GENERAL REGULATION OF THE AUTORITÉ DES MARCHÉS FINANCIERS

BOOK I - THE AUTORITÉ DES MARCHÉS FINANCIERS

TITLE I - FUNCTIONING OF THE AUTORITÉ DES MARCHÉS FINANCIERS : ETHICAL RULES AND REMUNERATION ARRANGEMENTS FOR MEMBERS AND EXPERTS

CHAPTER 1 - ETHICAL RULES FOR MEMBERS OF THE AUTORITÉ DES MARCHÉS FINANCIERS

Article 111-1

When they take office, members of the Autorité des Marchés Financiers ("AMF") shall inform the AMF chairman of :

1° any functions in an economic or financial activity that they have held during the previous two years or that they continue to hold ;

2° any executive office in a body corporate that they have held during the previous two years or that they continue to hold.

They shall also provide the chairman with a list of interests that they have held during the previous two years or that they continue to hold, with particular reference to the financial instruments of persons issuing securities to the public.

Article 111-2

When a member of the AMF subsequently takes up a new function in an economic or financial activity or a new executive office in a body corporate, he shall inform the AMF chairman without delay.

Before 15 February each year, members shall send the chairman a list of their interests as at 31 December of the previous year.

Article 111-3

Having regard to members of the Enforcement Committee, the chairman of the AMF shall forward the information provided for in the two above articles to the chairman of that Committee.

Article 111-4

At the written request of an AMF member, the AMF chairman shall inform him of any function or executive office held by another member.

Article 111-5

Where an AMF member notes that, under Article L. 621-4 of the Financial and Monetary Code, he is unable to discuss one or more points on the agenda of the Board, of a Specialised Committee, or of the Enforcement Committee or one of its divisions, he shall duly inform the chairman of the body in question.

Before appointing a member of the Enforcement Committee as a rapporteur, the chairman of this Committee must ensure that such member is not likely to have a conflict of interest, having regard to the persons involved in the proceeding at hand.

Article 111-6

Board members holding financial instruments of persons issuing securities to the public must entrust them to an investment service provider under a discretionary management agreement.

However, members may continue to directly manage units or shares in UCITS as well as debt securities issued or guaranteed by the State.

They may also decide, upon taking up their post, to keep their portfolio as it is. In this case, they may not acquire new financial instruments otherwise than through a transaction carried out by an issuer whose financial instruments they already hold, and only by exercising the rights attaching to those instruments. They must then inform the chairman promptly that they hold new financial instruments. Where they intend to dispose of financial instruments, they must ascertain from the chairman that the AMF does not hold inside information about the issuer in question. The chairman informs the interested party whether the planned transaction can take place on the scheduled date.

Notwithstanding the above, Board members are entitled to manage any equities or any options to subscribe for or purchase shares or units in employee profit-sharing funds (FCPE) that they hold by virtue of a function or executive office in a company making public issues of securities. Before acquiring or disposing of such shares or units or exercising such options in accordance with the relevant rules set by the company they must ascertain from the chairman that the AMF does not hold inside information about the company in question. The chairman informs the interested party whether the planned transaction can take place on the scheduled date.

If, prior to his appointment, a Board member holds an interest in concert with other investors in a company issuing securities to the public, he may keep his financial instruments while he is in office.

If he has to make exceptional disposals or purchases as a result of the strategy of such other investors, he must ascertain from the chairman that the AMF does not hold inside information about the company in question. The chairman informs the interested party whether the planned transaction can take place on the scheduled date.

The provisions herein apply to financial instrument accounts held in members' own names as well as to those upon which they are authorised to transact.

Article 111-7

The AMF chairman may carry out any checks he deems necessary to ensure that members of the AMF are in compliance with these provisions. To that end, members must waive banking secrecy, for the benefit of the chairman, with regard to all financial instrument accounts in their name.

The chairman may seek the assistance of a person of his choosing to perform such checks.

If he deems that a member is in breach of an obligation under this Book, the chairman informs the interested party and asks him to submit his observations. If, in the light of those observations, the chairman still feels the breach to be patent, he informs the authority that appointed the member in question.

The role assigned to the chairman by the above articles shall be carried out by the oldest Board member for matters regarding the chairman.

Article 111-8

When dealing with a case involving a person issuing securities to the public, members of the Enforcement Committee must refrain from trading for their own account in financial instruments issued by that person until such time as the Commission proceeding is complete.

Article 111-9

Members of the AMF shall take steps to ensure that the oral or written information transmitted to them in connection with their functions at the AMF remains strictly confidential.

CHAPTER 2 - ETHICAL RULES FOR EXPERTS APPOINTED TO CONSULTATIVE COMMITTEES

Article 112-1

Experts appointed to consultative committees shall immediately inform the chairman of the AMF of :

1° any function they hold in an economic or financial activity ;

2° any executive office they hold in a body corporate.

Where an expert subsequently takes up a new function in an economic or financial activity or a new executive office in a body corporate, he shall inform the chairman without delay.

