers. Euronext also provides its members with a market segment dedicated to ETP trading at net asset value (NAV). The AMF approved the facility's operating rules.

Euronext Growth

■ Euronext submitted to the AMF a request for registration of the Euronext Growth Paris multilateral trading facility (MTF) as a growth market for small and medium-sized enterprises (SME Growth Market). The registration of this MTF as a growth market is designed to facilitate access to market financing for small and medium-sized enterprises (SMEs), and to promote share and bond issuance by SMEs. SME growth markets are a new category of multilateral trading facility introduced by Directive (EU) 2014/65 on markets in financial instruments (MiFID 2 directive). This trading venue is designed to promote access to public savings for SMEs while reconciling the requirements of investor protection and market integrity with an easing of certain administrative constraints aimed at promoting the use of markets. The AMF approved the registration of the Euronext Growth Paris MTF as an SME Growth Market in October 2019. The other authorities of the Euronext College of Regulators did likewise for the Euronext Growth venues coming within their jurisdiction.

MTS France

■ The AMF approved an adaptation of the operating rules of MTS France, designed to allow the MTF to keep its UK members in a no-deal Brexit scenario.

The MTF managed by Morgan Stanley

■ The Morgan Stanley MTF, authorised at the end of 2018, started business operations, recording its first transactions. As a result of the approval by ESMA of the requests made by Morgan Stanley for exemption from the pre-trade transparency obligations for large transactions and transactions based on a reference price, the AMF approved the amendment of the MTF's operating rules, thus allowing start-up of the trading segments relating to these exemptions.

NOW CP

■ The NOW CP MTF allows trading of French negotiable debt instruments for which settlement is performed by the ID2S central securities depository. In 2019 NOW CP recorded the first transactions performed by its members. In July the AMF approved changes in the MTF's operating rules, relating to the possibility for members to do third-party trading, and the procedures for cancellation of transactions.

New MTFs/OTFs authorised in 2019

■ Several trading venues – multilateral trading facilities (MTFs) or organised trading facilities (OTFs) – were authorised by the AMF in 2019, to prepare for the United Kingdom's exit from the European Union.

■ TP ICAP (Europe) SA submitted an application for authorisation to propose intermediation services to professional clients on all financial instruments from its head office in France and from a network of branch offices established in the EU/EEA. TP ICAP (Europe) SA also proposed the creation of a multilateral trading facility (MTF) to allow trading of a broad range of financial instruments. The operation of this trading facility focuses on two market segments dedicated to order execution and recording. The AMF approved the operating rules of this MTF in March.

■ In January 2019 the AMF also approved the programme of activity and operating rules of two other platforms, Aquis Exchange Europe (MTF) and Griffin (OTF), the former for trading European equities and the latter for trading power contracts.

■ Both firms were subsequently authorised by the ACPR.

Clearing houses

The LCH SA clearing house

■ In relation with other competent authorities of LCH SA (ACPR and Banque de France), the AMF examined and validated several changes in the clearing house's functions and the corresponding operating rules:

- A new clearing member status was introduced, adapted to supranational entities to allow them to access the clearing services of LCH SA;
- The clearing service was extended to a new derivative product, a futures contract on Paris real estate prices, traded on the Euronext Paris regulated market.

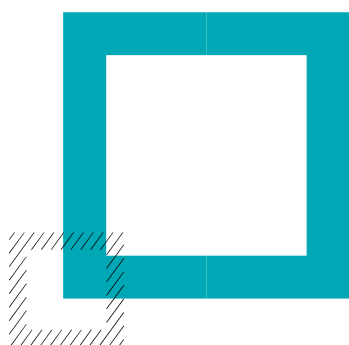
■ In relation with the other French authorities, the AMF carefully monitored migration of the euro-denominated lending and borrowing transactions of LCH Ltd to LCH SA, and approved the corresponding extension of the list of lending and borrowing underlyings cleared by LCH SA. Within the framework of this migration, moreover, the AMF authorised membership of the clearing house for banks located outside the European Economic Area: Bank of America National Association (United States), Credit Suisse (Switzerland) and Mizuho Securities Co Ltd (Japan).

■ The AMF cooperated with the Financial Conduct Authority to ensure continued access to LCH SA for British clearing members, in the event of the United Kingdom leaving the European Union without a deal.

The EMIR colleges

■ Pursuant to the EMIR Regulation, the AMF takes part in several other regulator colleges of European clearing houses apart from LCH SA. In 2019, these colleges gave their opinion on various extensions of activity or significant changes in the risk models of the clearing houses in question.

■ Moreover, the authorities of the clearing houses in question have gradually established crisis management groups to conduct work on the firms' resolution plans; AMF takes part in this work.



Central securities depositories

Euroclear France

■ The AMF, in conjunction with Banque de France, confirmed the authorisation of Euroclear France under European Regulation No. 909/2014 on central securities depositories (CSDR regulation). This work was carried out in close cooperation with the Belgian and Dutch authorities, which for their part authorised two central securities depositories of the Euroclear group using the same ESES platform as Euroclear France. With a view to authorisation, the authorities made sure that the firms complied properly with all the new harmonised requirements laid down by the European Regulation.

■ The AMF General Regulation was simplified, moreover: the national framework for supervision of central securities depositories, now replaced by the CSDR regulation but which continued to apply to Euroclear France until its new authorisation, was accordingly eliminated.

ID2S

■ The central securities depository ID2S, which provides NEU CP settlement, was authorised by virtue of European Regulation No. 909/2014 on Central Securities Depositories in September 2018. The AMF watched the development of the firm closely: the central securities depository carried out test transactions until June 2019, then actual transactions on the markets in November 2019.

■ The AMF also approved the changes in the firm's operating rules designed not only to adapt the information provided by the participants to ID2S concerning the risks that their clients could pose for ID2S, but also to clarify the participants' responsibility concerning regulatory compliance of the issuers.



THE MAIN CONTRIBUTIONS OF THE PACTE LAW WITH RESPECT TO MARKETS

1. Enlargement of the list of participants in financial market infrastructures. This measure enables participants such as insurance and reinsurance companies, collective investment undertakings and alternative investment funds to obtain access to these infrastructures, on certain conditions.
2. Broadening of the definition of interbank settlement systems and financial instrument settlement and delivery systems to include third-country systems. Against the backdrop of Brexit, the PACTE Law recognised the applicability of the protective provisions of the Settlement Finality Directive in French law to certain third-country systems to enable French market participants to have access to the systems of foreign countries, especially UK systems, after they have been approved by the French Minister for the Economy.
3. Optionality of credit institution status for a clearing house. Clearing houses are now authorised by the ACPR after consulting the AMF and Banque de France. However, if the nature, volume or complexity of their operations justifies it, an authorisation as a credit institution by the ECB may be required.
4. Possibility of writing the rules relating to market infrastructures in English.
5. Creation of the status of digital-asset service provider. To encourage innovation in France while ensuring investor protection, the PACTE Law introduced a new digital-asset service provider (DASP) status.
 - The list of digital-asset services that can be the subject of a registration or authorisation is based directly on the list of investment services (custody for third parties, buying, selling and trading digital assets, operating a trading platform, order reception and transmission, portfolio management, underwriting, guaranteed and non-guaranteed placement, and advisory services).
 - To effectively combat money laundering and the financing of terrorism, the PACTE Law has provided for mandatory registration with the AMF for service providers who provide digital asset custody services for third parties and the purchase/sale of digital assets in currency that is legal tender.
 - To ensure the competitiveness of French market participants in the crypto-asset and blockchain sector, while taking into account the transnational nature of their business, the PACTE Law introduced an optional AMF authorisation for the provision of all digital-asset services.
 - The PACTE Law made it possible for professional funds to invest in digital assets on certain conditions.
 - Lastly, to ensure investor protection against the risks inherent in the digital-asset sector, the PACTE Law provided for a ban on direct marketing and certain forms of advertising, and makes it possible to block access to the websites of certain operators having no mandatory registration or disseminating inaccurate or misleading information.



The post-MiFID 2 structure of European markets

■ The implementation of MiFID 2 in January 2018 changed the structure of European markets. Regarding equities, the directive notably introduced an obligation of trading on trading venues or via a systematic internaliser (SI). The MiFID 2 directive also created a new category of platform specifically dedicated to non-equity instruments (OTFs).

Equity market

■ Between January 2018 and August 2019, according to the ESMA report on the transparency of equities and similar instruments, European trading platforms recorded about 90% of transactions and 55% of trading volumes. By comparison, the systematic internalisers recorded 6% of transactions and 19% of volumes, and the OTC market 4% of transactions and just over 25% of volumes.

■ And yet, the new pre-trade transparency requirements have not entirely met the objectives of the legislation, since 60% of equity trading volumes in Europe were not subjected to pre-trade transparency over this period. This is due notably to application of the derogations permitted by the MiFID 2 directive, or again the size of OTC trading volumes.

■ On the other hand, the findings are generally positive regarding the post-trade transparency requirements for transactions executed on trading venues. Indeed, although derogations aimed at deferring publication exist, European statistics show that for 87% of equity trading volumes and 98% of transactions, information has been provided in real time since the introduction of MiFID 2.

■ The findings concerning changes in the post-MiFID 2 market structure in the past two years are set to undergo careful analysis by ESMA and the European Commission in 2020.

The market for financial instruments other than equities (derivatives and bonds)

■ One of the major contributions of the MiFID 2 directive has been to extend the transparency requirements to non-equity instruments such as bonds and derivatives. While all bond transactions are now subjected to post-trade transparency obligations, only bonds declared liquid are subject to pre-trade transparency obligations. In the last quarter of 2019, 611 bonds were considered liquid, i.e. a smaller number than expected. Delegated Regulation (EU) 2017/583 nevertheless provides for a gradual implementation of the provisions relating to transparency for bonds, for which the liquidity threshold should therefore be gradually adapted in order to extend the field for instruments declared liquid according to the ESMA recommendations. An initial ESMA report on the subject is set to be published in 2020.

■ Lastly, in accordance with the decisions of the G20 at Pittsburgh in 2008, the MiFID 2 directive put in place an obligation to trade on trading venues concerning certain categories of interest-rate and index derivatives.

Transactions and information of listed companies

■ 2019 was a year characterised by a stable number of prospectus approvals and information notes, by changes in the regulation of listed companies, by changes in the regulations relating to public offers of financial securities, and by assistance for new market participants and new technologies.

Stable prospectus approval activity

Initial public offerings

■ In a low-interest-rate environment and with uncertainty related to Brexit, the number of initial public offerings remained small in 2019, especially for those which are executed on a regulated market.

■ These initial public offerings are covered by a prospectus approved by the AMF when a request is made for admission to a regulated market or when a public offer worth at least €8 million is planned. In 2019, the AMF accordingly approved 6 prospectuses relating to initial public offerings versus 21 in 2018. Excluding incoming passports, these prospectuses concerned four IPOs on the Euronext regulated market and two IPOs on Euronext Growth. The AMF observes that five companies which were listed in Compartment C of the regulated market were transferred to Euronext Growth.

■ The amount raised by initial public offerings giving rise to the issue of an approval was €2.9 billion in 2019 versus €1.1 billion in 2018 and €2 billion in 2017 (source: AMF).

■ The IPO of La Française des Jeux on Euronext Paris (Compartment A) was the largest in 2019, raising €1.8 billion.



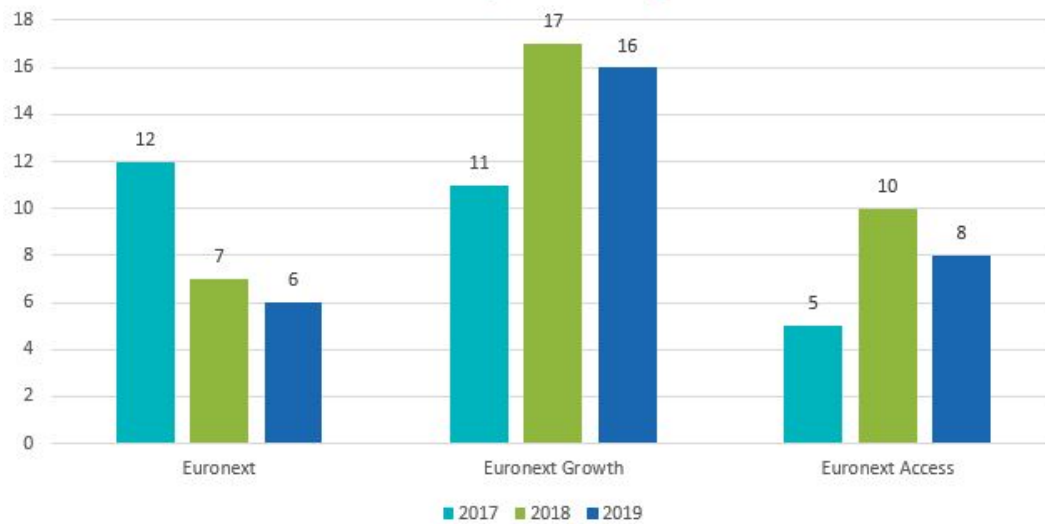
INITIAL PUBLIC OFFERING OF LA FRANÇAISE DES JEUX (FDJ)

For the privatisation of La Française des Jeux, the proportion of shares sold by the French government to individual shareholders represented 45% of the initial size of the offering. In the context of the new Prospectus 3rd regulatory framework and the specific case of this operation which aimed to revive individual share ownership in France thanks to an extensive media plan, the AMF ensured compliance with the principle of a balanced presentation of the risks and rewards of the proposed investment in the promotional documentation. The latter must be clearly identified as such and contain the warning statements provided for by the legal provisions in force.

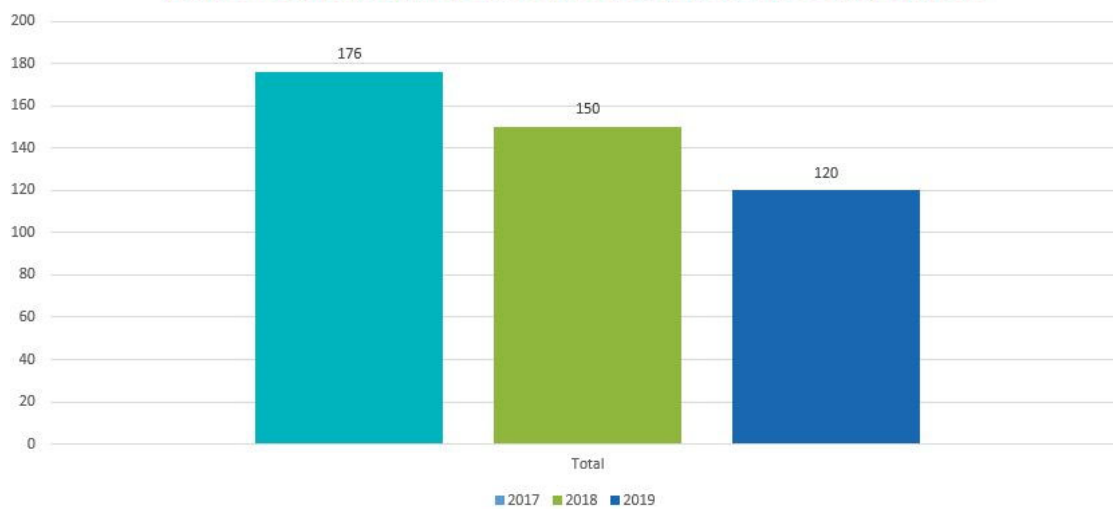
As part of its missions to protect savings, and given the appearance, on the sidelines of the privatisation, of several fraudulent websites offering to sell La Française des Jeux shares to investors without being authorised to do so, the AMF published a warning press release calling for investors to be vigilant and discerning with regard to these platforms. Factual instructive content designed to enable potential investors to ask themselves the right questions before investing was also posted online at the same time as the approval of the IPO prospectus.

⁸ In particular Delegated Regulation (EU) 2019/979 of 14 March 2019, notably relating to marketing material.

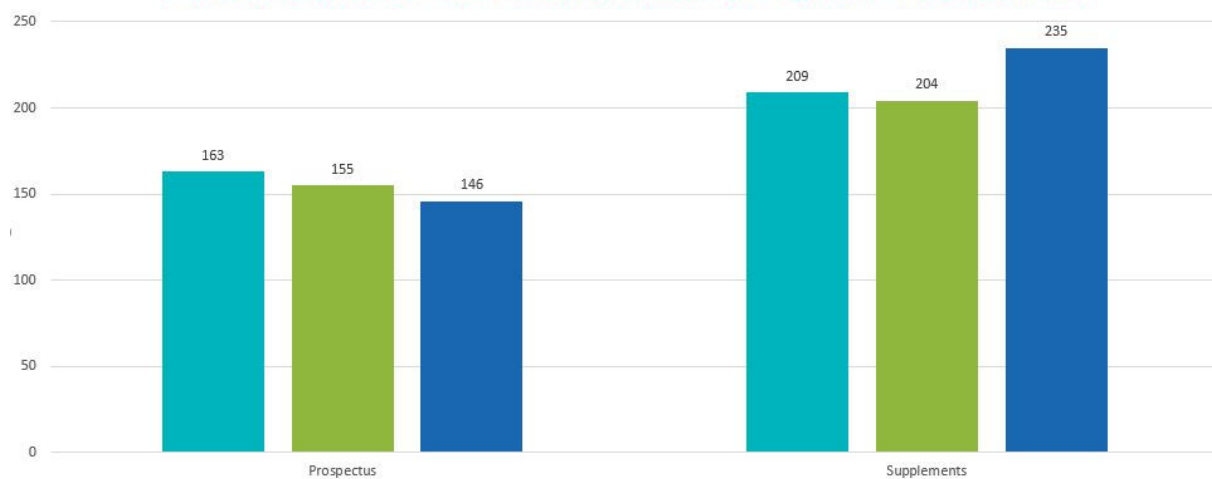
Graph 5
Initial public offerings



Graph 6
Number of approvals of prospectuses for issuance/admission of equity securities



Graph 7
Number of approvals of prospectuses and supplements for issuance/admission of debt securities



Equity issuance

■ The number of prospectuses relating to issuance/admission of equity securities declined.