Where an expert notes that he would have a conflict of interest if he took part in discussions on one or more points on the agenda of a consultative committee, he shall duly inform the chairman of that committee.

Experts shall take steps to ensure that the oral or written information transmitted to them in connection with their functions at the AMF remains strictly confidential.

CHAPTER 3 - EMOLUMENTS AND REMUNERATION

Article 113-1

The Board shall appoint an Emoluments and Remuneration Committee composed of three of its members and charged with proposing to the Board :

1° the amount of the emoluments payable to AMF members ;

2° an opinion concerning the remuneration envisaged by the AMF chairman for the Secretary General.

TITLE II - THE RULING PROCEDURE OF THE AUTORITÉ DES MARCHÉS FINANCIERS

CHAPTER 1 - REQUEST FOR RULING

Article 121-1

When queried in writing ahead of a transaction about an interpretation of this General Regulation, the AMF issues an opinion in the form of a written ruling (*rescrit*). This opinion stipulates whether, in light of the elements submitted by the interested party, the transaction contravenes this General Regulation.

Article 121-2

All persons referred to in Article L. 621-7 of the Financial and Monetary Code who initiate a transaction are entitled to submit a request for a ruling to the AMF.

Article 121-3

A request for a ruling is made in good faith and applies to a specific transaction.

The request shall be made by a person party to the transaction. It shall be submitted by registered letter with return receipt and shall be clearly marked "Ruling Request" (*demande de rescrit*).

Article 121-4

The request shall specify the provisions in this General Regulation for which the interpretation is requested and shall set forth the relevant aspects of the planned transaction.

The request shall be accompanied by a separate document giving the names of the persons concerned by the transaction and, where appropriate, any other elements needed for the AMF's assessment. The AMF shall ensure the confidentiality of this document.

Article 121-5

The AMF will dismiss without examination any request that does not meet the conditions set out hereabove. The petitioner will be informed of such dismissal.

CHAPTER 2 - EXAMINATION OF THE REQUEST

Article 122-1

The ruling is issued by the AMF within thirty working days of receipt of the request and is conveyed to the petitioner. If the request is imprecise or incomplete, the petitioner may be asked to provide supplemental information. In this case, the thirty-day deadline is suspended until the AMF has received that information.

Article 122-2

Where it is unable to assess the true nature of the transaction, or where it considers that the request has not been made in good faith, the AMF duly informs the petitioner, within the time period specified in Article 122-1, of its refusal to issue a ruling.

Article 122-3

A ruling is valid solely in respect of the petitioner.

Provided the petitioner complies with the ruling in good faith, the AMF shall not take any enforcement action or inform the judicial authorities as regards the aspects of the transaction addressed by the ruling.

CHAPTER 3 - PUBLICATION OF THE RULING

Article 123-1

The ruling and the request are both published in full in the next edition of the AMF's monthly review and on its website.

At the petitioner's request or on its own initiative, however, the AMF may postpone publication for a period of no more than 180 days starting from day the ruling was issued. If the transaction has not been completed by that date, the time period can be extended until the end of the transaction.

TITLE III - CERTIFICATION OF STANDARD AGREEMENTS FOR TRANSACTIONS IN FINANCIAL INSTRUMENTS

Article 131-1

Pursuant to Article L. 621-18-1 of the Financial and Monetary Code, the AMF can certify standard agreements for transactions in financial instruments, at the reasoned request of one or more investment services providers or a trade association of investment service providers. To that end, it ensures that the provisions of the standard agreement in question are consistent with this General Regulation.

TITLE IV - INSPECTIONS AND INVESTIGATIONS BY THE AUTORITÉ DES MARCHÉS FINANCIERS

CHAPTER 1 - REPORTING OF TRANSACTIONS TO THE AMF

Article 141-1

The persons referred to in point 1°, Article L. 621-9, II, of the Financial and Monetary Code that carry on the investment service of receiving and transmitting orders, with registration of transactions in their books in their capacity as account keeper or custody account keeper; or the investment service of trading for own account or executing orders for third parties, shall report to the AMF all transactions in any financial instrument admitted to trading on a regulated market, regardless of the place or method of transaction.

Reportable transactions include temporary exchanges of the financial instruments referred to in Article L. 211-1, I, 1° or 3° of the Financial and Monetary Code and admitted to trading on a regulated market referred to in Article L. 421-1 of said Code.

The report shall be made as soon as the transaction has been effected, and no later than the next trading day if it is made using the direct procedure referred to in Article 141-3 herein.

Article 141-2

Where a transaction referred to in the first paragraph of Article 141-1 involves a financial instrument referred to in points 1°, 2° or 3°, Section I or in point 1°, Section II of Article L. 211-1 of the Financial and Monetary Code, the report shall relate to the characteristics of that transaction, notably the trading venue, the side of the market (buy/sell), the number of financial instruments traded, the price, the amount, the date and time, the nature (own account or third party) and the counterparty to the transaction.

Where the transaction involves a temporary exchange of financial instruments, the report shall relate to the characteristics of that transaction, notably the side of the market (buy/sell), the maturity, the quantity, the borrowing rate and the date and time.