■ 25 prospectuses relating to issues of equity securities on regulated markets were approved by the AMF in 2019 (versus 33 in 2018), and 2 issues of securities on Euronext Growth (versus 3 in 2018). This decline can be explained by uncertainties regarding the market and by the possibility of being exempted from a prospectus within the limit of 20% per year for admissions of fungible securities (versus 10% previously: see box). 50% of issuance was done by companies listed on Eurolist C. In 42% of cases, these prospectuses are for issues with preferential subscription rights or a priority subscription period and in 58% of cases the prospectuses are for admission following a private issue or a private placement.

■ Via these prospectuses, therefore, €2.8 billion was raised in 2019 by listed companies (versus €2.2 billion in 2018 and €14 billion in 2017). The largest issues in terms of the amounts raised were issues with preferential subscription rights or a priority subscription period.

■ Most of the other approvals concerned prospectuses for public offers without admission to a regulated market. Their number remained stable, with in particular 75 prospectuses for the issue of partnership shares or mutual bank certificates. Since 21 July 2019, however, offers made to employees by companies from third countries have no longer had approved prospectuses. As a consequence, in 2019 the AMF approved only 10 prospectuses relating to offers reserved for employees, versus 29 in 2018.

Issuance of debt securities

■ Issuance of debt securities was once again dynamic in 2019, confirming the persistence of market-based debt in companies' financing choices. Market financing of non-financial companies (bond issuance) thus increased by 6.8%.⁷ This trend, similar to what was seen in previous years, can once again be explained by the very favourable market conditions resulting primarily from the monetary policy of the European Central Bank (ECB). Bond issues in 2019 generally offered very low interest rates, or even, for some companies, rates that could result in zero or slightly negative returns. A significant number of these debt security issues consisted of refinancing companies' existing debt in order to optimise their debt management. However, the debt ratio of non-financial companies in France (74.3% of GDP at end-September 2019) remains far higher than that of the euro area as a whole (61.6%) or the United States (47.3%).⁸ This vitality is again found at the level of applications for approval of bond transaction prospectuses submitted to the AMF in 2019, with 381 approvals in 2019 (versus 359 in 2018, +6%), namely 146 bond prospectuses including 85 base prospectuses (documents associated with EMTN programmes) and 235 supplements^{11 9} (versus 204 in 2018, +15.2%).

■ France's attractiveness for bond transactions¹⁰ was confirmed once again in 2019 with the ongoing repatriation of EMTN programmes (Saint-Gobain) and the choice of the AMF to put in place new issuance programmes over several years (Credit Suisse, AXA Home Loan SFH in particular).

⁷ Annual growth rate to September 2019, Banque de France (Directorate General of Statistics, Research and International Affairs), 10 March 2020, NFC Financing, January 2020.

⁸ Debt ratio of non-financial companies (as a % of GDP), Banque de France (Directorate General of Statistics, Research and International Affairs), 21 February 2020, Debt ratio of non-financial agents – International comparisons, Q3 2019.

⁹ The supplements are documents produced pursuant to Article 23 of the Prospectus Regulation.

¹⁰ As a reminder, an issuer can choose between the authority of the Member State in which its head office is located, that of the Member State in which the public offer is made, or that of the Member State in which the application is made for admission to trading on regulated markets.

Bond transactions of non-financial companies

■ Non-financial companies¹¹ accounted for 51.4% of the approved bond prospectuses (i.e., excluding supplements, 75 prospectuses and base prospectuses versus 87 in 2018). This slight decline can be explained mainly by the postponement, in December 2019, of several transactions until the start of 2020. These transactions, which were submitted to the AMF for approval in 2019, corresponded mostly to senior bond issues, redeemable at par at maturity and offering a fixed annual interest rate, and issues of undated deeply subordinated notes (TSSDs). The debt securities issued by non-financial companies, which generally have a unit nominal value of €100,000, are mostly intended for professional investors.

Bond transactions of banks and insurers

■ Banks and insurers accounted for 48.6% of the approved prospectuses (i.e., excluding supplements, 71 prospectuses and base prospectuses versus 68 in 2018).

Green and social bond issuance: a trend that is confirmed

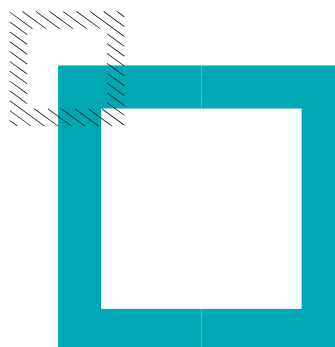
■ In 2018 the AMF noted a growing proportion of companies providing for the possibility in their EMTN programme of doing green or social bond issuance, and this trend was confirmed in 2019 even though the share of these bonds is still small.¹² The information given by the issuer on the "green" or "social" projects that it plans to finance with the funds collected remains a point watched closely by the AMF, which is keen to contribute to transparency on this market while maintaining the operational flexibility needed by the market participants to perform this type of issuance.

Major changes in the regulation of listed companies and entry into full force of the new Prospectus Regulation

■ Several major changes in the regulations concern prospectuses and universal registration documents, transactions exempted from a prospectus and commercial documentation.

The regulation of prospectuses and universal registration documents

■ 2019 was marked by the entry into force on 21 July of the new European Prospectus Regulation. The AMF assisted the participants to rapidly ensure compliance, while working to maintain the attractiveness of its marketplace. For example, it published a guide in which the AMF presents the new Regulation and its policy as updated. It also updated a dedicated page on its website to assist companies in the change of regulations and the transition to the new system.



¹¹ Non-financial companies include corporates, local authorities, public-sector issuers and non-profit organisations.

¹² According to the Climate Bonds Initiative, the market for green bonds apparently represented only 0.4% of outstanding bonds worldwide at the end of 2018.

Enabling French bond issuers to benefit from the grandfather clause

■ Most companies wanted to pre-empt the approval of their base prospectus before 21 July in order to benefit from the grandfather clause provided for in Article 46.3 of the New Prospectus Regulation.¹³ Anticipating this need, and in light of the late publication of several legislative documents in the first half of the year, the AMF introduced a novel system aimed at organising the bond examination schedules over the entire first half, in consultation with the players involved. This system was able to provide a fluid and satisfactory response to all the applications received. French issuers were thus able to secure their access to the bond market via their EMTN programme and have an extra twelve months to prepare their compliance with the new Regulation.

The presentation of risk factors in prospectuses and universal registration documents

■ The registration document is now called the universal registration document (URD).

The new presentation of the section on risk factors in prospectuses or universal registration documents is one of the main changes of the new Prospectus Regulation.¹⁴ As expected, the presentation of risks in a manner "specific" to the issuer or the securities and "highlighting the negative impact" of each risk factor¹⁵ were the two main issues discussed with the participants during the review of this section by the AMF.

■ Six months after the entry into force of the new regulation, the AMF notes gradual compliance of the issuers, which should continue throughout 2020. Substantial work was carried out with issuers who performed a financial transaction which entailed the preparation of a prospectus approved since 21 July.

The specificity of risk factors

■ Only risks that are specific to the issuer and/or the securities and which are important for taking an investment decision should be included in the prospectus. This risk "specification" corresponds to a "personalisation" of risk to the scope of the issuer. Accordingly, issuers operating in a given sector of activity may be exposed to similar risks and, de facto, certain risk factors relating to these issuers may be similar. However, sector-specific risks may affect the issuers differently, depending, for example, on their size or their market share. Accordingly, these differences should also be reflected in the description of said risk factor.

■ The compliance of the documentation appears relatively heterogeneous from one market participant to another.

Highlighting the importance of risk factors

■ While the importance of each risk factor is assessed according to the probability that it will materialise and the estimated extent of its negative impact, the description of each risk factor in the universal registration document or the prospectus should be appropriate, explaining in what way the risk factor affects the issuer or the securities.

¹³ Regulation (EU) 2017/1129 of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, repealing Directive 2003/71/EC.

¹⁴ Regulation (EU) 2017/1129 of 14 June 2017 as supplemented by the Delegated Regulations.

¹⁵ Requirements regarding specificity and highlighting of the negative impact from Article 16 of Regulation (EU) 2017/1129 of 14 June 2017 and ESMA Guidelines on risk factors.

■ Since 21 July 2019, issuers have described this negative impact of risk factors either by using quantitative data or by giving a more qualitative description capable of qualifying the importance of the risk, or a combination of these two possibilities offered by the Regulation. The work of ensuring compliance of the documentation will continue during 2020.

Regulation of transactions exempted from a prospectus

■ Cases of exemption from a prospectus have been more numerous since the entry into force of the new Prospectus Regulation. Their conditions of application have been specified in the aforementioned guide.

■ Similarly, the possibility of having a prospectus approved voluntarily was also restricted by the new Prospectus Regulation. It is now governed by the provisions of Article 4 of the Prospectus Regulation.

■ It is no longer possible to establish a prospectus on a voluntary basis for *"non-equity securities issued by a Member State or by one of a Member State's regional or local authorities [...]"*,¹⁶ and *"securities unconditionally and irrevocably guaranteed by a Member State or by one of a Member State's regional or local authorities"*.¹⁷

■ Accordingly, certain public authorities, chiefly local and regional governments, and issuers enjoying the unconditional and irrevocable guarantee of a public authority, which regularly, on a voluntary basis, established prospectuses approved by the AMF in cases of offers of securities to the public or admission of securities to trading on a regulated market, can no longer do so.



WHAT IS COVERED BY THE REGIONAL OR LOCAL AUTHORITY CONCEPT IN FRANCE?

The AMF considers²⁰¹⁸ that, in France, the "Member State's regional or local authority" concept covers local and regional governments, namely the regions, departments and communes. Thus, the "offshoots" of local and regional governments such as metropolises, urban communities and local authority joint boards ("Syndicats intercommunaux"), which generally take the form of public inter-municipal cooperation organisations (EPCIs), cannot be considered as "regional or local authorities" for the purposes of application of the Prospectus Regulation. As a result, the Prospectus Regulation is fully applicable to "offshoots" of local and regional governments.

¹⁶ Note that the Prospectus Regulation does not define the concept of a regional or local authority of a Member State.

¹⁷ Article 1.2.b, Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017.

¹⁸ Article 1.2.d, Regulation (EU) 2017/1129 d of 14 June 2017.



WHAT IS COVERED BY THE CONCEPT OF SECURITIES "UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY A STATE OR BY ONE OF THE REGIONAL OR LOCAL AUTHORITIES IN FRANCE?

The AMF considers that an issuer's securities are unconditionally and irrevocably guaranteed by the State when such a guarantee is granted by the State by virtue of a Budget Act. Also, the AMF considers that securities are unconditionally and irrevocably guaranteed by a regional or local authority when such a guarantee is granted by virtue of a decision of the deliberative assembly of the region, department or commune in question.

■ Even if these issuers can no longer have their prospectus approved by the AMF, they keep the full right to make public offers or have financial securities admitted to trading on a regulated market.^{21 19} However, the market participants concerned will be able to continue to disclose information intended for investors, for which they are responsible, in forms other than the prospectus, such as a press release. This information will have to comply with the provisions of the Market Abuse Regulation.

Ex post inspection by sampling of the commercial documentation of public offers of structured debt instruments issued by credit institutions or their dedicated issuance vehicles

A test phase on the new inspection approach proved satisfactory

■ The marketing of structured debt instruments to the general public in France has been the subject of special regulation and supervision by the AMF in the past ten years or so. AMF regulation in the past decade aimed at two essential objectives, namely control of the complexity of these products via a policy published in 2010 and control of the content of marketing documentation by the publication of numerous positions and recommendations, regularly updated. Since 2010, regulation, for its part, was based on a systematic review by the AMF of all marketing documentation prior to its dissemination (i.e. about 700 documents submitted to the AMF and inspected each year) and on an analysis of the complexity of plans for structured products offered to the public ahead of the launch of the offers.

¹⁹ The regional or local authorities and the issuers of securities unconditionally and irrevocably guaranteed by a Member State or by a regional or local authority remain fully subject to the provisions of the Market Abuse Regulation (Regulation (EU)) No. 596/2014). The same holds for the provisions of the

Transparency Directive, with the exception of certain possible exemptions (Directive 2004/109 of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market).

■ In the guidelines of the #Supervision2022 strategic plan, the AMF made changes in its supervisory approach concerning the examination of marketing materials by abandoning exhaustive inspection prior to dissemination and switching to a sampling inspection subsequent to dissemination. Following a 12-month test phase launched on 2 November 2018, which proved satisfactory, this new approach was made permanent at the end of 2019.

Mapping of marketing materials submitted to the AMF

■ A very large majority of the marketing materials files consists of brochures. To a lesser extent, issuers also submitted internet advertising banners, e-mailings, and video media (the latter medium being relatively new).

■ The great majority of products presented in these marketing materials correspond to auto-call type structured products (automatic early redemption of the product during its life with a gain if the underlying passes above a predetermined barrier during its life). When the product has not been redeemed early in its life, nearly all the investment present at maturity entails a risk of loss of capital exceeding 10%. The underlyings to which these products are indexed are mostly indices (*index line notes*), often created relatively recently. The AMF notes, in particular, the increasingly frequent use of indices with an Environmental, Social and Governance (ESG) theme. To a lesser extent, these products may be indexed to the performance of an equity (*equity line notes*), or to a credit risk (*credit line notes*).

■ The second major family of products presented in these marketing materials corresponds to stock market products (certificates, warrants, turbo warrants, etc.) which constitute a niche market in the universe of structured products. These stock market products are marketed chiefly via internet advertising and by a very limited number of market participants.



CHANGES IN THE REGULATIONS CONCERNING MARKETING DOCUMENTATION

The new Prospectus Regulation contains specific provisions²²²⁰ concerning marketing materials relating to a public offer or admission to trading on a regulated market. The new regulatory framework provides that the AMF is the competent authority to control marketing materials that are disseminated on French territory.²¹

²⁰ Article 22 of the Prospectus Regulation and Articles 13 to 16 of Commission Delegated Regulation (EU) 2019/979 of 14 March 2019

²¹ Article 22 of the Prospectus Regulation.



Non-financial information statements

■ As part of its action plan on sustainable finance, the AMF continued the work undertaken in 2018 to review the non-financial information published by listed companies.

■ A feature of 2019 was the publication of the first non-financial information statements ("NFIS"). This required that companies change their approach to how to analyse their non-financial issues. As part of its missions, the AMF checks that the non-financial report is complete and comprehensible, and that the information that it contains is consistent, in particular, with the rest of the issuer's public documentation. The main points noted during the periodic reviews, which led to recommendations to be taken into account in the next reports, concerned:

- compliance with a scope of consolidation: companies do not yet report on all the firms included in their scope of consolidation. The scope can also vary from one theme or indicator to another without necessarily being explained, which detracts from the transparency of the report. Finally, exclusions are not always justified;
- the use of appropriate Key Performance Indicators: a sort must still be made between the indicators to highlight those which are most appropriate for measuring the results obtained by the policies deployed. The calculation methodology should be described and be constant over time;
- the need to ensure consistency of all non-financial reporting by making sure, in particular, to create links between the risk analysis performed with respect to the business model, and the description of the policies, action plans, results and indicators associated with each of the significant risks identified.

■ The AMF also noted that, in their corporate governance report, certain companies had not, in accordance with Article L. 225-37-4 of the French Commercial Code, provided a description of their diversity policy applied to the members of the board of directors, and a description of the objectives of that policy, its conditions of implementation and the results obtained in the past financial year. If the company does not apply such a policy, the report should include an explanation of the reasons for this. Moreover, this description should, in particular, be supplemented by the results obtained with regard to gender equality in the 10% of job positions with the highest responsibility.

Support for new market participants and new technologies

■ Support for market participants remains a focus of the AMF's activities. In particular, in 2019 the AMF's field of responsibility was extended to new issuers and the use of new technologies.

ICO project promoters

■ An Initial Coin Offering (ICO) is a fundraising operation carried out through a distributed ledger system (or "blockchain") and resulting in a token issue. These tokens can then be used to obtain goods or services, as the case may be.

■ The PACTE law introduced a specific system for initial coin offerings, providing for the principle of an optional approval issued by the AMF. This new system is intended to promote the development of ICOs and does not apply to Security Token Offerings (STOs), but only to the issue of utility tokens.

■ The AMF assists the project promoters and checks certain guarantees that should ensure improved investor information and protection.

■ After examining the application, the AMF may decide to give its approval or refuse it. A first initial coin offering was approved by the AMF in December 2019.

■ In practice, the AMF observes that the initial coin offering plans initially submitted are not always complete, and this makes for longer examination times. It therefore encourages token issuers to check before submitting an application that they comply with the applicable legislative and regulatory provisions.

■ It should be remembered that the AMF's approval in no case constitutes a judgment as to the advisability or not of taking part in a coin offering. It implies neither an approval of the suitability of the issuer's project nor an authentication of the financial, accounting and technical information presented.

■ Since this approval is optional, coin offerings without AMF approval remain legal. However, only fundraising campaigns that have received AMF approval can be marketed directly to the public in France.