Where the persons referred to in point 1°, Section II of Article L. 621-9 of the Financial and Monetary Code have participated in a temporary exchange of financial instruments, they shall report their open positions to the AMF on a daily basis, specifying the side of the market (buy/sell) and the quantity of financial instruments for each position.

Article 141-3

I. - Where a person referred to in point 1°, Section II of Article L. 621-9 of the Financial and Monetary Code :

1° executes an order on a French regulated market, the market operator shall make the report in lieu of the person referred to in the first paragraph ;

2° executes on a regulated market of a State party to the European Economic Area agreement, other than a French regulated market, an order for a financial instrument referred to in point 1°, Section I of Article L. 211-1 of the Financial and Monetary Code and admitted to trading on a French regulated market, the report shall be made through the direct procedure established between the service provider and the AMF, in accordance with the technical arrangements set forth in an AMF instruction ;

3° executes outside a regulated market an order for a financial instrument referred to in point 1°, Section I of Article L. 211-1 of the Financial and Monetary Code and admitted to trading on a French regulated market, the report shall be sent to the market operator in accordance with the technical arrangements set forth in an AMF instruction ; and the market operator shall transmit this report to the AMF ;

4° executes outside a regulated market an order on a financial instrument referred to in point 2, Section I of Article L. 211-1 of the Financial and Monetary Code and admitted to trading on a regulated market, the report shall be made through the direct procedure established between the service provider and the AMF, in accordance with the technical arrangements set forth in an AMF instruction.

II. - Where a person referred to in point 1°, Section II of Article L. 621-9 of the Financial and Monetary Code has to report to the AMF in its capacity as an order receiver-transmitter and account keeper or as a custody account keeper, it shall report the transaction through the direct procedure established between the service provider and the AMF, in accordance with the technical arrangements set forth in an AMF instruction.

Article 141-4

The market operators referred to in Article L. 441-1 of the Financial and Monetary Code shall report daily to the AMF on the orders received from the members of the markets they manage and on the ensuing transactions.

The operators of the financial instrument settlement systems, central depositories and clearing houses referred to in points 3° and 6°, Section II of Article L. 621-9 of the Financial and Monetary Code shall report daily to the AMF on the instructions received from their members, on the matching of those instructions, on the settlement of the relevant transactions and on the assets recorded in their books for each of their members.

CHAPTER 2 - INFORMING THE AMF ABOUT THE NET ASSET VALUES OF COLLECTIVE INVESTMENT SCHEMES

Article 142-1

The AMF must be informed of the net asset values of collective investment schemes if such values are calculated by the management company or open-ended investment company (SICAV) referred to in Point 7, Section II of the Article L. 621-9 of the Financial and Monetary Code that is responsible for such calculation.

CHAPTER 3 - SUPERVISION OF PERSONS REFERRED TO IN SECTION II OF ARTICLE L. 621-9 OF THE FINANCIAL AND MONETARY CODE

Article 143-1

To ensure that the market operates in an orderly manner and that the activity of the entities and persons referred to in Section II of Article L. 621-9 of the Financial and Monetary Code complies with the professional obligations arising from laws and regulations or from the professional rules it has approved, the AMF carries out off-site examinations of records and on-site inspections at the business premises of such entities or persons.

Article 143-2

In addition to the information provided for in Articles 141-1 to 141-4 on transaction reporting, the persons referred to in Section II of Article L. 621-9 of the Financial and Monetary Code shall supply on request all information, documents and supporting evidence, regardless of the storage medium, to the AMF for supervisory purposes.

To ensure the proper performance of its supervisory duties, the AMF may order any of the persons referred to in Section II of Article L. 621-9 of the Financial and Monetary Code to retain information, regardless of the storage medium. Such a measure is confirmed in writing, with details of its duration and the conditions in which it may be renewed.

Article 143-3

Where an on-site inspection is conducted, the Secretary General issues an inspection order to the persons he has placed in charge.

The inspection order indicates, inter alia, the name of the entity or body corporate to be inspected, the identity of the head inspector and the purpose of the inspection. The head inspector informs the person concerned of the names of the other participating staff members or investigators.

The persons responsible for the inspection inform the inspected entity or person of the type of information, documents and supporting evidence to be communicated. They can interview any person acting under the authority or on behalf of the person being inspected who may be in a position to provide information that they deem useful for their assignment. They can verify the information they receive by checking it against information received from third parties.

Persons subject to inspection shall cooperate diligently and honestly.

Article 143-4

Where the proper performance of an AMF inspection has been hindered, this fact is mentioned in the inspection report or in a special report setting out these difficulties.

Article 143-5

Post-inspection reports are transmitted to the inspected entity or body corporate. Transmittal does not take place, however, if the Board, alerted by the Chief Executive, observes that a report describes facts which are capable of being characterised as criminal and deems that such transmittal could interfere with legal proceedings. The entity or body corporate to which a report has been transmitted is requested to submit its observations to the Secretary General of the AMF within a specified period, which cannot be less than ten days. These observations are forwarded to the Board if it when it examines the report in accordance with Section I of Article L. 621-15 of the Financial and Monetary Code.