Cooperative societies

■ The PACTE Law also made it possible for cooperative societies incorporated in the form of an "S.A." (plc) to make public offers of their shares, remembering that only cooperative and mutual banks previously had this possibility.

■ Pursuant to this law, the AMF made changes in its General Regulation and specified in an instruction published on 19 December 2019 the information to be provided within the framework of these transactions, distinguishing between two cases:

- Public offers for less than €8 million (requiring a summary information document).
- Public offers for an amount exceeding €8 million (requiring a specific prospectus).

■ This instruction takes into account not only the specific features of cooperative societies arising from their status, their corporate purpose and the legal and regulatory documents which govern them, but also the specific features of the securities offered to the public (supervised restricted remuneration, inalienability or transferability under restrictive constraints, lack of assurance regarding the possibility for unitholders in variable capital companies to exercise their right of withdrawal, etc.).

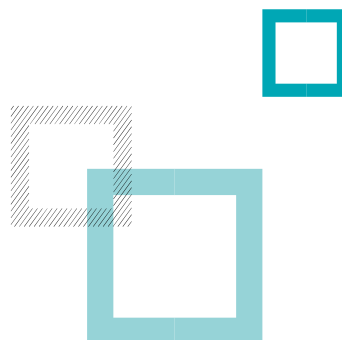
■ The preparation of this instruction, in which the consulted stakeholders were involved, was governed by the will to assist cooperative societies in their search for financing by a public offer of their partnership shares, and by the objective that investors should be duly informed of the specific features of an investment in partnership shares of a cooperative society.

The ESEF/iXBRL project

■ Pursuant to the European Transparency Directive and Delegated Regulation 2018/815, and to allow improved accessibility, comparability, analysis and transparency, European companies listed on a regulated market will have to publish their annual financial report in a European Single Electronic Format (ESEF), XHTML. Companies that publish IFRS consolidated financial statements in their annual financial report will also have to embed XBRL tags using the Inline XBRL technology. This obligation will be applicable from the annual financial statements starting on 1 January 2020.

■ ESMA^{24 22} and the AMF^{25 23} have published on their websites a large quantity of information and documents including the regulatory technical standard (which specifies and demarcates what is mandatory and what is prohibited with regard to tagging), the ESEF classification (appended to the regulatory technical standard), and a reporting manual (including technical specifications, reminders of what must be done and recommendations concerning what it would be desirable to do).

■ Furthermore, to assist issuers with the application of this new obligation the AMF organised four practical workshops in 2019 and responded to requests from the marketplace to present the project. Similar initiatives are planned in 2020.



²² <https://www.esma.europa.eu/policy-activities/corporate-disclosure/european-single-electronic-format>

²³ <https://www.amf-france.org/Acteurs-et-produits/Societes-cotees-et-operations-financieres/Format-electronique-unique-europeen-ESEF>



LISTED SMES

There are numerous regulatory obligations which are sometimes complex to understand for small and medium-sized enterprises. In this context, the AMF has made small and medium-sized enterprises a key priority of its strategic plan 2018-2022, setting itself the following objectives in particular:

- adapt supervision to different company sizes by assisting SMEs throughout their stock market career;
- propose tools adapted to SMEs (dedicated thematic and educational workshops, training courses, dedicated website and targeted communications, etc.) to help them cope better with their regulatory environment;
- encourage dialogue, via an openness approach (bilateral exchanges with companies, frequent meetings with the main participants in the ecosystem, etc.); contribute to the emergence of a more appropriate European regulatory framework by remaining attentive to the needs expressed by SMEs regarding stock market regulations.

In 2019, the following activities were carried out in particular:

- organisation of a forum dedicated to SMEs on the themes of CSR reporting, post-MiFID 2 research and the new European standards regarding financial information; this event, which was organised around a question-and-answer session, brought together about fifty company representatives;
- organisation of a workshop on transition to Prospectus 3 in July 2019 presenting the main implementing regulations, the main regulatory novations and management of the transition period. This event brought together about fifty SMEs;
- organisation of three workshops on the entry into force of harmonised electronic reporting on the European level (ESEF) in 2020;
- organisation of a workshop on the Market Abuse Regulation in November 2019, discussing cases of sanctions imposed by the AMF Enforcement Committee with regard to financial communication and bringing together more than fifty participants; speeches by the AMF's SME team at marketplace events and conferences.

These activities, which embody the AMF's intention of having an agile approach to SMEs listed in Paris, will be continued and developed in 2020.

Takeover bids

■ 2019 was an active year with respect to takeover bids.

The trends

Derogations to the obligation of filing a public offer

■ In 2019, the AMF delivered 34 decisions derogating to the obligation of filing a proposed public offer, including 23 pursuant solely to Articles 234-9, 6° and/or 7° of the General Regulation (holding of a majority of voting rights by the applicant or by a third party, and internal placing within a group).

■ Nine decisions were also delivered relating to reviews conducted pursuant to Article 234-7 of the General Regulation (consequence of acting in concert or a change in the concert). Note that no decision was delivered relating to Article 236-6 of the General Regulation (review of the implementation of a buyout offer notably following a merger or a disposal of most of the assets).

Table 8
Derogations to the filing of a public offer

Type of decisions	2015	2016	2017	2018	2019
Derogation decisions	41	24	22	24	34
Art. 234-7 concert reviews	8	5	3	4	9
Art. 236-6 reviews	5	5	1	5	0

Takeover bids

■ In 2019, 30 compliance decisions were taken by the AMF relating to public offers launched during the year, i.e. a significant increase on 2018 (24 decisions).

■ The number of public offers involving a takeover (in the sense of owning more than 50% of the share capital and voting rights of the target company) was 16²⁶ in 2019 (versus 12 in 2018); these included nine changes in control prior to a mandatory public offer and seven changes in control following a public offer made by the normal procedure.

■ The number of offers under the normal procedure (7 in 2019) increased (2 in 2018). It should be noted that only one of these offers concerned a company listed on Euronext Growth (0 in 2018). Of the normal procedure offers made in 2019, none of those submitted was unsolicited, like in 2017 and 2018.

■ In 2019, the number of offers under the simplified procedure (12 offers) was similar to that observed in 2018 (13 offers).

■ The number of delistings in 2019 following a public offer amounted to 12 in all (12 in 2018), including 2 after a buyback offer followed by a squeeze-out (resulting from the law of 1993 and formerly coded, before the enactment of the PACTE Law, in Article L. 433-4 II of the Monetary and Financial Code), 9 in the form of a squeeze-out following another offer (irrespective of the preceding type of offer), and one delisting without the implementation of a squeeze-out.²⁴ Of the 11 squeeze-outs that took place in 2019, 6 were carried out after the enactment of the PACTE Law, which lowered the trigger threshold.

■ Public offers targeting companies listed on Euronext Growth increased slightly: the number of offers was 5 (versus 4 in 2018). Of these, four were mandatorily submitted simplified takeover bids and one was a voluntarily submitted takeover bid.

Table 9
Public offers launched

Public offers launched in the year under review	2016	2017	2018	2019
Offers under the normal procedure including public exchange offers	13	5	2	7
Offers under the simplified procedure	17	26	13	12
Buyout offers	1	1	1	6
Buyout offers followed by a squeeze-out ²⁵	7	6	6	2
Share buyback offers	1	3	2	3
Squeeze-outs with compliance	0	0	0	0
Squeeze-outs without compliance	10	17	6	9
Total (excluding squeeze-outs without compliance)	39	41	24	30

The squeeze-out reform and fairness opinions

■ Pursuant to Article 75 I of the PACTE Law, the conditions for implementation of a squeeze-out were changed (cf. Article L. 433-4 of the Monetary and Financial Code). A squeeze-out can now be implemented whenever, following a public offer, the securities not presented by the minority shareholders of the target company do not represent more than 10% of the capital and voting rights of that company (i.e. the shareholders hold 10% or less of the capital and voting rights of the target company).

²⁴ Simplified takeover bid targeting the shares of Brasseries de l'Ouest Africain (SOBOA) (the regulations applicable to SOBOA do not provide for a squeeze-out procedure).

²⁵ Since the entry into force of the changes entailed by Act No. 2019-486 of 22 May 2019, the "PACTE Law", there is now only a single type of squeeze-out following

any public offer. As a consequence, the buyback offer followed by a squeeze-out resulting from the introduction of the squeeze-out in French regulations in 1993 no longer exists.

■ This legislative amendment was an opportunity for the AMF to review the protection of minority shareholders in such transactions and suggest potential improvements. Moreover, to the extent that the fairness opinion procedure ("fairness opinion"), created with the introduction of the squeeze-out into French law, contributes notably to protection of the minority shareholders, it also appeared appropriate for the AMF to try to ascertain whether the regulations and practices relating to the fairness opinion could be improved.

■ Against this backdrop, the AMF Board set up a working group which published a report in September 2019 on the conditions for implementing squeeze-outs and fairness opinions in the context of public offers. It expressed 18 recommendations designed notably to strengthen the role of the statutory corporate bodies of the target company in the public offer process, to better protect the minority shareholders in the context of public offers, notably in cases of squeeze-out, and increase the information provided on the work of the statutory corporate bodies and independent experts. The proposals in this report were submitted for public consultation and, for the great majority, were favourably received. They gave rise to amendments to the regulations which came into effect on 10 January 2020.

AMF intervention following the Systran takeover bid initiated in 2014: payment of the price supplement

■ In the public cash offer for Systran SA, followed by a squeeze-out, which was initiated in May 2014, Llsolu (formerly called Systran International and later CLSI) had undertaken to pay a price supplement to those shareholders who had accepted the bid. This payment was conditional upon the outcome of a dispute between the European Commission and Systran SA, which has since become Systran SAS. On 28 June 2017, this dispute having been resolved, the European Commission paid Systran SAS compensation amounting to €3.9 million.

■ Noting that payment of the price supplement to the shareholders had not taken place, and without a reply from the initiator of the bid, the AMF chairman contacted the presiding judge of the High Court of Paris which, on 17 April 2019, on the basis of Article L. 621-13 of the Monetary and Financial Code, ordered the sequestration of the Systran SAS shares held by Llsolu. The AMF informed the market of this by a press release published on 18 April 2019 and updated, on 3 July 2019, with developments in the legal action underway.

■ An independent expert, mandated on 4 October 2019 by the Paris Commercial Court, concluded in his report dated 5 December 2019 that the value of this price supplement amounted to €0.25 per share, including interest on arrears. At the request of the AMF, the funds earmarked for the former shareholders of Systran were irrevocably paid into an escrow account opened in the books of Banque Degroof, mandated to ensure payment of the price supplement, which was therefore paid as of 2 March 2020.

■ The AMF ensures fulfilment of commitments made in the context of a public offer. It recalls, regarding payment of the price supplement, the proposal of the working group aiming to clarify the means employed by the initiator to guarantee its payment at maturity, and to provide for the additional assignment of the independent expert mandated for the public offer.

5 Market supervision, inspections and investigations

Market supervision by the AMF

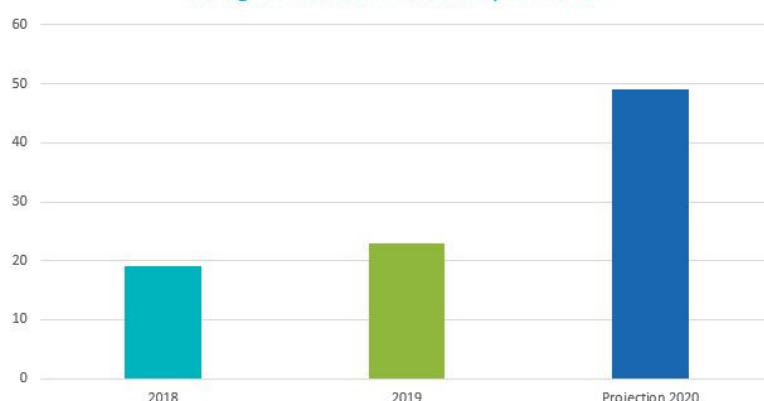
■ The AMF analyses, on a daily basis, the transactions executed in the markets in order to identify any unusual event or behaviour that could be defined as market abuse. This concerns mainly cases of price manipulation, insider dealing and dissemination of false information, but can also include breaches of transparency obligations or professional obligations applicable to financial intermediaries. The AMF thus ensures the orderly operation of the markets by reviewing the transactions performed by market participants against all the other sources of information available to it.

■ This constant supervision is based on a daily feed of transaction reports sent by financial intermediaries via the direct transaction reporting (RDT) system, by market infrastructures and by the other regulators, as well as a daily data feed of orders executed on French trading platforms. This feed is supplemented by information obtained from various data providers, the clearing house, the central secu-

rities depository (CSD), and trade repositories for OTC derivatives. This system of supervision also uses tools that analyse the information exchanged on internet forums and social media. Furthermore, the AMF uses external alerts, including Suspicious transaction and order reports (STOR) from investment service providers (1234 STOR in 2019, of which 435 were forwarded via its European counterparts).

■ Following the entry into force of the new MiFIR regulatory framework for transaction reporting on 3 January 2018 and the setting up of its new platform for market supervision and surveillance, the AMF has continued its work to enrich its alert system. The ICY platform, based on cutting-edge technologies such as Big Data, is capable of exploiting the very large volumes of data received each day. In 2019, more than 23 billion order and transaction reports were accordingly integrated into ICY (versus 19 billion in 2018).²⁹²⁶ The automated analysis of this data gave rise to 133 requests for further information sent to the investment service providers, which is mainly due to exploitation of the IDs of the ultimate beneficial owners of the transactions.

Graph 8
Change in the volume of data input into ICY



The AMF inputted about 23 billion reports in 2019. The volume of data is expected to at least double in 2020, notably due to the input of EMIR and SFTR data.

²⁶ The increase can be explained notably by the setting up of major British investment service providers in France and by the inclusion, as of June 2019, of order data from platforms in the regulatory format.



THE AGGRESSIVE BEHAVIOUR OF MARKET PARTICIPANTS

The AMF produced a study of the impact of aggressive orders on price formation. The study focuses in particular on the aggressive behaviour of high-frequency traders (HFTs) to estimate their informational advantage compared with the other market participants. The analysis reveals that aggressions consuming exactly the size available generally take place in the event of an imbalanced order book and have a lasting impact greater than that of partial aggressions. The impact of the aggressions on several limits is greater but is not lasting and starts to be attenuated one second after placing the order. The study also shows that, of the market participants, the members of the market making programme of Euronext SLP issue aggressive orders that are more profitable than those of the other market participants; this analysis remains valid when it is extended to all HFTs. The study also shows that it is possible to classify market members as HFT or non-HFT based on their aggressive orders, and highlights the strong autocorrelation of members' aggressive orders on account of clients, as opposed to those of SLPs, which are the least auto-correlated. Lastly, it reveals the existence of various strategies implemented in parallel by certain participants via different member codes

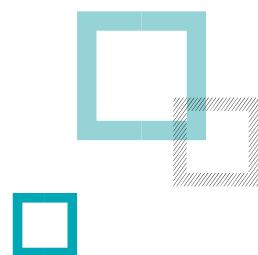


[Read the study](#)

■ The new Big Data platform in operation since 2018 enabled the teams in charge of supervision to develop new alerts as of 2019, using machine-learning algorithms. These innovative approaches make it possible to scan a constantly increasing volume of data while optimising the relevance of the alerts generated. The AMF has also put in place new ergonomic data processing facilities, allowing users to exploit all the available data sources with heightened performance.

■ Since the quality of this data is crucial for market supervision, the AMF has been closely involved in ESMA's work on this subject, notably to define the organisation and tools needed to manage quality control activities. It also took part in regulatory work on definition of the requirements relating to commodity derivatives and financial market transparency. Lastly, it is involved in international work on the alignment of OTC derivative transaction reporting, and in particular on the definition of unique identifiers of transactions and products.

■ On the back of its positioning at the intersection between data science and market expertise, the AMF builds on all the information available to it to perform strategic scanning aimed at both analysing the impact of current events and understanding changes in the market structure, which may result from regulatory developments. Some of the numerous studies performed in 2019 were published on the AMF website.





THE IMPORTANCE OF THE FIXING FOR TRADING VOLUMES

The AMF published a study on the growing significance of this end-of-trading-session phase, which on the French market has reached one of the highest levels in Europe. After ranging between 20% and 28% for a long time until 2015, the proportion of trades executed at the closing fixing has since then grown constantly, reaching 41% of the session trading volume on Euronext Paris for CAC 40 stocks in June 2019. This development could be explained notably by the rapid growth of passive management (implying end-of-day trading), the desire to avoid arbitrage by high-frequency traders, best execution obligations and execution algorithms which amplified the preceding factors, with liquidity attracting liquidity. This change in market structure entails certain risks, in particular an increased exposure to operational incidents during this very brief phase, and lower liquidity in the rest of the session.



[Read the study](#)

Inspection of professional investors

Inspections performed in 2019, their consequences and their findings

Conventional inspections

■ So-called conventional inspections initiated in 2019 concerned market participants of very different sizes and varied themes depending on the nature of the entity in question:

- Six inspections targeted investment service providers. They concerned the marketing of financial instruments, performance of the depository's obligations related to the new UCITS features (two inspections), and discretionary management related to the new MiFID 2 features;

- 15 inspections targeted asset management companies. The main issues examined concerned shareholders' funds, AIFM reporting, discretionary management, financial management in funds, the marketing system, the internal control system, cybersecurity, the system for combating money laundering and terrorist financing (AML/CFT), the conflict of interest management system, and independence in fund management;
- Eight inspections targeted FIAs. They mainly concerned conduct of business rules, compliance with the limitations of their status and the marketing of atypical products or products not authorised for marketing in France, as well as the AML/CFT system and implementation of the provisions of the MiFID 2 directive.