Article 143-6

Having due regard for the conclusions of an inspection report and for any observations that may be submitted, the inspected entity or body corporate is informed by registered letter with return receipt or by hand delivery against receipt of the measures it is required to put in place. The entity or body is requested to forward the report and the aforementioned letter to its board of directors, or executive board and supervisory board, or the equivalent decision-making body, as well as to the statutory auditors.

Where the inspected entity or person is affiliated with a central body, as per Article L. 511-30 of the Financial and Monetary Code, a copy of the report and the letter shall also be sent to that body.

CHAPTER 4 - INVESTIGATIONS

Article 144-1

The General Secretariat of the AMF keeps a register of the authorizations provided for in Article L. 621-9-1 of the Financial and Monetary Code.

If, for the purposes of an investigation, the Secretary General wishes to call on a person that is not authorised to carry out investigations, he issues an authorization that is restricted to the investigation in question.

Article 144-2

To ensure that investigations proceed smoothly, investigators may order the retention of information, regardless of the storage medium. Such a measure is confirmed in writing, with details of its duration and the conditions in which it may be renewed.

Article 144-3

Where the proper performance of an AMF investigation has been hindered, this fact is mentioned in the investigation report or in a special report setting out these difficulties.

Article 144-4

The Board examines the investigation report pursuant to Article L. 621-15 of the Financial and Monetary Code.

GENERAL REGULATION OF THE AUTORITÉ DES MARCHÉS FINANCIERS

BOOK II - ISSUERS AND FINANCIAL DISCLOSURE

TITLE I - ISSUANCE OF FINANCIAL INSTRUMENTS TO THE PUBLIC

CHAPTER I - SCOPE

Section 1 - Definition

Article 211-1

Persons or entities issuing financial instruments to the public, within the meaning of Article L. 411-1 of the Financial and Monetary Code, shall be subject to Chapter II of this Title if the offer involves :

1° financial instruments referred to in Points 1° and 2°, Section I of Article L. 211-1 of said Code ;

2° financial instruments referred to in Point 3°, Section I of Article L. 211-1 of said Code where they are issued by the bodies referred to in Points 2° to 4°, Section I of Article L. 214-1 of said Code ;

3° all equivalent instruments issued in accordance with foreign law.

The issuance and disposal of financial instruments referred to in Point 1°, Section II of Article L. 211-1 of said Code shall be subject to Chapter III of this Title.

Article 211-2

The transactions referred to in Article L. 411-2 of the Financial and Monetary Code do not constitute public issuance.

The issuance or disposal of financial instruments referred to in Points 1° or 2° of Article L. 211-1 of the Financial and Monetary Code issued by a *société anonyme* (public limited company), a *société en commandite par actions* (limited partnership with share capital) or an equivalent corporate structure under foreign law do not constitute public issuance, within the meaning of Section II of the above article, if the transaction has one of the following characteristics :

1° the total amount is less than EUR 100,000 or the foreign currency equivalent ;

2° the total amount is between EUR 100,000 and EUR 2,500,000 or the foreign currency equivalent and the transaction concerns financial instruments accounting for no more than fifty per cent of the capital of the issuer ;

The total amount of the transaction referred to in Points 1° or 2° shall be calculated over a twelve-month period from the date of the first transaction.

3° The transaction is intended for investors acquiring at least EUR 50,000 worth, or the foreign currency equivalent, per investor and per transaction, of the relevant financial instruments ;

4° The transaction concerns financial instruments with a minimum denomination of at least EUR 50,000 or the foreign currency equivalent.

Article 211-2-1

Any person or entity mentioned in Part II of Article D. 411-1 of the Financial and Monetary Code that wishes to be added to the database provided for in Article D. 411-3 of the aforementioned code must complete the relevant form, which is available on the AMF's website, and must return it to the AMF along with a photocopy of a current identity

document or a certificate of professional registration. The AMF shall send the person or entity acknowledgement of receipt indicating that their name has been added to the database.

Any person or entity wishing to relinquish qualified investor status must complete the relevant form, which is available on the AMF's website, and must return it to the AMF along with a photocopy of a current identity document or a certificate of professional registration. Qualified investor status is surrendered from the day on which the person or entity receives acknowledgement of receipt from the AMF indicating that they have been removed from the database.

Third parties may not query the database.

Section 2 - Transactions outside the scope of public issuance

Article 211-3

Transactions outside the scope of public issuance involving financial instruments referred to in Articles L. 411-1 and L. 411-2 of the Financial and Monetary Code, whether or not they are admitted to trading on a regulated market, do not require a prospectus approved by the AMF.