Principal lessons learned from conventional inspections undertaken in 2019

Marketing of financial instruments: there are still shortcomings regarding product suitability for customers

■ The inspections undertaken on marketing concerned retail banks. They covered knowledge of the customer, the suitability of investment advisory services, customer information and the compliance system applicable to these activities. The two institutions inspected have made large investments to establish information systems designed to govern investment advice and produce the suitability reports stipulated by MiFID 2. These facilities could be improved, especially regarding the procedures for verifying the suitability of the recommended instruments for customers' situation and the suitability explanation provided to the customer. Moreover, it was found that SCPIs, which constitute a very large proportion of the financial instruments marketed, were either excluded from the automated suitability assessment process in the advisory system, or completely excluded from the scope of advice, whereas these financial instruments were marketed following soliciting by the institution's advisers. There are also still shortcomings in the collection of customer information to enable the service provider to assess their knowledge and experience, and cases of unsuitability were identified among the cases examined, notably in relation to the customers' investment horizon. Lastly, shortcomings were noted during inspections to analyse compliance with the new regulatory requirements regarding suitability inspection.

Discretionary management: insufficient information on fees

■ In addition to the SPOT inspection campaign, in 2019 the AMF also undertook five inspections in firms (an investment firm and four asset management companies) providing portfolio management services. The inspections basically concerned compliance of the management mandate and management reporting, the suitability of the portfolio management service, the system of alerts in the event of a 10% fall in the portfolio, and the risk control system in relation to the provisions applicable under MiFID 2. In one case, shortcomings were noted concerning the internal control and risk management system, the calculation methodology used for detecting falls in portfolio value exceeding 10% (and 20%), and the procedures for assessing the suitability of mandates for the customer's profile. In four other cases, the periodic reports showed shortcomings regarding the information on costs (direct fees not broken down by category, no mention of indirect fees). For three of these four cases, the companies had not informed their customers of falls in value exceeding 10% in the fourth quarter of 2018.

Investment management and substantial portfolio turnover: poorly controlled conflicts of interest

■ Following on from 2017 and 2018, the Inspections Directorate turned attention to an asset management company employing a management style resulting in the debiting of significant turnover commission and poor performances, due to the high level of portfolio turnover. The conflicts of interest related to such a management style were not controlled and the fund prospectuses did not report the turnover rates applied, which could be as much as 10 times assets. The funds in question were heavily invested in by the accounts under the discretionary management of the asset management company, thus resulting in a situation of potential conflicts of interest between clients and the asset management company.

AML/CFT system: insufficient procedures

■ The issue of AML/CFT was a supervision priority in 2019 and was therefore assessed in all the inspections for which this subject was relevant. The inspections noted shortcomings in the procedures governing the AML/CFT system. These shortcomings were varied: obsolete regulations, lack of precision regarding the identity documents to be collected, the means to be employed to identify the beneficial owner and Politically Exposed Persons, no indication concerning the frequency of updating of Know Your Customer information. Shortcomings were also observed in the classification of customers. There was no classification for certain customers, with inconsistencies between the various sources of information, and incorrect classification. Lastly, the inspections revealed shortcomings in collection of the information and documents required for new business relationships (source of funds, excerpt from "K-Bis" (company register) for legal entities and beneficial owners in particular). The level-two control associated with this issue was sometimes non-existent or incomplete (no verification of the beneficial owner or the source of funds, for example).



Marketing of atypical products: recurring dysfunctions

■ In line with previous years, the AMF focused its FIA inspections on participants marketing atypical products or products not authorised for marketing in France (stakes in companies whose corporate purpose is the acquisition and supply of solar power production equipment and buildings, stakes in German limited partnerships specialised in infrastructure, and "Girardin" tax optimisation products not authorised by the tax authorities). The inspections noted recurring dysfunctions. For example, the information concerning product risks was inadequate, or even non-existent, with regard to the presentation of returns. Moreover, the due diligence performed by FIAs on these products proved too superficial, which made it impossible for them to provide clients with informed advice, or check the ultimate use of the amounts invested. Lastly, the remuneration received by FIAs from the promoters of atypical products was not disclosed to investors. The AMF also observed that certain product promoters provide FIAs with sequential subscription documents which aim to underline a reverse solicitation process, but the inspection task forces noted that it was clearly the FIA who had proposed the product to the clients and that he had in any case formally expressed a personalised recommendation, which constitutes a marketing act.

SPOT inspections

■ The AMF Inspections Directorate conducted seven SPOT inspection campaigns in 2019, like in 2018, three on investment service providers and four on asset management companies.

■ As regards investment service providers other than asset management companies, the review of the two SPOT inspection campaigns conducted in 2018 on discretionary management (compliance of management mandates and discretionary management costs) was published in May 2019. The review of the SPOT campaign on EMIR reporting governance ■ was published in December 2019.

Principal lessons learned from SPOT inspections completed in 2019

Discretionary management

■ The two SPOT inspection campaigns examined, ■ respectively, the compliance of discretionary mandates (purpose of the mandate, management objectives, authorised financial instruments, transmission of regular information to clients, withdrawals and liquidity risk, duration, modification and cancellation of mandates, conflicts of interest, complaints, mediation and professional secrecy) and discretionary management costs (pricing policy, overall costs, entry fees, transaction fees, portfolio turnover rates, identification of conflicts of interest and the information given to clients on costs and fees).



Go to reviews of 2019 SPOT inspections

■ The AMF notes the following best practices:

- Stating clearly and explicitly in contractual documents or fee schedules that the base for calculating custody costs excludes the liquid assets of the portfolios under management.
-
- Making it easier for clients to access and understand information, particularly concerning management fees, from the moment the discretionary mandate is signed. The mandate should be set out in a single, comprehensive document and clients should be explicitly informed if such information is updated.
- Introducing a pricing policy that allows the service provider to make most of their portfolio management revenue from management fees and does not give them an incentive to churn portfolios simply so that they can charge transaction fees. This reduces the risk of conflicts of interest between clients and their agents.
- Identifying any potential conflicts of interest associated with unjustified portfolio turnover (which therefore risks generating additional fees for the client), and implementing frequent level-one and -two controls on portfolio turnover ratios accordingly.
- Among the potential conflicts of interest, clearly identifying those linked to the proportion of a group's funds within clients' portfolios and managing such conflicts of interest by a suitable procedure for selecting CIUs from the asset management universe.
- Not charging entry fees for CIUs as part of portfolio management activities.
- Exempting investments in the group's investment funds from custody fees.

■ However, the AMF identified the following poor practices:

- Fragmenting the information about asset management services for third parties (particularly that relating to fees) by putting it in several documents.
- Failing to state explicitly the investment universe or allocations per asset class, including any thresholds that could be reached in exceptional market conditions.
- Failing to inform clients of the consequences of making frequent and/or large withdrawals.
- Giving quarterly rates exclusive of taxes, without providing the equivalent annual rate and rates inclusive of taxes, in contractual documents or fee schedules.
- In cases where entry fees are charged by service providers for the CIUs selected under the mandate, failing to indicate in their fee schedule the rates in force at the time investments in such CIUs are made.
- Failing to provide clients with explicit information on updates relating to management fees (for example, not informing clients that such fees have been changed and only making this information available on the service provider's website).

■ Following these observations, the AMF reaffirmed that:

- the obligation to serve the clients' best interests entails not making them bear the cost of internal organisational decisions made by the service provider. This particularly applies to costs incurred as a result of bringing portfolios into line with management strategies that are being streamlined within a firm;
- service providers must provide their clients with an illustration setting out the cumulative effect of costs on their returns on an *ex-ante* and *ex-post* basis;
- when providing portfolio management services to third parties, service providers must produce a regular statement showing the total commission and fees paid over the period in question. This statement should, as a minimum, break down the total management fees for each item and the total costs entailed by execution.

■ After completing these SPOT inspections, the AMF sent the inspected firms follow-up letters requesting that they rectify all observed instances of non-compliance with discretionary management requirements.

EMIR reporting governance

■ The AMF examined the practices of five service providers concerning the general organisation of the implementation of EMIR reporting and governance regarding the exhaustiveness and quality of reporting to the trade repository.

■ These inspections revealed shortcomings in the implementation and control of EMIR reporting.

■ Nevertheless, the AMF noted the following best practices:

- formalisation of an inspection grid under the responsibility of the Compliance function, to ensure that the regulatory obligations relating to EMIR reporting are covered;
- consideration of transactions for which reporting has been delegated to third parties both for processing the returns received from the trade repository and for monitoring and supervision of compliance with regulatory obligations;
- performing regular reconciliation between the data coming from management systems and the data reported to trade repositories.

■ Poor practices were also noted, including the following examples:

- insufficient involvement of the Compliance function in working out and monitoring controls on compliance with regulatory obligations;
- a lack of monitoring indicators covering the regulations relating to EMIR reporting (exhaustiveness of reporting, compliance with deadlines, quality of reporting content).

■ After completing these SPOT inspections, the AMF sent the inspected firms follow-up letters requesting that they rectify all observed instances of non-compliance with the requirements on EMIR reporting governance.

Other issues

■ Regarding asset management companies, the reviews of SPOT inspections undertaken in 2018 on socially responsible investment on the one hand, and on securities financing transactions (SFTs) on the other hand, were published in July and December 2019 respectively. The review relating to inspections concerning the cybersecurity system, initiated in 2019, was also published in December.

■ Socially Responsible Investment (SRI):

- The professional obligations of asset management companies regarding SRI consist mainly of reporting requirements with respect to investors. During both conventional inspections and SPOT inspections, the AMF noted that the asset management companies all adopted a uniform approach to SRI management for the entire range of funds managed. The AMF also noted that the asset management companies use a broad range of methodologies.
- Among the best practices observed, the AMF notes:

Regarding the methodology and the investment process:

- an SRI approach based both on the risks related to the products and services proposed by the issuer and on the opportunities linked to the issuer's processes with respect to ESG issues;
- dialogue with issuers that focuses on the ESG criteria announced to clients;
- the creation of a formal and comprehensive audit trail of the investment and disinvestment process to ensure consistency between the investment policy, the methodology announced to investors and the practical implementation of the process.



Regarding information:

- information provided to investors that is very extensive and varied from one asset management company to another;
- no regulatory breach concerning consistency between the process of investment of the funds under management and the information provided to the public, and consistency of the information provided to fundholders from one document to another;
- presentation in the prospectuses/KIIDs of the data providers used, making sure that the information provided is updated where necessary.
- indication of companies having the highest CO₂ emissions, defining the various scopes considered, fund by fund;
- inclusion in the engagement report (document reporting how the asset management company exercises its influence to ensure that sustainable development issues are factored in better by financial markets) of the scope of companies concerned by the engagement, the themes of the engagement policy and the actions for monitoring this engagement;
- grouping of all the documents concerning the engagement in an easily accessible section of the asset management company's website.
- However, the AMF noted that the information presented in a given document was sometimes incomplete and unclear.

■ Securities financing transactions (SFTs):

- The AMF noted that the asset management companies inspected have established satisfactory operational systems for conflict of interest management and order execution, although these systems are not always suitable to allow for the specific nature of SFTs. The asset management companies also all have a risk management procedure including the unwinding of SFTs at any time, and a satisfactory collateral swap system. Furthermore, the AMF generally noted satisfactory information for unitholders in the prospectuses and annual reports of the funds in question.

- The AMF also noted the following best practices:

- Using a regulated investment service provider in the EU and providing an investment service within the framework of execution of securities financing transactions;
- Employing a service provider who uses an algorithm allowing a proportional allocation of securities based on their holdings in the funds.

- Conversely, the AMF identified the following poor practices:

- Not enquiring, before signing the contract for provision of services, about the procedures for price formation, the procedures for allocation of transactions among the service provider's clients, the potential existence of a matching mechanism in the event of intermediation on the service provider's own account making it possible to establish a correspondence between its transactions and those of its service provider which placed the market counterparties in competition, and the quality of the reports that will be provided by the service provider;
- Not identifying, in the contractual documentation binding the asset management company and the service provider, the obligations and means of the service provider for verifying best execution in the event that this service provider is not a regulated investment service provider in the EU, and the level of information that the service provider must provide to enable the asset management company to check this service;
- Not establishing a control on compliance with the contractual sharing of remuneration among the funds, the service provider and the asset management company.

■ Cybersecurity

- The AMF reviewed the cybersecurity systems of five asset management companies. For performing its work, the AMF considered cyber risk as arising from any potential malicious attack, internal or external, on one of the key features of the information system of an asset management company, namely its availability, its integrity, the confidentiality of the data that it processes or the traceability of the actions performed in the IS.
- Although the firms inspected have started to address cyber risk by including it in their risk mapping, by compiling the cybersecurity incidents sustained and by calling on specialised service providers to verify the robustness of their information system from time to time, they do not take into account the potential impacts of the materialisation of cybersecurity risks on compliance with regulatory requirements, in particular with regard to capital, retaining sensitive data, maintaining an effective business continuity plan and ensuring that adequate (IT) resources are available. The AMF also noted the almost total lack of mapping of critical systems, as well as significant shortcomings in the formal identification of cyber incidents in existing databases, although this is necessary for continuous assessment of the associated level of risk. Lastly, the vulnerabilities identified or confirmed by internal control processes are not remediated sufficiently quickly and consistently.
- For asset management companies belonging to a Group (most of the tested sample), inadequate internal supervision of the services (relating to IT, cybersecurity and business continuity) performed by the parent company was identified. But the technical execution of these services by the Group cannot exempt asset management companies from their responsibilities regarding the definition (in priority) of the main risk areas and management of the relevant controls.
- Among the best practices observed, the AMF noted, for example, the following:
 - Ensuring the independence of the CISO (Chief Information Security Officer) function relative to the Information Systems Department either by (administrative or functional) reporting by the CISO to the Executive Committee, or by establishing a control function independent of the CISO's activities;
 - Raising the awareness of cybersecurity risks among the asset management company's employees by including these risks in the annual training plan and, at least once a year, performing a test on employees' reaction to attempted phishing by email.
 - The following poor practices may also be highlighted:
 - Deploying a cybersecurity system in the absence of (i) prior identification, (ii) classification by criticality level (on the basis of the AICT criteria) and (iii) regular review of sensitive data and information systems.
 - In asset management companies' risk mapping, confining the analysis of cybersecurity risks solely to the impacts of operational risk on the funds and/or portfolios managed;
 - Not blocking the USB ports of user workstations.
 - The SPOT inspections relating to these three campaigns all gave rise to the dispatch of follow-up letters. Cybersecurity risks will be the subject of other AMF inspections in 2020. In light of the observations made on completion of these inspections, the AMF plans to work out a specific cybersecurity policy proportional to the size of the participants.



Read the study on cybercrime

SPOT inspections in progress

■ The SPOT inspections undertaken in 2019 which will give rise to the publication of reviews during the first half of 2020 concern:

- the new features of MiFID 2 in discretionary management;
- data recording and retention obligations;

- AIFM reporting;
- the conditions of performance of real estate services;
- the valuation of complex products.

TABLE 10.

Action taken following conventional inspections and SPOT inspections in 2019

	2016	2017	2018	2019
Number of inspections undertaken	36	47	63	65
ISP	12	12	25	21
AMC	17	24	30	36
FIA	7	11	8	8
o/w thematic inspections (2017)/SPOT (2018 and 2019)		15	35	36
Number of inspection reports sent	39	49	64	59
of which SPOT inspections (2018 and 2019)			35	36
Number of follow-up letters	14	29	39	46
Number of statements of objections	18	19	13	14
together with an offer of administrative settlement	9	12	3	5

■ 14 reports produced following an inspection of compliance with professional obligations led to a statement of objections sent to:

- 3 credit institutions that are investment service providers;
- asset management companies;
- financial investment advisers.

■ For five of these inspections (2 asset management companies, 2 investment service providers and 1 financial investment adviser), the AMF decided to accompany the statement of objections with an offer of administrative settlement.

■ For the nine others, it was decided to start disciplinary proceedings without offering this path.

■ 46 inspection cases, including 30 SPOT inspections, resulted simply in a follow-up letter.

■ Lastly, it should be stressed that the PACTE Law aligned the limitation period for administrative breaches sanctioned by the Enforcement Committee on the criminal time limit (transition from 3 to 6 years). This alignment concerns inspections and investigations.

Investigations

Investigations can be proposed by each of the AMF's operational directorates. They can also originate in complaints or requests for opinions expressed by the legal authorities or be conducted further to a request from a foreign authority.

Grounds for and nature of investigations in 2019

In 2019, of the 46 new investigations undertaken, 24 were at the initiative of the AMF and 22 involved international cooperation.

21 of the 24 investigations undertaken on the initiative of the AMF were proposed by the Market Supervision Directorate. The others were proposed by other AMF directorates.

In 2019, 37 investigations were completed. Of these investigations, 25 had been undertaken on the initiative of the AMF and 12 had been undertaken to assist foreign authorities.

As at 31 December 2019, of the 24 investigations undertaken on the initiative of the AMF and completed in 2019:³⁰²⁷

- 8 gave rise to statements of objections, 5 of which were accompanied by an offer of administrative settlement;
- 8 investigation cases were submitted to the Public Prosecutor's Office (PNF) under the referral procedure;
- 6 resulted in the sending of one or more letters of observations;
- 13 were closed.

Most of the investigations undertaken related to possible stock market offences considered as market abuse: insider dealing, dissemination of false information, or price manipulation. Over half of these investigations concerned cases of insider dealing.

Since the implementation in February 2019 of Act No. 2018-898 of 23 October 2018 relating to tax evasion, 233 authorisations to access connection data (itemised telecom invoices) have been requested, for 26 investigations. Only one was refused. On the basis of the authorisations granted, 1311 itemised invoice requests have been sent to telephone operators.



THE PACTE LAW

The PACTE Law led to several changes in the AMF's enforcement activities by eliminating the participation of the representative of the Treasury Department's Director General in meetings of the Enforcement Committee, by aligning the limitation period for administrative breaches sanctioned by the Enforcement Committee on the criminal time limit (transition from 3 to 6 years), and by expanding the scope of operators liable to undergo legal blocking of access to their website, on the initiative of the AMF chairman.

²⁷ Some investigations led to the sending of a letter of observations regarding certain persons and the initiation of disciplinary proceedings regarding other

persons implicated. Accordingly, for a given investigation case, numerous follow-up actions may be decided on, targeting various players.

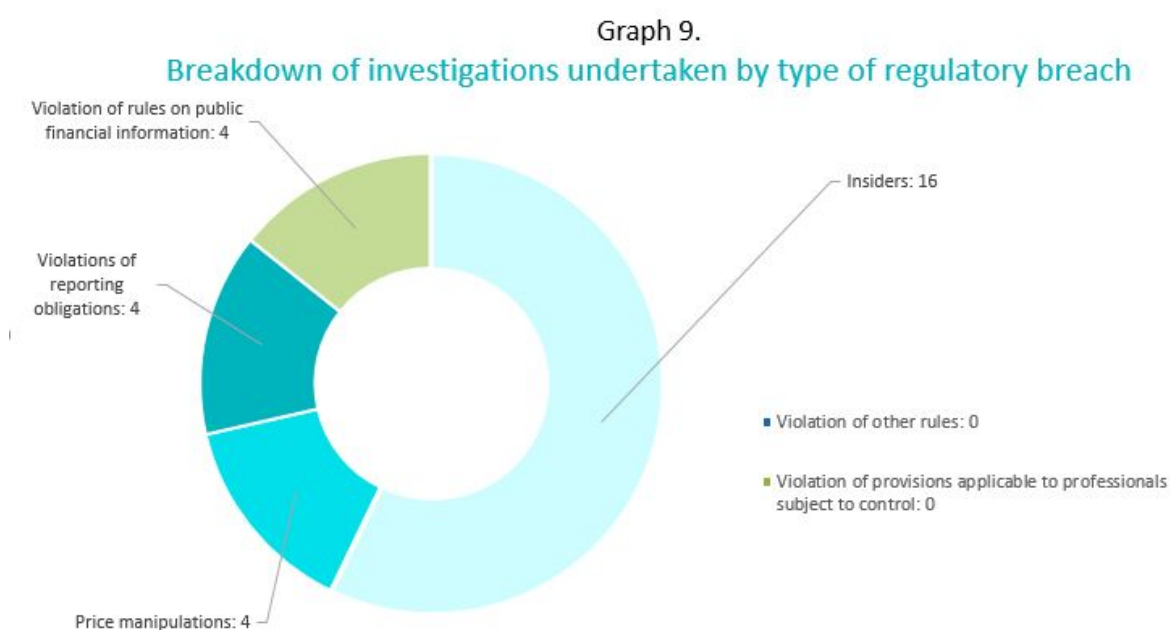
TABLE 11.
Investigations undertaken and completed

Year	2014	2015	2016	2017	2018	2019
Investigations undertaken by the AMF	83	65	75	68	49	46
On the initiative of the AMF	33	25	26	24	20	24
At the request of a foreign authority	50	40	49	44	29	22
Investigations completed	68	75	71	55	64	37
On the initiative of the AMF	27	27	24	22	23	25
At the request of a foreign authority	41	48	47	33	41	12
Number of cases involving sending statements of objections together with an offer of administrative settlement	10	8	17	11	11	10
			2	4	4	5

TABLE 12.
Breakdown of regulatory breaches sanctioned*

Subject of the investigation*	2014	2015	2016	2017	2018	2019
Market for the shares and bonds (insider behaviour or manoeuvre hindering satisfactory market functioning)	27	20	19	21	18	22
Financial information	11	9	11	3	13	6
Other (FIAs, direct marketing, etc.)	1	3	2	0	1	2
International cooperation	50	40	49	44	29	12

* The total is greater than the number of investigations resulting in sanctions, because some investigations concern both the market for the security (price manipulation and insider dealing) and financial information



International cooperation

■ In 2019, the AMF continued to cooperate with its foreign counterparts in the areas of investigation, inspection, market supervision and exchange of information on financial intermediaries.

■ In this regard, it sent 384 requests for assistance to around fifty foreign regulators.

■ More than 40% of the requests for assistance presented by the AMF were sent to the UK regulator. In addition, there were many requests sent to the Swiss, Luxembourgish, US and German authorities this year.

■ The AMF received 163 requests for assistance from its foreign counterparts in 2019, 22 of which led it to initiate an investigation. These requests concerned transactions falling within the jurisdictional authority of foreign regulators but performed by persons located in France. The main countries asking for help from the AMF were Luxembourg, Belgium, the Netherlands, the United Kingdom, the United States and Spain.

■ Investigations requiring international cooperation in the search for cases of market abuse are still the majority.

Referrals to competent authorities

■ In 2019, a case was proposed to be referred to the Haut Conseil du Commissariat aux Comptes.

■ Eight investigation cases were referred to the Public Prosecutor's Office (PNF). As at 31 December 2019, one case was accepted by the PNF, four cases were kept by the AMF and three cases were still in the referral phase between the AMF and the PNF.





Settlements, sanctions and appeals

■ The Enforcement Committee, which is separate from the Board, is the AMF's disciplinary body. It rules on complaints made against persons subject to enforcement actions. It has the power to impose financial penalties and disciplinary sanctions on institutions subject to the AMF's supervision and on natural persons under the control of these institutions or acting on their behalf, for any failure to fulfil their professional obligations. It may also impose penalties on any natural or legal person, regardless of their activity, who has breached or attempted to breach regulations relating to market abuse, or who has committed any other breach that is likely to jeopardise the protection of investors or the proper functioning of the market.

■ Financial penalties imposed may amount to €100 million or ten times the amount of the profit made as a result of the breach (if the amount of this profit can be determined) and may, in some cases, be as much as 15% of the total annual turnover of the sanctioned legal entity.

■ In 2019, the Enforcement Committee issued 26 decisions, 19 of which were published sanction decisions, and 7 decisions concerning the approval of an administrative settlement agreement.

Settlements

■ The administrative settlement procedure (or "transaction") is an alternative to disciplinary proceedings.

■ A settlement may be proposed, as deemed appropriate by the Board, to those entities to which charges are announced.

■ The benefit of administrative settlement resides in the fact that the proceedings take less time to complete, since the settlement agreement, which is always made public, must be concluded within four months. This procedure also has an educational function, because of the specific commitments made by the professionals concerned to comply with regulations.

■ The amounts to be paid to the Public Treasury are set by the Board, which uses the amounts imposed by the Enforcement Committee for similar cases as a benchmark.

■ Administrative settlements may, in some cases, include the payment of compensation to clients or investors who have suffered a loss as a result of detected regulatory breaches.

Settlements in 2019

■ In 2019, the number of administrative settlement agreements remained at a high level:

- 7 administrative settlement agreements were signed by the Secretary General. Of these, 3 agreements must be submitted in 2020 for approval by the Enforcement Committee;
- 7 agreements were validated by the Board;
- 7 agreements were approved by the Enforcement Committee and then published (including 2 agreements signed and validated in 2018 and 1 agreement signed in 2018 but validated in early 2019).

■ One settlement procedure had to be redirected to the Enforcement Committee, for want of an agreement.

■ The total amount of the financial penalties owed to the Public Treasury as a result of the seven settlement agreements signed in 2019 was €1,650,000. This amount does not include the (often high) cost of carrying out remedial measures incurred by providers, nor does it include the costs that may be charged to the implicated parties for any audits that may have been undertaken, to monitor even more precisely their compliance with their obligations.

■ In 2019 there was an increase in the amounts payable to the Public Treasury as provided for in the agreements signed with investment service providers (two agreements signed for €600,000). One of these agreements also enabled €338,916 in unduly collected fees to be repaid to the service provider's clients.

■ Of the agreements approved in 2019, three settlements were concluded on 26 November 2018, 11 February 2019 and 4 July 2019 in cases relating to market abuse (insider trading or price manipulation). The handling of these administrative settlements is hardly any different from handling the professional failings of a service provider (investment service provider, asset management company, financial investment adviser), except that unlike settlements following an inspection, investigation settlements do not usually contain remedial measures strictly speaking. Market abuse failings are usually the breach of a rule of abstention (not manipulating a price, not using inside information, not spreading false information) or a rule not calling for appropriate remedial measures (obeying ongoing information rules for an issuer, performing reporting duties for an issuer's company officer, etc.). It therefore seems difficult to foresee remedial measures that would amount to requiring the implicated party to undertake to obey the law (no longer commit the failing). However, a commitment was sometimes made to follow training on the regulations applicable to market abuse.

Examples of settlement agreements published in 2019

Settlement reached on 12 September 2018 with an asset management company - control and compliance system - valuation

■ The company concerned by the inspection was an asset management company carrying out private equity operations consisting of investing mainly in unlisted companies.

■ The company was reproached with failings of its control and compliance system. These were chiefly shortcomings in the system supervising the disposal of investments held by the funds in situations which nevertheless entailed a risk of conflict of interest. In this specific case of two transactions carried out by the asset management company on account of funds for which it performs management (one concerning the sale of assets between two funds and the other concerning the disposal of an investment held by three funds to a company owned and managed indirectly by the managers of the asset management company), it was found that risks of conflicts of interest existed without these transactions being mentioned in the conflict of interest register. Although the asset management company had a conflict of interest management policy, it had nevertheless not taken sufficient measures to manage and monitor the risk of conflicts of interest in such a way as to ensure, with reasonable certainty, that this would be avoided notably by adopting a process making it possible, first, to check by independent, substantiated analysis the advisability of such disposals and, where appropriate, by implementing an independent valuation process based on documented, verifiable analyses.

■ A second complaint was based on the failure of the valuation procedures deployed by the asset management company to value financial instruments not traded on a regulated market (method based, in principle and irrespective of the history of ownership of the securities, on a valuation at historical cost without the company necessarily providing evidence of its appropriateness).

■ In addition to the agreed commitments to restore compliance, the asset management company agreed to pay the sum of €320,000 to the Public Treasury for this settlement.

Settlement reached on 19 July 2019 with an investment service provider (bank) – asset management business – unjustified charge debiting

■ The due diligence of the inspection concerned the marketing conditions for units of three real estate investment companies (SCPIs) and for the three Euro Medium Term Notes (EMTNs) most sold in 2017 by an ISP to its retail bank and private bank customers, and the corresponding compliance control system.

■ In a first complaint, this investment service provider was reproached with having debited unjustified charges (€338,916) for its business of discretionary portfolio management on account of clients.

■ A second complaint was based on shortcomings in the area of investor information on the fees applicable to the portfolio management business concerning the rate of deductions for the collection of entry fees and the charges debited during the mandate and which had an impact on the investment management performance.

■ A third complaint concerned shortcomings of the control and compliance system put in place by the investment service provider and applicable to its discretionary management business.

■ In addition to the agreed commitments to restore compliance and repay to the clients in question the €338,916 of unjustified charges, the investment service provider agreed to pay the sum of €600,000 to the Public Treasury under this settlement agreement.

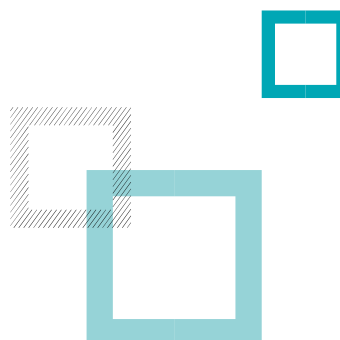
Settlement reached on 11 February 2019: price manipulation – market abuse

■ An investigation concerning, in particular, the market for 9 securities listed on compartments B and C of Euronext Paris showed that in the course of 14 trading sequences, between 3 March 2014 and 8 December 2016, some of the interventions by a natural person could have fixed the price of those securities at an abnormal level and/or have given false or misleading signals regarding the supply of, demand for, or price of those securities thereby constituting a price manipulation.

■ During the 14 sequences selected, it was noted in particular that:

- after having built their position aggressively and entered passive buy orders, the person in question swiftly reversed their position. At least 60% of the volume that they resold was executed in a situation of imbalance in their orders appearing in the order book, since the combined volume of their buy orders was strictly greater than the combined volume of their sell orders;
- at least half of the passive buy orders that they entered were cancelled without having undergone the slightest execution.

■ The person in question agreed to pay the sum of €240,000 to the Public Treasury under this settlement agreement.



Settlement reached on 7 May 2019 with an asset management company – non-compliance with authorisation – incorrect prospectus information

■ An asset management company was reproached with allegations regarding the company's independence in its investment management and compliance with the conditions of its authorisation, namely:

- incorrect information sent to the AMF concerning the recruitment of a venture capital manager to manage a local investment fund (FIP) – who was still a financial investment adviser (FIA) registered with ORIAS;
- a lack of independence in the management of a local investment fund (dependence on the aforementioned FIA);
- failure by the asset management company to comply with its investment procedure (first investment made without obeying the investment committee procedure).

■ A second allegation concerned the obligation to provide investors with information presenting an accurate, clear and non-misleading content. In this case, the AMC was reproached with the absence of essential information in the prospectus submitted to investors: the management and advisory role intended for the aforementioned financial investment adviser with the local investment fund (FIP).

■ A third allegation concerned the failure to justify incorporation expenses for a FIP managed by the asset management company.

■ The asset management company agreed to pay the sum of €30,000 to the Public Treasury under this settlement agreement.

Settlement reached on 26 November 2018: use of inside information – market abuse

■ The managing director of a company's Chinese subsidiary was reproached with having used inside information relating to the signature, on 14 January 2017, of a framework agreement worth €110 million between said company and Chinese partners.

■ The use of this inside information was materialised by the purchase, on 26 and 30 January 2017, of 9,500 shares and then 500 shares of the company. The manager is alleged to have neglected his essential obligation to abstain from using inside information pursuant to the provisions of Articles 7, 8 and 14 of the European Market Abuse Regulation (MAR). The manager completely liquidated his position on 17 February 2017, and these transactions enabled him to make a profit of €23,509.

■ The person in question agreed to pay the sum of €60,000 to the Public Treasury under this settlement agreement, in three instalments spread over a period of twelve months.

Sanctions

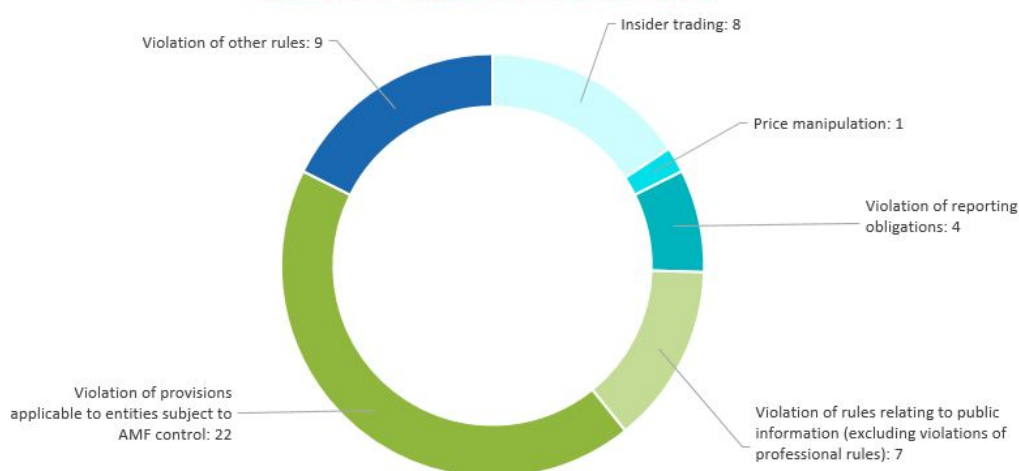
■ In 2019, the Enforcement Committee handed down 19 decisions on the merits, published on the AMF website.

■ These concerned 50 persons: 29 legal persons and 21 natural persons. The Committee cleared from charges 7 natural persons and 2 legal persons and imposed 38 fines, ranging from €10,000 to €20,000,000, for a total amount of €32,320,000, broken down among 27 legal persons and 12 natural persons.

■ The Enforcement Committee accompanied these fines with disciplinary sanctions for 11 persons (4 legal persons and 7 natural persons), which can be broken down as follows:

- 4 reprimands;
- 6 warnings;
- a ban on performing individual and collective asset management activities for a period of five years.

Graph 10
Breakdown of regulatory breaches sanctioned*



*A decision may concern several breaches

Examples of Enforcement Committee decisions in 2019

Breaches of the rules relating to public information and insider trading

■ By a decision of 25 April 2019, the Enforcement Committee imposed a fine of €100,000 on a company for breaching its public information obligations, and fined its managing director at the time of the events €600,000 for breach of insider trading regulations.

■ The breaches referred to the Committee concerned the plan of a French telecommunications company to acquire a US telecoms operator. The Committee first considered that the information relating to this plan had the characteristics of inside information despite the lack of formal approval of the deal by the board of directors of the implicated company. It then considered that the fact that its managers had been contacted by third parties having knowledge of the plan, even though they did not have all the details, tended to demonstrate that the plan had not been kept confidential. The Committee therefore concluded that the company had breached its obligation to disclose this inside information as soon as possible.