Article 211-4

The initiator, or the intermediary carrying out the transaction, whichever is the case, shall inform investors participating in a transaction referred to in Article 211-3 that :

1° the transaction does not require a prospectus to be submitted for approval to the AMF ;

2° persons or entities referred to in Point 4°, Section II of Article L. 411-2 of the Financial and Monetary Code may take part in the transaction solely for their own account, as provided in Articles D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the Financial and Monetary Code ;

3° the financial instruments thus acquired cannot be distributed directly or indirectly to the public otherwise than in accordance with Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the Financial and Monetary Code.

CHAPTER II - INFORMATION TO BE DISSEMINATED WHEN FINANCIAL INSTRUMENTS ARE ISSUED TO THE PUBLIC

Section 1 - Prospectus

Article 212-1

Before effecting a transaction within the European Economic Area (EEA), persons or entities referred to in Article 211-1 shall prepare a draft prospectus and submit it for approval by the AMF or the competent supervisory authority of another Member State of the European Community or a State party to the EEA agreement.

SUB-SECTION 1 - COMPETENT AUTHORITY

Article 212-2

The draft prospectus shall be submitted to the AMF for prior approval in the following cases :

1° the issuer has its registered office in France and the transaction involves :

a) financial instruments referred to in Section I of Article L. 621-8 of the Financial and Monetary Code ; or

b) financial instruments referred to in Section II of the above article, where the issuer has chosen the AMF to approve its prospectus ;

2° the transaction is carried out in France and involves :

a) financial instruments referred to in Section II of the above article, where the issuer has chosen the AMF to approve its prospectus ; or

b) financial instruments referred to in Section IV of the above article ;

3° the issuer has its registered office outside the EEA and the transaction involves financial instruments referred to in Section I of the above article, provided that :

a) the first transaction was carried out in France after 31 December 2003, subject to a subsequent election by the issuer where the transaction was not effected by the issuer ;

b) the first transaction was made in a Member State of the European Community or a State party to the EEA agreement, other than France, after 31 December 2003 at the decision of an initiator other than the issuer and the issuer decides to carry out in France its first transaction as initiator.

In the cases mentioned in a) or b), the issuer, which has financial instruments already admitted to trading on a regulated market, shall inform the AMF of its decision by 31 December 2005 at the latest.

4° In cases other than those mentioned in Points 1° to 3°, the AMF may agree to approve the draft prospectus at the request of the competent authority of another Member State of the European Community or a State party to the EEA agreement.

Article 212-3

Where the AMF is not the competent authority to approve the prospectus, the supervisory authority that approved the prospectus shall send the AMF, at the request of the persons or entities wishing to offer financial instruments to the public in France, as provided for in Articles 212-41 to 212-43, the certificate of approval and a copy of the prospectus, together with a French translation of the summary note, where appropriate.

SUB-SECTION 2 - EXEMPTIONS

Article 212-4

The obligation to publish a prospectus does not apply to the disposal or issuance of the following financial instruments :

1° shares issued in substitution for shares of the same class already issued, if the issuing of such new shares does not involve any increase in the issuer's capital ;

2° financial instruments offered in connection with an *offre publique d'échange* or an equivalent exchange procedure under foreign law, provided that a document, subject to AMF scrutiny and containing information equivalent to that of the prospectus, is made available by the issuer ;

3° financial instruments offered, allotted or to be allotted in connection with a merger, demerger or spin-off, provided that a document, subject to AMF scrutiny and containing information equivalent to that of the prospectus, is made available by the issuer ;

4° shares offered, allotted or to be allotted free of charge to shareholders, and dividends paid out in the form of shares of the same class as the shares in respect of which such dividends are paid, provided that a document containing information on the number and nature of the financial instruments and the reasons for and details of the transaction is made available by the issuer ;

5° financial instruments offered, allotted or to be allotted to directors, company officers referred to in II of Article L. 225-197-1 of the Commercial Code to existing or former employees by their employer or by an affiliate, if these instruments are of the same class as those already admitted to trading on a regulated market in a Member State of the European Union or a State party to the EEA agreement and that a document containing information on the number and nature of the instruments and the reasons for and details of the transaction is made available by the issuer.

6 financial instruments referred to in Points 1° or 1° of Article L. 211-1 of the Financial and Monetary Code issued by any person or entity referred to in Article 211-1, other than a *société anonyme* (public limited company), a *société en commandite par actions* (limited partnership with share capital) or an equivalent corporate structure under foreign law, if the transaction has one of the characteristics referred to in 1 to 4 of Article 211-2.

Where appropriate, an AMF instruction shall stipulate the nature of the information referred to in this article.

Article 212-5

The obligation to publish a prospectus does not apply when the following categories of financial instruments are admitted to trading on a regulated market :

1° shares representing, over a period of 12 months, less than 10 % (ten per cent) of the number of shares of the same class already admitted to trading on the same regulated market ;

2° shares issued in substitution for shares of the same class already admitted to trading on the same regulated market, if the issuing of the new shares does not involve any increase in the issuer's capital ;

3° financial instruments offered in connection with an offre publique d'échange or an equivalent exchange procedure under foreign law, if a document, subject to AMF scrutiny and containing information equivalent to that of the prospectus, is made available by the issuer ;

4° financial instruments offered, allotted or to be allotted in connection with a merger, demerger or spin-off that has been subject to the procedure in Article 212-34 ;

5° shares offered, allotted or to be allotted free of charge to existing shareholders, and dividends paid out in the form of shares of the same class as the shares in respect of which such dividends are paid, provided that the said shares are of the same class as the shares already admitted to trading on the same regulated market and that a document containing information on the number and nature of the shares and the reasons for and details of the offer is made available by the issuer ;

6° financial instruments offered, allotted or to be allotted to directors, company officers referred to in II of Article L. 225-197-1 of the Commercial Code to existing or former employees by their employer or by an affiliate, if these instruments are of the same class as those already admitted to trading on the same regulated market and that a document containing information on the number and nature of the instruments and the reasons for and details of the transaction is made available by the issuer.

7° shares resulting from the conversion or exchange of other financial instruments or from the exercise of rights conferred by other financial instruments, provided that the said shares are of the same class as those already admitted to trading on a regulated market ;

8° financial instruments already admitted to trading on another regulated market, on the following conditions :

a) that these financial instruments or financial instruments of the same class have been admitted to trading on that other regulated market for more than 18 months ;

b) that, for financial instruments first admitted to trading on a regulated market after the date of entry into force of this Chapter, the admission to trading on that other regulated market was associated with the approval of a prospectus made available to the public in accordance with Articles 212-26 and 212-27 ;

c) that, for financial instruments not mentioned in b) and first admitted to trading after 30 June 1983 and before the entry into force of this Chapter, a prospectus has been approved pursuant to this Regulation, in the version in force before 9 September 2005 ;

d) that the issuer has fulfilled all the periodic and ongoing disclosure obligations on this other regulated market ;

e) that the issuer draws up a summary note in French that is published and circulated in accordance with Article 212-27. In this case, the summary note shall also state where the most recent prospectus can be obtained and where the financial information published by the issuer pursuant to d) is available.

Where appropriate, an AMF instruction shall stipulate the nature of the information referred to in this article.

Section 2 - Filing, approval and circulation of prospectuses

SUB-SECTION 1 - FILING AND APPROVAL OF THE PROSPECTUS

Paragraph 1 - Filing

Article 212-6

Persons or entities mentioned in Article 211-1, or any person or entity acting on their behalf, shall file a draft prospectus with AMF.

The documentation needed to scrutinise the dossier shall be submitted to the AMF when the draft prospectus is filed. The content of this documentation shall be specified in an AMF instruction.

When filing the draft prospectus, the persons or entities referred to in the first paragraph shall specify whether the financial instruments concerned are admitted to trading on a regulated market having its registered office in a Member State of the European Community or a State party to the EEA agreement or are admitted to the official list of a foreign exchange and whether a listing application or an issue is pending or planned for other exchanges.

Paragraph 2 - Prospectus content

Article 212-7

The prospectus shall contain all the information which, depending on the particular nature of the issuer and of the relevant financial instruments, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses, and prospects of the issuer and of any guarantor of the relevant financial instruments, as well as the rights attaching to such financial instruments and the conditions in which the instruments are issued.

This information shall be presented in an easily analysable and comprehensible form.

The prospectus shall be drawn up in accordance with one of the formats and modules in Articles 4 to 20 of Regulation (EC) no. 809/2004 of 29 April 2004 or one of the combinations in Article 21 of the Regulation for the different categories of financial instrument. The prospectus shall contain the information specified in Annexes I to XVII of the Regulation, depending on the type of issuer and the category of financial instruments concerned. For the purposes of the Regulation, the AMF shall take into account the recommendations of the Committee of European Securities Regulators.

Article 212-8

I. - The prospectus shall include a summary note, except where the application for admission to trading on a regulated market concerns debt securities with a minimum denomination of EUR 50,000 or the foreign currency equivalent.

II. - The summary note shall, in a brief manner and in non-technical language, convey the essential characteristics and main risks associated with the issuer, any guarantor and the relevant financial instruments.

The summary note can follow the standard presentation specified in an AMF instruction.

III. - The summary note shall also contain a warning that :

1° it should be read as an introduction to the prospectus ;

2° any decision to invest in the relevant financial instruments should be based on consideration of the prospectus as a whole by the investor ;

3° where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the European Community or States party to the EEA agreement, have to bear the costs of translating the prospectus before the legal proceedings are initiated ;

4° civil liability attaches to the persons who presented the summary note, and any translation thereof, and who requested notification within the meaning of Article 212-42 only if the summary note is misleading, inaccurate or inconsistent when read with other parts of the prospectus.

Article 212-9

I. - The prospectus may be drawn up as a single document or separate documents.

II. - A prospectus composed of separate documents shall include :

1° a registration document or, for the initial listing of the financial instruments mentioned in Point 1°, Section I of Article L. 211-1 of the Financial and Monetary Code, a base document containing information about the issuer ;

2° a securities note containing information on the relevant financial instruments ;

3° the summary note mentioned in Article 212-8.