■ Furthermore, the Committee considered that by selling shares of the issuer on his own account, via the exercise and immediate sale of call options, and then on account of his companion, the managing director, primary insider, had violated his obligation to refrain from using inside information.

■ On the other hand, the Committee exonerated an investment service provider and two of its employees, which the AMF Board reproached with having violated their obligation to refrain from disclosing this inside information. It considered that although the information was accidentally obtained by one of the employees during a train trip and the service provider had not been appointed by the buyer company for this plan, the disclosure of the information was closely linked to the performance of this employee's job and was strictly necessary and proportional to the objective to be achieved. It therefore ruled that the disclosure had occurred within the normal framework of the profession and functions of the persons concerned.

■ The Committee also exonerated the fund manager who had ordered the sale of the buyer company's securities, after having noted that the possession of the inside information was not the only reason explaining this divestment.

■ This decision is the subject of an appeal pending, brought before the Paris Court of Appeal by the former managing director of the company, as well as a cross-appeal brought by the AMF chairman.

■ In a decision of 1 October 2019, the Enforcement Committee fined a biotechnology company and its chairman €100,000 and €20,000 for having failed to comply with their obligation to disclose to the market as soon as possible the inside information relating to the significant postponement of the entry into phase 2 of clinical studies on two leading candidate drugs.

■ The Committee first considered that the information was of a precise nature insofar as the company knew that the authorisations to start the phase 2 of clinical trials – a decisive step in the process that could result in obtaining a product marketing authorisation for the products – would not be obtained until several months later, contrary to what it had indicated in its base document published on the occasion of its initial public offering a few months earlier. It also considered that the information had remained non-public for several months. Lastly, it noted that this information was likely to have a significant effect on the share price because investors were attentive to progress relating to the development of these products and to compliance with the development timelines established by the company, and that this delay was negative news that could give cause for concern.

■ Noting that this information had been revealed to the market with almost a four-month delay, the Committee concluded that a breach was established and was attributable to the issuer and its manager.

■ The company and its manager have brought an appeal before the Paris Court of Appeal. The AMF chairman has brought a cross-appeal.

Failure to comply with professional obligations by an asset management company and obstruction committed by third parties

■ By a decision of 19 November 2019, the Enforcement Committee fined an asset management company and its chief executive officer €300,000 each, together with a warning with respect to the latter, after upholding the main allegations against them, concerning the lack of independence of the asset management company with regard to the other companies in its group and the absence of conflict of interest management procedure, non-compliance with the fee limitations defined in the prospectuses, or again the dissemination of unbalanced information. The Committee also noted that the asset management company had failed in its obligation of due diligence and loyalty with regard to the inspection task force by giving approximate or inaccurate answers after an excessively long time.

■ Moreover, for the first time, the Committee ruled that three companies, belonging to the same group as the asset management company but which were not targeted by the AMF inspection, were guilty of obstruction, due to their refusal to submit their general ledgers covering the three years that were examined by the inspectors.

■ It considered that the inspectors' repeated requests, circumscribed regarding their scope and the period covered, were necessary for the purposes of the inspection given the strong financial ties between the various companies in the group and the very close nature of their business relations. It also noted that the request for disclosure was made in the context of a factual situation in which these companies, although third parties to the inspection, belonged to the same group as the company inspected, were managed by the same natural person, and had been informed by the inspectors of the procedure initiated against the asset management company, and informed of the special attention paid to the issue of conflict of interest management in the group. The Committee specified that the business secrecy invoked by these three companies as grounds for their refusal was not enforceable in the case of an AMF inspection.

■ The manager of the asset management company has lodged an appeal before the French Conseil d'Etat while the three companies in the group sanctioned for obstruction have brought an appeal before the Paris Court of Appeal.

Price manipulation on sovereign bonds

■ By a decision of 4 December 2019, the Enforcement Committee imposed a fine of €20 million on a UK investment service provider incorporated under English law, for price manipulation concerning sovereign bonds and a futures contract on sovereign bonds.

■ The Committee first retained jurisdiction to hear the allegations brought, which concerned not only French Treasury bonds (OATs) traded in France but also OATs traded on a UK trading platform, Belgian sovereign bonds (OLOs), futures contracts on OATs (Euro-OAT Future or FOAT) and futures contracts on German bonds (Euro-Bund Future or FBGL and Euro-Buxl Future or FGBX) traded on the German Eurex market. It considered that there existed correlation links between the price of these instruments and that of OATs.

■ Then it considered that the implicated company had set the price of the FOATs, as well as the price of 14 OATs and 8 OLOs, at abnormal and artificial levels. It considered that the purpose of the FOAT acquisitions was to influence the price of this financial instrument upwards, in order to cause an abnormal and artificial increase in the price of these OATs and OLOs, because of the correlation links between these instruments, immediately before selling them.

■ The Committee considered that these acts also constituted price manipulation through the use of a form of deception or contrivance, since the FOAT acquisition was inconsistent with the overall strategy of the implicated company and had the effect of giving other participants a distorted picture of the state of the French sovereign bond market.

■ The Committee however dismissed the complaint of FGBL and FGBX price manipulation, considering that the purpose of the operations on these instruments was not to obtain a certain price quotation in order to influence the price of the OATs.

■ The implicated company brought an appeal before the Paris Court of Appeal.

Dissemination of false information by a company specialised in economic and financial information

■ On 11 December 2019, the Enforcement Committee imposed a fine of €5 million on a company specialised in economic and financial information intended mainly for market professionals. It was reproached with having disseminated information that it ought to have known was false, and which was liable to set the share price of an issuer at an abnormal or artificial level.

During one trading session, two journalists of the implicated company published various dispatches which replicated in substance the content of a press release received which mentioned the discovery by the issuer in question of very serious accounting irregularities requiring an audit of its consolidated accounts for its prior financial year, resulting in the recognition of a net loss instead of profits for the period in question, and the dismissal of its Finance Director. Following the dissemination of these dispatches, the content of which was also relayed by other media, the price of the share in question recorded a decrease of 18.28%. Eight minutes after the first dispatch was published, the implicated party deleted the contentious dispatches and published five correcting statements. Not long after, the issuer in question published on its website an official press release formally refuting the information appearing in the false press release relayed by the implicated party.

In considering that this press organisation had disseminated information which it should have known was false, the Enforcement Committee noted that the publication of the dispatches, which began one minute after receiving the fraudulent news release, was preceded by no verification by the two journalists, even though the release sent during the trading session, which contained several errors and reported very serious information, pointed to a dramatic and immediate drop in the share price and required increased vigilance on their part.

The Committee also ruled out the benefit of the protection granted by the European Market Abuse Regulation to journalists in cases of dissemination of false information, considering that the rules governing press freedom and freedom of expression had not been respected by the implicated press organisation, which performed no verification of the information prior to publication. The Committee stressed, in this respect, that this protection granted to journalists was subject to the condition that they act in good faith so as to provide information that is accurate and credible.

The implicated company has lodged an appeal before the Paris Court of Appeal.

Violations of the rules relating to public offers and investment recommendations

In a decision of 31 December 2019, the Enforcement Committee fined an issuer €150,000 for failure to comply with the obligation of establishing a prospectus, and imposed a fine of €100,000 on a company specialised in the publication of economic magazines and the dissemination of surcharged phone services for failure to disclose the existence of a significant conflict of interest. However, it dismissed the case against the chairman of a shareholder association whose members had sent him proxies to exercise their voting rights at the annual general meeting of the issuer, and who was reproached with failing to disclose the fact that he had exceeded several shareholding thresholds owing to these proxies.

As regards the issuer, it had initiated a proposed public exchange offer targeting the shares of another company, a proposal regarding which the AMF had expressed a non-compliance decision. On the same day, the issuer published a press release inviting all shareholders and bearers of convertible bonds of the company to conclude individual capital contribution agreements with it. The issuer was reproached with having, in this way, unlawfully continued with its proposed public exchange offer.

The Enforcement Committee considered, first, that some of the procedures for implementing the exchange of securities presented in this press release differed from those of the proposed public exchange offer and that the press release did not demonstrate persistence in initiating the proposed public exchange offer declared non-compliant, but merely a continuation of the possibility of over-the-counter capital contribution agreements, which had been publicly announced from the outset. It therefore dismissed the two allegations based on violation of the operating rules and general principles governing public offers.

■ Conversely, it considered that in carrying out five capital increases as consideration for the aforementioned capital contributions through the issue of shares subsequently admitted to trading on Euronext, without establishing a prospectus to be submitted for prior approval by the AMF, the issuer had failed to comply with the rules governing the admission of securities to trading on a regulated market.

■ Regarding the publishing company which had expressed investment recommendations concerning the issuer's securities, the Committee ruled that by failing to mention the existence of the commercial ties binding them, even though those ties were likely to constitute a significant conflict of interest, the implicated party had failed to meet its obligations.

■ Lastly, regarding the chairman of a shareholder association, whose case was dismissed, the Committee considered that although the chairman had freely chosen his voting policy, which was reflected in voting intentions published on his website, the wording used in the proxies showed notably that the mandator shareholders had given him a "specific instruction" to vote in line with the voting intentions mentioned above, which is confirmed by attestations provided during the Committee session.

■ This decision is the subject of principal appeals brought before the Paris Court of Appeal by the AMF chairman and by the sanctioned publishing company.

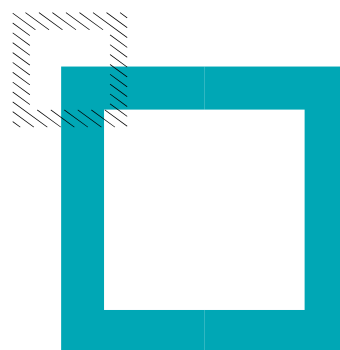
Appeals

■ The decisions of the Enforcement Committee can be appealed by the respondents or by the chairman of the AMF (known as a "principal" appeal) within two months from their notification. The chairman of the AMF may also file an appeal, known as a "cross-appeal", in response to an appeal filed by a respondent, within a period of two months from the notification of such appeal.

■ Appeals against decisions of the Enforcement Committee are brought:

- before the Conseil d'Etat for decisions handed down with regard to professionals subject to AMF supervision (investment service providers, financial investment advisers, depositories, members of regulated markets, etc.) or with regard to persons placed under their authority or acting on their behalf;
- before the Paris Court of Appeal in other cases.

■ Out of the nineteen decisions handed down in 2019 by the Enforcement Committee imposing sanctions, eleven were appealed by the persons sanctioned, two were the subject of a cross-appeal and one was the subject of a principal appeal filed by the chairman of the AMF.



Decisions handed down by the Conseil d'Etat

■ In 2019, the Conseil d'Etat handed down 6 decisions: 3 ruled on the merits, 1 formally noted the withdrawal of their appeals by a respondent and by the chairman of the AMF, and 2 ruled for suspending the execution of a decision. In the latter two cases, the Conseil d'Etat partially granted the request of the respondents, by suspending the two decisions of the Enforcement Committee for having in each case imposed a fine which exceeded an amount that it had determined.

■ Three of these decisions ruling on the merits may be noted in particular.

■ By an anonymised decision of 29 May 2017, the Enforcement Committee had imposed a fine of €100,000, together with a disqualification from exercising, on a financial analyst for failures to comply with his professional obligations and for the dissemination of false information. The Committee had, however, dismissed the charge of insider trading against the implicated party, concerning the use of 28 inside information relating to investment recommendations, issued by the research firm that employed him, to which he had access.

■ Examining the principal appeal of the chairman of the AMF, the Conseil d'Etat, by a ruling of 30 January 2019, partially reversed the decision of 29 May 2017 and rose the fine to €200,000.

■ In its decision, the Conseil d'Etat first gave a reminder that investment research work or financial analysis did not, in principle, constitute inside information, insofar as this work was produced based on public data. It nevertheless admitted that the convergence of certain conditions could allow it to be considered as inside information, especially if the work is intended for imminent publication, expected by the market, and reveals, on the part of these institutions, a recommendation concerning financial instruments which is issued for the first time or modifies recommendations previously issued.

■ These conditions were met in this case, because the analyst had learned of recommendations, expressed for the first time or modifying those expressed previously, which were precise and not yet made public, for which he could not be unaware of the time of publication. Moreover, the analysis and research firm which employed him was one of the leading European research services whose publications are normally much-awaited by the market and contribute to the process of price formation for financial instruments. The Conseil d'Etat therefore considered that the breach was established.

■ By a decision of 6 November 2019, the Conseil d'Etat reduced to €20 million the fine of €35 million imposed by the Enforcement Committee in a plenary session on 25 July 2017, on an asset management company for misconduct relating to the existence of undue and unjustified charges for bearers, excessive management fees and the information indicated in the funds' annual reports.

■ In its ruling, the Conseil d'Etat first dismissed all the procedural arguments and those based on the partial term of limitation of the facts raised by the asset management company.

■ The Conseil d'Etat then upheld, concerning the substance, the analysis of the Enforcement Committee regarding the characterisation of the breaches, except for the breach relating to the respect of equality between bearers. It considered that, for each period considered, a single rate was applied to all the bearers, and that, as a consequence, there had been no violation of the principle of equality between bearers. However, the Conseil d'Etat noted the superfluous nature of this argument.

■ Regarding the amount of the fine, the Conseil d'Etat noted that the asset management company could have secured the same level of remuneration for itself without disregarding the regulations relating to undue charges. It also considered, as did the Committee, that the management policy employed by the implicated party had made it possible to achieve the formula at the deadline and that said party had rapidly acted on the conclusions of the AMF inspectors. The fine was therefore reduced to €20 million.

Decisions handed down by the Paris Court of Appeal

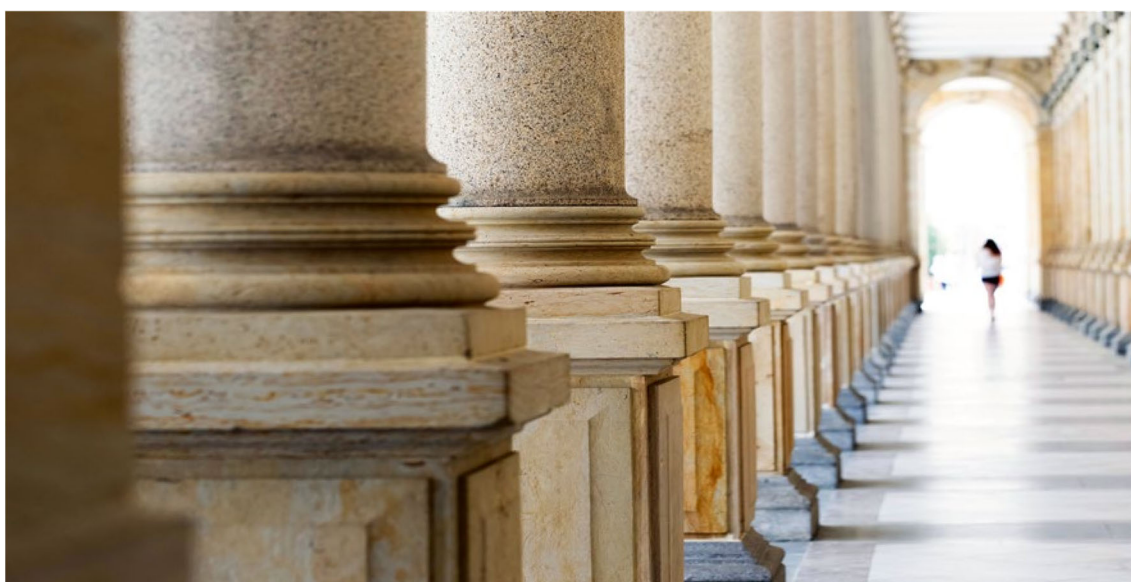
■ In 2019, the judge delegated by the president of the Paris Court of Appeal issued three rulings dismissing requests by sanctioned parties for stay of execution of decisions handed down by the Enforcement Committee. He also issued an order taking formal note of the withdrawal of the request for stay of execution of a decision of the Enforcement Committee which had itself dismissed a request for a stay of proceedings.

■ The Court of appeal also handed down a decision taking formal note of the withdrawal by a plaintiff of its appeal against the Committee's decision which had rejected its request for deferment of the verdict, and a ruling rejecting the appeal brought against the decision of the AMF chairman to send the plaintiff a statement of objections. On the merits, it handed down six decisions, one of which declared an appeal inadmissible, while two rejected the appeals, one partially overturned the Committee's decision and two pronounced a partial reversal.

■ Three of these decisions may be noted in particular:

- By a ruling of 23 May 2019, the Paris Court of Appeal rejected the appeal made by two of the four persons sanctioned by a decision of 5 July 2018. In this case, the Enforcement Committee had, in particular, imposed fines of €20,000 and €60,000 on two shareholders of a listed company for failure to comply with their reporting obligations regarding shareholding thresholds' crossings and, in the second case, dissemination of misleading information when presenting its declaration of shareholding thresholds' crossings.

In its ruling, the Court of Appeal first ruled out the argument based on the inadmissibility of the AMF's observations before the Court raised by a plaintiff who argued that if the chairman of the AMF wanted to express arguments against his appeal that had been made, it was incumbent on him to bring a cross-appeal. It also judged admissible the appeal brought by this same plaintiff, whose reporting did not contain all of the indications prescribed by the French Code of Civil Procedure, on pain of nullity. The Court considered that the terms of his statement of appeal clearly reflected his desire to dispute the fine, and that the omissions had been rectified, thereby guaranteeing the right of access to the judge. It then upheld the Committee's analysis on the merits and rejected the appeal.



Regarding the appeal brought by the second shareholder, the Court of Appeal rejected all the procedural arguments raised by the latter and his application for annulment of the decision, presented out of the deadline. Next, it considered that the three elements constituting the breach of dissemination of incorrect and misleading information via a declaration of shareholding thresholds' crossings were established, and rejected his appeal.