Article 212-10

For a public offering of financial instruments, an issuer that has a registration document registered with or approved by the AMF is required to draw up only a securities note and a summary note.

If there has been a material change or recent development which could affect investors' assessments since the approval of the latest updated registration document or any supplemental note to the prospectus that has been prepared in accordance with Article 212-25, the securities note shall provide information that would normally be provided in the registration document.

The securities note and the summary note shall be submitted for approval by the AMF.

Where an issuer has filed only a registration document without having it approved by the AMF, the entire documentation, including updated information, shall be subject to AMF approval.

Article 212-11

Information may be incorporated in the prospectus by reference to one or more previously or simultaneously published documents, referred to in Article 28 of Regulation (EC) no. 809/2004 of 29 April 2004, approved by or filed with the AMF. This information shall be the latest available to the issuer. The summary note shall not incorporate information by reference.

When information is incorporated by reference, a cross-reference list must be provided in order to enable investors to easily identify specific items of information.

Paragraph 3 - Language used for the prospectus

Article 212-12

I. - Where financial instruments referred to in Sections I and IV of Article L. 621-8 of the Financial and Monetary Code are issued or disposed of only in France or in one or more other Member States of the European Community or States party to the EEA agreement, including France, the prospectus approved by the AMF shall be drawn up in French.

By way of derogation, the prospectus may be drawn up in a language other than French that is customary in the sphere of finance in the following cases :

1° the issue or disposal involves financial instruments mentioned in Section II of Article L. 621-8 and takes place only in France or in one or more other Member States of the European Community or States party to the EEA agreement, including France ;

2° the issuer has its registered office in a non-EEA State and the prospectus is drawn up for an issue of financial instruments that is open to employees working for affiliates or establishments in France.

Where the prospectus is drawn up in a language other than French that is customary in the sphere of finance, the summary note shall be translated into French.

II. - Where admission to trading on a regulated market is planned solely in France or in one or more other Member States of the European Community or States party to the EEA agreement, including France, the prospectus approved by the AMF shall be drawn up in French or another language customary in the sphere of finance. In the latter case, the summary note shall be translated into French.

Where admission to trading on a regulated market is planned in France for debt securities with a minimum denomination of EUR 50,000 or the foreign currency equivalent, the prospectus approved by the AMF shall be drawn up in French or another language customary in the sphere of finance.

III. - Where a public offering of financial instruments is planned in one or more Member States of the European Community or States party to the EEA agreement, excluding France, the prospectus approved by the AMF shall be drawn up in French or another language customary in the sphere of finance.

IV. - Where the AMF is not the competent authority to approve the prospectus and where a public offering of financial instruments is planned solely in France or in one or more other Member States of the European Community or States party to the EEA agreement, including France, the prospectus shall be drawn up and published in French or another language customary in the sphere of finance. In the latter case, the summary note shall be translated into French.

Paragraph 4 - Registration document

Article 212-13

1° All issuers of financial instruments admitted for trading on a regulated market may prepare a registration document every year, as specified in an AMF instruction.

This registration document can take the form of an annual report to shareholders. In this case, a table showing the concordance between the headings in the instruction mentioned in the first paragraph and the corresponding headings in the annual report shall be provided.

2° The registration document shall be filed with the AMF. If the issuer has not previously submitted three consecutive registration documents to the AMF, this document shall be registered by the AMF before it is published.

3° The registration document shall be made available to the public free of charge on the day after filing, or registration where such is the case. Any person who so requests may view the document at any time at the registered office of the issuer or the offices of the paying agent. A copy of the document must be sent free of charge to any person who requests one.

The electronic version of the registration document shall be sent to the AMF for posting on its website.

4° Once the registration document has been published, the issuer can make regular updates, which are filed with the AMF in accordance with Point 2°, concerning published accounting data and new factors relating to its organisation, business, risks, financial condition and results.

These successive updates are made available to the public in accordance with Point 3°.

5° Where, in connection with its supervisory duties, the AMF finds an omission or a material inaccuracy in the registration document, it shall inform the issuer, which must amend the document and file the corrections with the AMF.

These corrections shall be made available to the public as soon as possible, in accordance with Point 3°.

Any omission or inaccuracy, with regard to this General Regulation or to AMF instructions, that could manifestly distort an investor's assessment of the organisation, business, risks, financial condition or results of the issuer shall be considered as material.

Any other observations made by the AMF shall be brought to the attention of the issuer, which shall take them into account in the subsequent registration document.

6° Issuers that filed or registered a registration document before this Chapter came into force shall supplement that document, in accordance with Regulation (EC) no. 809/2004 of 29 April 2004, before undertaking any transaction.

Paragraph 5 - Responsibility attaching to participants : Issuers, statutory auditors and investment services providers

Article 212-14

The persons responsible shall be clearly identified in the prospectus by their names and functions or, in the case of legal persons, their business names and registered offices.

The signature of the persons or entities responsible for the prospectus or registration document and for the updates and corrections thereto shall be preceded by a declaration confirming that, to the best of their knowledge, the information contained therein is in accordance with the facts and makes no omission likely to affect its import.