An appeal before the Court of Cassation is pending.

- In the context of the disciplinary proceedings initiated against it on 28 September 2017 on the grounds of Article L. 621-15 of the Monetary and Financial Code, an issuer whose shares were traded on Compartment C of the Euronext Paris regulated market until 26 February 2015, when it requested the suspension of their listing, brought before the Paris Court of Appeal an appeal for annulment of the implicit decision of refusal, arising from the silence of the AMF chairman, to withdraw the first claim which had been notified to it, on the basis of lack of grounds.

Ruling for the first time on the question of whether the statement of objections was subject to appeal within the meaning of Article L. 621-30 of the Monetary and Financial Code, the Paris Court of Appeal considered, by a ruling of 20 June 2019, that such an appeal was inadmissible in the absence of an appeal against the decision of the Enforcement Committee.

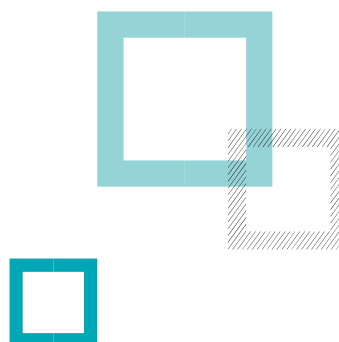
An appeal before the Court of Cassation is pending.

- By a decision of 14 December 2018, the Enforcement Committee had imposed fines ranging between €20,000 and €800,000 on ten natural persons and one legal person charged with insider trading, and dismissed the case against two persons. In a decision of 19 December 2019, the Paris Court of Appeal dismissed both procedural arguments and arguments on the merits brought by four sanctioned persons.

On the merits, the Court noted that the information relating to the disposal of a majority stake in a company specialised in homecare and the subsequent proposed takeover bid presented the characteristics of an inside information, reiterating on all points the arguments of the Committee.

Next, the Court of Appeal gave a reminder that the body of evidence method of proof can be used to establish the possession of inside information, but also to demonstrate that the person possessing such information knew, or ought to have known, that this was inside information in the same way as the recommendation made to a third party to carry out a transaction based on such information. The Court also gave a reminder that the Enforcement Committee was not required to establish the precise circumstances in which the information had reached its user, nor to identify the source of possession of the inside information in order to sanction an insider dealing breach. Notably applying the body of evidence method, the Court established all the failings noted by the Committee.

Finally, the Court noted that the amounts of the fines imposed by the Committee were all proportionate, in light of the criteria of personalisation of the sanction and its dissuasive nature, necessary for its effectiveness.



Decisions handed down by the Court of Cassation

■ In 2019, the Court of Cassation handed down four decisions rejecting the appeals made by the persons sanctioned.

■ Two of these decisions may be noted in particular, since they bring to an end two proceedings initiated in 2013 and 2014 concerning insider trading.

- Its first decision of 27 March 2019 concerned a ruling of the Paris Court of Appeal of 14 January 2016, which rejected the appeal filed against the Committee's decision of 25 April 2014 which had imposed fines of €8 million on two companies for having, one transmitted, and the other used, inside information concerning the existence of negotiations in view of a fund's disposal of its equity stake in another company. The Court of Cassation, which considered that only the grounds of appeal relating to the assessment of the fines deserved to be examined, approved the Court of Appeal which took into consideration the serious nature of the breach, by the sanctioned companies, of their absolute obligations of abstention and the particularly serious nature of the noted breaches, assessed in light of the personality of their instigators, two finance professionals, and the profits made, little matter that said profits were made for the benefit of a third party; regarding the latter point, this establishes a new legal precedent.

- In a second decision of 2 October 2019, the Court of Cassation rejected the appeal brought by an insider on whom the Enforcement Committee had on 18 October 2013 imposed a fine of €14 million for having used inside information relating to a proposed takeover bid. His appeal against this decision had been rejected by the Paris Court of Appeal by a decision of 28 September 2017.

In its decision, the Court of Cassation first dismissed the argument by virtue of which the AMF's requests for information necessarily had to come within the framework of an international cooperation agreement. It considered that the provisions of the Monetary and Financial Code did not govern the procedures for gathering information received from abroad but only those for sending information abroad, and therefore did not prevent the AMF from using, for the purposes of an investigation for which it is responsible, information obtained from foreign authorities outside of any prior cooperation agreement.

Furthermore, regarding the impartiality of the rapporteur, the Court of Cassation considered that the fact of entrusting an additional investigation to the rapporteur in charge of the initial investigation, and who had already expressed an opinion on the characterisation of the alleged breaches was not in itself contrary to the principle of impartiality. It added that the Committee had, in this case, precisely defined the task of the rapporteur, that this task was limited to searching for exclusively factual and objective information, and that the rapporteur had strictly complied with its framework and limits.

Lastly, the Court of Cassation rejected the arguments relating to violation of the principle of proportionality due to the confiscatory nature of the fine of €14 million. It also reiterated the observations of the Paris Court of Appeal relating to the amount of the capital gain, and the available information concerning the wealth of the implicated party and his investment habits.

Decision handed down by the European Court of Human Rights (ECHR)

■ On 6 June 2019, the European Court of Human Rights (ECHR) handed down a decision concerning disciplinary proceedings by the AMF.

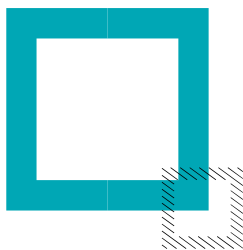
■ In a decision of 20 December 2007, the Enforcement Committee had fined a financial analyst €250,000 for acts of price manipulation. The appeal made by the person concerned against this decision had been rejected by the Paris Court of Appeal in 2008, and his appeal was also rejected by the commercial division of the Court of Cassation in 2009.

■ In 2010, for the same acts, classified as an offence of obstructing the regular functioning of a market, the person concerned had been sentenced by the Paris criminal court to eight months' prison, a sentence reduced to three months by the Paris Court of Appeal in 2012; his appeal against the latter judgment had been rejected in 2014 by the criminal division of the Court of Cassation.

■ He had therefore referred the matter to the ECHR, citing a violation of the *non bis in idem* principle, protected by Article 4 of protocol No. 7 of the European Convention on Human Rights.

■ In its ruling, the Court reaffirmed that this article prevented prosecuting or judging a person for a second offence when it originates in facts which are identical or substantially the same. Next, it stated that it was incumbent on the defendant State to establish conclusively that the administrative and criminal procedures were united by a sufficiently close material and temporal link and that they combined so as to be incorporated into a coherent whole, failing which there would be a breach of the Convention. The Court considered in this case that there existed no sufficiently close material link between the two procedures and concluded that the plaintiff had incurred disproportionate damage as a result of having been prosecuted and convicted twice for the same acts. It therefore unanimously sentenced France for violation of the *non bis in idem* principle.

■ Subsequent to the convictions of this person, Act No. 2016-819 of 21 June 2016 reforming the system for repression of market abuse brought to an end cumulative administrative and criminal prosecutions in this area.





PRESENTATION OF THE FINANCIAL STATEMENTS OF THE AUTORITÉ DES MARCHES FINANCIERS FOR THE 2019 FINANCIAL YEAR

1

THE AMF'S
FINANCIAL SITUATION

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INCOME STATEMENT

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ASSETS BALANCE
SHEET

4

LIABILITIES BALANCE

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The framework governing the accounting records of the Autorité des Marchés Financiers (AMF) is specified in Articles R. 621-10 and following of the Monetary and Financial Code, under which:

- the AMF's financial statements are prepared in accordance with the rules of the French General Accounting Plan;
- the financial statement accounts are drawn up by the Accounting Officer and submitted by the Chairman to the Board, which hears the Accounting Officer. The financial statement accounts are approved by the Board and are forwarded to the Cour des Comptes (audit authority) by the Chairman.

The financial statements are kept in compliance with the general principles of prudence, continuity, sincerity and true and faithful image of the institution's financial situation.

1 THE AMF'S FINANCIAL SITUATION

Results for the 2019 financial years

A loss for the eighth year in a row

The loss for the year amounted to **-€0.99 million (€1.99 million in the initial budget) after repayment of €9.89 million to the State budget**. Compared with 2018, the result shows a deterioration of €0.8 million mainly due to the non-recurring nature of the reversal of the provision for retirement benefits recorded in 2018 (€2.2 million).

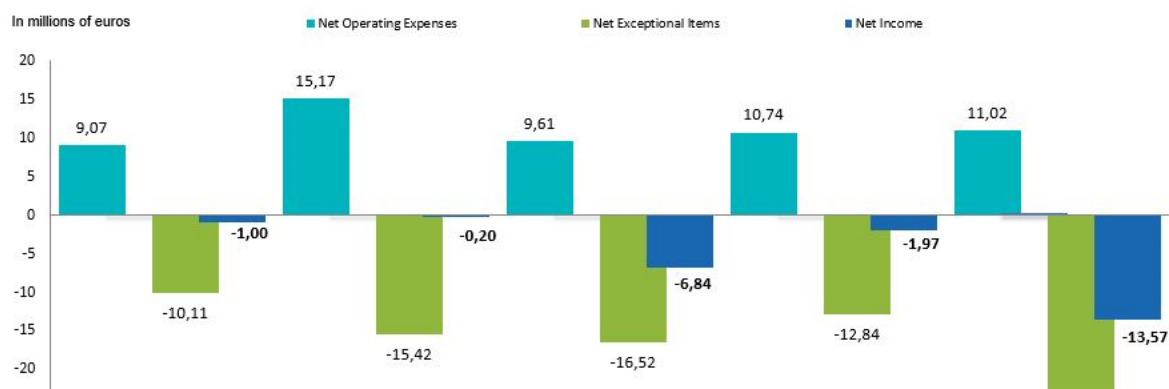
Contributions from obliged entities amounted to €113.79 million (including €6 million in voluntary contributions) compared with €116.07 million in 2018. However, owing to the increase in the income ceiling from €94 to €96.5 million, the AMF's resources increased while repayments to the State budget decreased.

Operating expenses excluding depreciation, amortisation and provisions amounted to €100.14 million, up 1.7% on 2018, while depreciation, amortisation and provisions, net of reversals, amounted to €6.12 million, up €1.55 million on 2018. There was limited growth in staff numbers during the year, with the average number of AMF FTEs (full-time equivalent employees) reaching the ceiling of 475 set by the Finance Act (458 on average in 2018).

Operating expenses (€9.07 million) and net financial items (€0.05 million) did not cover net exceptional items (-€10.11 million), which mainly reflects the repayment to the State budget.

This graph shows the change in the net result between 2015 and 2019 and its composition:

This graph shows the change in the net result between 2015 and 2019 and its composition



Insufficient cash flow resulting in a withdrawal from working capital

Cash flow from operations, which measures the surplus of internal resources generated by the Authority's activity that it can use for its own financing, amounted to **€5.35 million in 2019**.

Use of funds related to the acquisition of intangible and tangible assets amounted to a net total of €12.95 million, while there was a withdrawal from working capital totalling **€7.58 million**.

Consequently, **working capital, which was €17.12 million at the end of 2018, reduced to €9.54 million by the end of 2019**.

As liabilities plus deferred income were higher than trade receivables plus pre-paid expenses (due mainly to the repayment to the State budget of the surplus of contributions over the income ceiling), the working capital requirement remained negative and provided a resource for the AMF (€29.61 million compared with €36.71 million at the end of 2018).

Overall, **despite a sharp reduction (-€14.67 million from the end of one year to the next), the AMF's cash position remains positive at €39.15 million**.

2020 budget outlook

As in previous years, the AMF is facing increased demands, particularly in terms of:

- the implementation of new European regulations;
- anti-money laundering and combating cybercrime;
- sustainable and digital finance, introduced by the PACTE Law;
- the protection of information systems and IT security, requiring the insourcing of certain IT functions.

More specifically, the AMF has drawn up its priorities for action for 2020 in line with the objectives of the 2018-2022 strategic plan. The AMF has defined five priority areas, for which it has set the following targets:

- the attractiveness of financial markets in terms of both corporate financing and the allocation of savings;
- the regulatory framework and supervision of asset management with the aim of supporting a clearer architecture and greater regulatory convergence in Europe;
- continued preparation for the post-Brexit period, to support market participants and to play a role in defining future relations;
- the transition towards sustainable finance by helping to define a qualitative and understandable framework;
- the competitiveness of European markets in the digital sector.

At the same time, the AMF intends to continue its

transformation in terms of digitising its processes and increasing its data use in order to modernise its working methods and achieve productivity gains.

In this regard, the AMF has secured **an increase in the income and employment ceilings** for 2020 from €96.5 million **to €99 million** and from 475 to 485 FTEs respectively, as set out in the 2020 Finance Act.

Accordingly, the 2020 budget adopted in December included the following:

- gross **income of €116.37 million**, comprising:
 - contributory income valued at €108.99 million following the reform of fees and contributions received by the AMF; the consequences of the health crisis on the financial markets, which will also affect these contributions, are still difficult to estimate, but they are likely to have a significant impact on 2021 income;
 - the voluntary contribution of €6 million from the *Association Française de la Gestion Financière* (French Asset Management Association AFG) to finance the BIO3 IT project;
 - miscellaneous income of €1.38 million relating to the re-invoicing of expenses;
- a **repayment** to the general State budget of **€9.99 million**, compared with €9.89 million in 2019;
- a €3.52 million increase in operating expenses to meet the objectives of the 2018-2022 strategic plan.

Projected net income is expected to be close to -€3.41 million compared with a loss of -€0.99 million in 2019.

The amount of investment (**€14.99 million**) is expected to increase by €2.07 million, mainly due to the €2.12 million increase in IT investments.

The withdrawal from working capital is expected to be €12.89 million **and working capital is expected to turn negative.**

In addition, the AMF renewed its commitment to a contract to supply legal databases offered by the French State Procurement Directorate (DAE). This mechanism enables the AMF to make significant savings in terms of both administration and annual costs.

With a view to consolidating its needs through bulk purchases, the AMF also continued to use central purchasing bodies (e.g. the Union of Public Purchasing Groups or UGAP) for some of its needs, particularly for IT services and building maintenance and upkeep.

Multi-year expenditure optimisation plan

In accordance with Article 21 of French Law 2017-55 of 20 January 2017 on independent administrative authorities (IAAs) and independent public authorities (IPAs), the AMF has initiated and implemented measures to pool its services with those of other IPAs or IAAs or with those of a ministry. The implementation of a shared framework agreement for travel agency services as part of an inter-IAA/IPA order pooling system. This pooling of purchases results in favourable pricing conditions and a mass effect for the service provider in the event of difficulties in delivering the service.

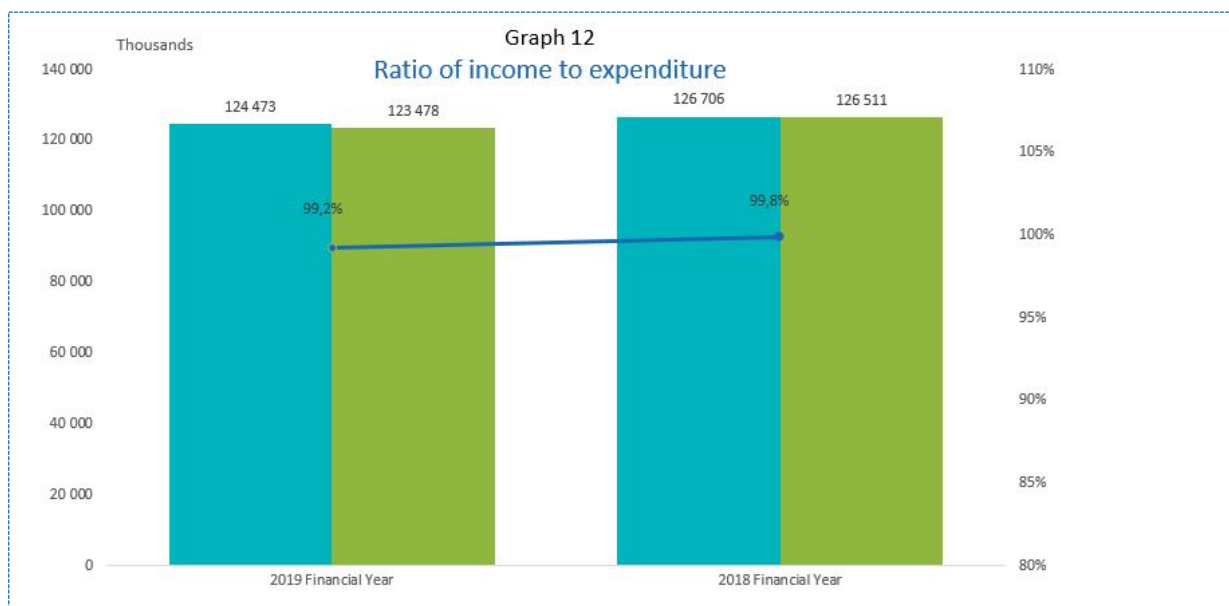
2 Income statement

The graph below shows the change in the coverage rate of expenses by income, which decreased by 0.6 points between 2018 and 2019, resulting in a loss of **-€0.99 million**.

This slight decrease is due mainly to the change in staff costs in line with the increase in headcount (+13.4 FTEs) and the decrease in other income, particularly from re-invoicing and day-to-day management. The increase in the income ceiling, from €94 million to €96.5 million, therefore partially absorbs these components.

For the financial year, total income amounted to **€123.48 million** and expenses to **€124.47 million**. Income therefore covered 99.2% of expenses.

Adjusted to account for the exceptional expense of €9.89 million related to the income ceiling, the 2019 result would be a profit of €8.89 million.



Operating income

Income for the 2019 financial year, down 2.4%, amounted to **€123.48 million**. Excluding non-cash income (reversals of provisions amounting to €8.09 million), income amounted to €115.39 million, down 2.5% compared with 2018 (€118.30 million).

Special income (fees and contributions)

This income, which fell by 2.1% to **€107.79 million**, came from:

- fees levied on market capitalisation of €22.36 million (€18.42 million in 2018), up by 21.4%;
- fees and contributions due on the issue of financial instruments, the review of takeover bids and threshold crossing disclosures of €9.92 million (€20.02 million in 2018), down by 50.4% following the legislative reform that came into force on 1 January 2019;
- fees levied on the exercise of investment services (dealing on own account) of €9.77 million (€9.20 million), up by 6.2%;
- fees levied on service providers and savings products of €63.98 million, including €47.66 million for management services (€60.70 million, including €43.13 million for management services in 2018), up by 5.4%;
- the contribution due from market infrastructures, based on the operating income for the reporting year, of €1.76 million (€1.72 million in 2018), up by 2.4%.

The breakdown of fees and contributions recorded in 2019 is as follows:

- fees from investment services providers and savings products 68.42% compared with 63.52% in 2018;
- fees from corporate financing transactions 29.94% compared with 34.92% in 2018;
- fees paid by market infrastructures 1.64% compared with 1.56% in 2018.

Voluntary contributions

This voluntary contribution of **€6 million** is paid pursuant to Article L. 621-5-5 of the Monetary and Financial Code and the agreement between the AFG and the AMF for €30 million over five years. It contributes to the financing of the BIO3 IT project designed to provide an interface with asset management companies.

This contribution is paid in a single instalment no later than 31 October of each year from October 2018 to October 2022.

Other income

The total for other income, amounting to €1.54 million (€2.17 million in 2018), mainly relates to:

- seminars and training days amounting to €0.68 million;
- re-invoiced operating costs amounting to €0.38 million (FSMA/AMF agreement);
- re-invoicing relating to staff made available amounting to €0.18 million;
- invoicing for data transmission relating to UCITS amounting to €0.16 million;
- cancellation of unused accrued expenses no longer applicable amounting to €0.01 million;
- judgements and rulings made in favour of the AMF amounting to €0.04 million;
- assets issued in favour of the AMF amounting to €0.04 million.

Reversals of provisions

These amounted to €8.09 million and include reversals of impairment in value of trade receivables and reversals of operating provisions.

Operating expenses

Operating expenses increased by 2.8% to **€114.35 million** (€111.28 million in 2018). The change is mainly due to the increase in provisions (+€1.4 million), wages and salaries and other staff costs (+€1.18 million) and the contribution paid to ESMA (+€0.37 million).

Purchases of merchandise and purchases of non-inventoried items and supplies

At **€0.93 million** (€1.18 million in 2018), these expenses decreased by 21.5% due to the combined effect of a decrease in IT expenditure following the upgrade to the office automation environment in 2018 and an increase in furniture purchases as part of the fitting-out work at the AMF offices.

Other purchases and external expenses

At **€33.63 million** (€32.77 million in 2018), these remained stable compared with 2018.

General subcontracting

At **€0.22 million**, this line item decreased by 3.3%. It mainly covers the control tasks delegated to the ACPR and the Banque de France.

Rent (real estate, furniture and equipment) and rental charges

At €6.11 million, this line item remained stable, increasing by only €0.03 million (+0.4%).

Upkeep, repair and maintenance

At **€2.48 million**, this line item increased by €0.11 million (+4.6%). This line item primarily includes the costs of maintaining buildings and information technology. The increase is due to the change in support centre expenditure following the upgrade to the office automation environment and the introduction of working from home.

Documentation, conferences and seminars

These expenses amounted to **€1.73 million**. The decrease of €0.04 million (-2.3%) relates to reduced costs of -€0.03 million for documentation and -€0.01 million for symposia, seminars and conferences.

Payments to intermediaries and fees

At **€1.61 million**, the €0.19 million decrease (-10.3%) in this line item mainly relates to:

- the decrease in temporary staff of €0.22 million in relation to the needs of the departments and to the decrease in translation costs of €0.14 million;
- partly offset by the increase in seconded staff of €0.17 million.

Miscellaneous

This line item encompasses a set of expenses that amounts to **€21.49 million**. The €0.94 million increase (4.6%) in this line item mainly relates to:

- an increase of €0.74 million in external IT services, particularly for the security of critical resources (+€0.28 million), the digital transformation (+€0.08 million) and the development of the new 2020-2022 strategic plan for information systems (+€0.18 million);
- an increase of €0.37 million in the contribution paid to ESMA for its operations and the European IT shared services project;
- and a decrease of €0.09 million in other miscellaneous line items, in particular for minor fitting-out work.

Other expenses

Other expenses amounted to **€1.14 million** (€1.1 million in 2018). The €0.04 million decrease (-3.7%) mainly relates to:

- cancellations of receipts from previous financial years amounting to €0.47 million;
- royalties for concessions, patents and computer tool licences amounting to €0.17 million;
- subsidies of €0.32 million paid to the Legal High Committee for Financial Markets of Paris, the Europlace Finance Institute and ORIAS to cover the costs of introducing the system and management required to recover the contributions owed by FIAs and CIAs to the AMF, now outsourced to ORIAS;
- copyright and reproduction rights and similar rights for €0.12 million;
- trade receivables that have become bad debt amounting to €0.04 million.

Staff costs

Wages and salaries

Wages and salaries amounted to **€38.32 million** (€37.46 million in 2018), an increase of €0.86 million (+2.3%). This is explained by:

- the implementation of the wage policy adopted for 2019 in terms of individual increases and variable pay, with the understanding that there has been no general increase or wage drift due to seniority and/or skills (*glissement-vieillesse-technicité* or GVT);
- the average full-time equivalent (FTE) headcount, which increased from 484 FTEs in 2018 to 497.4 in 2019, an increase of +13.4 FTEs.

Welfare charges, employee benefits, matching payments, other

At **€16.81 million** (€16.49 million in 2018), these expenses increased by 2%. The increase mainly relates to contributions to the URSSAF and to the various pension funds (AGIRC-ARRCO and IRCANTEC), but also relates to meal vouchers and health insurance/employee benefits.

Employee profit-sharing

Profit-sharing amounted to **€1.95 million** (€2.15 million in 2018), down 9.1% compared with 2018, with the profit-sharing rate decreasing from 6.45% in 2018 to **6.03%** in 2019.

Taxes and similar payments

This line item amounted to **€7.36 million** (€7.34 million in 2018). It primarily includes payroll tax (€4.97 million), transport payments (€1.07 million), employer contributions to continuing professional training (€0.37 million) and housing tax (€0.47 million).

Depreciation, amortisation and provisions

Annual depreciation and amortisation amounted to **€4.29 million** (€2.93 million for intangible assets and €1.36 million for tangible assets).

Operating provisions amounted to €9.89 million and mainly include:

- the cost of unemployment benefit;
- the 2019 pension expense in respect of pension commitments and similar benefits;
- the provision for disputes;
- the provision relating to the restoration work on the building located at 17 Place de la Bourse in Paris at the end of its lease;
- the provision relating to the estimated additional payment in 2019 to the general State budget resulting from outstanding amounts to be recovered from trade receivables falling within the scope of Article L. 621-5-3 of the Monetary and Financial Code.

Interest income

Interest income decreased to **€0.05 million** (€0.06 million in 2018) and resulted from the interest on the Livret B passbook savings account with a gross interest rate of 0.1% (0.076% net).

At 31 December 2019, investments amounted to €39.14 million in Livret B passbook savings.

Non-recurring expenses

The total of these expenses amounting to **€10.12 million** (€15.42 million in 2018) includes:

- the non-recurring expense of €9.89 million resulting from the implementation of the ceiling on taxes allocated to operators provided for in Article 46 of the 2012 Finance Act (ceiling set at €96.5 million for the AMF in 2019 compared with €94 million in 2018);
- the net book value of fixed assets taken off the inventory amounting to €0.23 million.

3 Assets balance sheet

Intangible assets: €26.58 million

Total IT investments at the end of the 2019 financial year amounted to €7.28 million, of which €7.22 million related to prepayments on projects in the Information Technology strategic plan (in particular ICY and BIO3).

Prepayments on intangible assets in 2019 amounted to €14.76 million.

The net book value of prepayments taken off the balance sheet amounts to €0.22 million.

Tangible assets: €5.76 million

Acquisitions of tangible assets amounted to €3.30 million, including primarily space planning and fitting-out work (€2.31 million) and computer hardware (€0.92 million), of which €2.21 million related to prepayments.

Prepayments on tangible assets in 2019 amounted to €0.96 million.

Tangible assets taken off the balance sheet amounted to €0.38 million.

Long-term investments: €0.03 million

This line item includes deposits and guarantees paid amounting to €0.03 million.

Operating receivables: €23.77 million

The line item Trade Notes and Accounts Receivable breaks down as follows:

- €2.03 million of receipts recorded in the accounting officer's entries during the month of December 2019 and which, as a result, could not be collected before the end of the financial year;
- €2.68 million of receipts recorded in December 2019 relating to the contribution from FIAs and CIAs paid by ORIAS on 10 February 2020;
- €0.73 million of receipts recorded in 2019 that were outstanding;
- €0.33 million of receipts recorded prior to 2019 that were outstanding;
- €18 million representing the balance, after receipt of the €6 million on 31 October 2019, of the receivable due from the AFG under the agreement signed between the AMF and the AFG on 29 March 2018.

OTHER TRADE RECEIVABLES: €0.02 MILLION

This line item includes the value of meal vouchers, salary advances and payment orders.

Cash at hand and in bank: €39.15 million

As well as the Livret B passbook account (€39.14 million), this line item also includes bank account balances and cash at hand that amounted to €0.01 million.

Pre-paid expenses: €0.51 million

This line item includes all insurance and maintenance contracts spanning several financial years.

4 Liabilities balance sheet

A. Reserves:

The net income for the 2019 financial year of **-€-0.99 million** is allocated to the institution's reserves.

Reserves before allocation: €27.24 million
Net income (loss): -€0.99 million
Reserves after allocation: €26.25 million

After allocation of income, the reserves amounted to **€26.25 million**.

B. Provisions for risks and charges: €15.66 million

Provisions for risks amounted to €3.16 million.

Provisions for charges of €12.50 million mainly relate to:

- pension commitments and similar benefits;
- the cost of unemployment benefit;
- matching payments for 2019 profit-sharing;
- the restoration work on the building located at 17 Place de la Bourse in Paris at the end of its lease;
- the estimated additional payment in 2019 resulting from outstanding amounts to be recovered from trade receivables falling within the scope of Article L. 621-5-3 of the Monetary and Financial Code.

C. Operating liabilities: €29.82 million

Trade notes and accounts payable: this line item corresponds to invoices not received by the AMF at the end of the financial year for a total of €5.73 million and, for €2.63 million, invoices in the process of being settled at the end of the financial year.

This line item also includes the exceptional expense of €9.89 million resulting from the income ceiling of €96.5 million for 2019.

Tax and welfare liabilities: this line item, amounting to €11.58 million, includes the liability provisioned for paid leave (€5.21 million, including charges), profit-sharing (€2.63 million, including charges), the proportion of variable remuneration (€2.68 million, including charges), and amounts due to the various social organisations (€1.06 million).

D. Payable to fixed asset suppliers: €4.18 million

This line item corresponds to invoices from fixed asset suppliers not received at the end of the financial year for €2.45 million and, for €1.73 million, invoices in the process of being settled at the end of the financial year.

E. Other liabilities: €1.91 million

This line item mainly includes suspense accounts amounting to €1.23 million.

F. DEFERRED INCOME: €18 MILLION

This line item corresponds to all voluntary contributions still to be collected between now and 2022 under the agreement signed between the AFG and the AMF on 29 March 2018.

It is forecast that €6 million will be collected before 31 October each year.

Table 13
AM F Balance sheet as at 31 December 2020

AMF BALANCE SHEET AS AT 31 DECEMBER 2019				
	ASSETS	2019 FINANCIAL YEAR		2018 FINANCIAL YEAR
		GROSS	Deprec./Amort. Provisions	NET
FIXED ASSETS	INTANGIBLE ASSETS	45 861 707	19 277 876	26 583 831
	PATENTS, LICENCES, SOFTWARE	34 051 132	19 277 876	14 773 256
	PREPAYMENTS	11 810 575	-	11 810 575
	TANGIBLE ASSETS	21 042 101	15 284 740	5 757 361
	MACHINERY AND INDUSTRIAL EQUIPMENT	540 792	540 792	-
	OTHER	20 374 644	14 743 948	5 630 696
	PREPAYMENTS	126 665	-	126 665
	LONG-TERM INVESTMENTS	26 286	-	26 286
	OTHER	26 286	-	26 286
	TOTAL 1	66 930 094	34 562 616	32 367 478
CURRENT ASSETS	TRADE RECEIVABLES			
	TRADE NOTES AND ACCOUNTS RECEIVABLE	23 849 193	76 401	23 772 792
	OTHER	18 027	-	18 027
	INVESTMENT SECURITIES			
	OTHER SECURITIES			
	CASH AT HAND AND IN BANK (note 5)	39 149 266	-	39 149 266
	TOTAL 2	63 016 486	76 401	62 940 085
	PRE-PAID EXPENSES (TOTAL 3) (note 4)	510 415	-	510 415
	GRAND TOTAL (1+2+3)	130 456 995	34 639 017	95 817 978

	LIABILITIES	2019 FINANCIAL YEAR	2018 FINANCIAL YEAR
		BEFORE ALLOCATION	BEFORE ALLOCATION
PROVISIONS	RESERVES	27 242 435	27 437 778
	DEFICIT (-) OR SURPLUS FOR THE PERIOD	-994 953	-195 343
	TOTAL 1	26 247 482	27 242 435
LIABILITIES	PROVISIONS FOR RISKS	3 161 277	3 766 546
	PROVISIONS FOR CHARGES (note 6)	12 500 141	10 052 249
	TOTAL 2	15 661 419	13 818 795
	TRADE NOTES AND ACCOUNTS PAYABLE (note 2)	18 245 377	24 341 894
	TAX AND WELFARE LIABILITIES	11 576 537	12 397 756
	PAYABLE TO FIXED ASSET SUPPLIERS	4 178 361	5 382 629
	OTHER LIABILITIES	1 908 803	1 232 379
	TOTAL 3	35 909 077	43 354 658
	DEFERRED INCOME (TOTAL 4) (note 7)	18 000 000	24 000 000
	GRAND TOTAL (1+2+3+4)	95 817 978	108 415 888

Table 14

AM F Income statement as at 31 December 2020

AMF INCOME STATEMENT		
INCOME STATEMENT	2019 FINANCIAL	2018 FINANCIAL
OPERATING INCOME		
Special income (fees):	107 790 566	110 067 207
Payments for corporate financing transactions and disclosures	32 277 720	38 439 178
Payments from investment services providers and on savings products	73 750 130	69 906 619
Payments from market infrastructures	1 762 715	1 721 410
Voluntary contributions	6 000 000	6 000 000
Other income (conferences and seminars, databases, various rentals, publication sales, etc.)	1 542 177	2 170 322
Reversals of amortisation and provisions	8 085 932	8 215 681
TOTAL I	123 418 675	126 453 210
OPERATING EXPENSES		
Purchase of non-inventoried items and supplies	926 372	1 179 546
Other external expenses, of which:	33 626 225	32 769 601
General subcontracting	218 684	211 768
Rent (real estate, furniture and equipment) and rental charges	6 105 265	6 078 483
Upkeep, repair and maintenance	2 475 057	2 366 030
Documentation, conferences and seminars	1 725 314	1 766 469
Payments to intermediaries, fees and secondments	1 613 834	1 800 097
Other (insurance, travel and entertainment, subsidies, postage, training, telecoms, etc.)	21 488 070	20 546 755
Other expenses	1 141 334	1 100 892
Taxes and similar payments	7 360 029	7 342 624
Wages and salaries	38 324 803	37 462 035
Welfare charges, employee benefits, matching payments, other	16 812 564	16 490 725
Employee profit-sharing (note 3)	1 951 086	2 145 765
Depreciation, amortisation and provisions (note 1)	14 207 894	12 790 430
TOTAL II	114 350 308	111 281 618
1 – OPERATING EXPENSES (I-II)	9 068 367	15 171 592
INTEREST INCOME (III)	52 465	57 891
Income from investment securities, net proceeds from sale of investment securities	52 465	57 891
INTEREST EXPENSE (IV)	1 939	1 558
2 – NET FINANCIAL ITEMS (III-IV)	50 525	56 332
3 – PRE-EXCEPTIONAL SURPLUS/DEFICIT (I-II+III-IV)	9 118 892	15 227 924
NON-RECURRING INCOME (V)	6 500	-
On management operations	-	-
On equity transactions	6 500	-
NON-RECURRING EXPENSES (VI)	10 120 345	15 423 267
On management operations	9 889 028	14 991 841
On equity transactions	231 317	431 426
4 – NET EXCEPTIONAL ITEMS (V-VI)	-10 113 845	-15 423 267
TOTAL INCOME (I+III+V)	123 477 640	126 511 101
TOTAL EXPENSES (II+IV+VI)	124 472 592	126 706 444
DEFICIT (-) OR SURPLUS	-994 953	-195 343



17, place de la Bourse – 75082 Paris Cedex 02
Tél. : +33 (0)1 52 45 60 00
www.amf-france.org