This declaration shall also state that the issuer has obtained a completion letter from its statutory auditors confirming that they have applied their professional standard for checking prospectuses, which consists in examining the entire document. Where appropriate, the issuer shall mention any material observations made by the statutory auditors.

The provisions of the third paragraph of this article shall not apply to prospectuses prepared for admission to a regulated market in financial instruments referred to in Point 2° of Section I of Article L. 211-1 of the Financial and Monetary Code.

Article 212-15

I. - The statutory auditors shall state whether the interim, consolidated or annual financial statements that have undergone an audit or a limited review and that are presented in a prospectus, a registration document or, where such is the case, the updates or corrections thereto, give a true and fair view of the issuer. Where the interim financial statements are summary versions, the statutory auditors shall give their opinion on whether those statements comply with generally accepted accounting principles.

They shall declare that any forward-looking information, whether estimated or pro forma, presented in a prospectus, registration document or, where such is the case, the updates or corrections thereto, has been properly prepared in accordance with the indicated basis and that the accounting basis is consistent with the issuer's accounting policies.

II. - They shall examine all the other information in a prospectus, registration document or, where such is the case, the updates or corrections thereto. This overall examination and any special verifications shall be carried out in accordance with a standard issued by the national institute of statutory auditors (Compagnie Nationale des Commissaires aux Comptes) on prospectus verification.

They shall draw up a completion letter for their work on the prospectus, in which they inform the issuer about the reports appearing in the prospectus, registration document or, where such is the case, the updates or corrections thereto. Upon completion of their overall examination and any special verifications that may have been made in accordance with the aforementioned professional standard, they shall state their observations, if any. The issue date of this completion letter must coincide as closely as possible with the date of the expected AMF approval.

The issuer shall forward a copy of the completion letter to the AMF before the AMF issues its approval or before the registration document or the updates and corrections thereto are filed or registered. If the letter contains observations, the AMF shall take appropriate action when scrutinising the prospectus.

In case of difficulty, the statutory auditors of a French issuer can approach the AMF with any questions about financial information in a prospectus, a registration document or, where such is the case, the updates or corrections thereto.

III. - The provisions of Section II shall not apply to prospectuses prepared for admission to a regulated market in financial instruments referred to in Point 2° of Section I of Article L. 211-1 of the Financial and Monetary Code.

Article 212-16

Where one or more investment services providers take part in the first admission to trading on a regulated market of financial instruments mentioned in Point 1°, Section I of Article L. 211-1 of the Financial and Monetary Code or in any offering of such financial instruments during the first three years after the first admission of equity securities, such investment services provider(s) shall certify to the AMF that they have exercised customary professional diligence and found no inaccuracies or material omissions likely to mislead investors or affect their judgement.

During the three years following the first admission to trading of an issuer's securities, where the prospectus prepared for the offering comprises a registration document or a recent prospectus and a securities note, the investment services provider(s) shall certify only the information in the securities note, provided the information in the registration document or recent prospectus has been certified by such provider(s) or another investment services provider, exercising customary professional diligence, before the offering.

After three years, the investment services provider(s) shall certify only the details of the transaction and the characteristics of the relevant financial instruments, as described in the prospectus or the securities note, as the case may be.

Where one or more investment services providers take part in any public offering of the financial instruments referred to in Point 1°, Section I of Article L. 211-1 of the Financial and Monetary Code that are not admitted to trading, such investment services provider(s) shall certify to the AMF that they have exercised customary professional diligence and found no inaccuracies or material omissions likely to mislead investors or affect their judgement.

Where one or more entities, whether or not they are investment services providers, that are authorised by a market operator or an investment services provider which runs an organised multilateral trading facility (MTF), within the meaning of Article 525-1, take part through that MTF in a public offering of the financial instruments referred to in Point 1°, Section I of Article L. 211-1 of the Financial and Monetary Code, such entities shall certify to the AMF that they have exercised customary professional diligence and found no inaccuracies or material omissions likely to mislead investors or affect their judgement.

In the case referred to in the above paragraph, where customary professional diligence is exercised by persons or entities that are not accredited as investment services providers, the investment services providers that are likely to take part in the offering are not required to certify to the AMF that such diligence has been exercised.

The certification shall be submitted to the AMF before its issues its approval.

Paragraph 6 - Adapting the contents of the prospectus

Article 212-17

Where the final issue price or disposal price and the final amount of relevant financial instruments cannot be included in the prospectus, the issuer shall mention in the prospectus :

1° the criteria or the conditions in accordance with which the above elements will be established ; or

2° the maximum price of the transaction.

The final price and amount of relevant financial instruments shall be filed with the AMF and published in accordance with Article 212-27.

Where one of the elements mentioned in Point 1° or Point 2° is not mentioned in the prospectus, investors must be entitled to withdraw their acceptance of or subscription for the financial instruments during at least two trading days following the publication of the final price and amount of financial instruments concerned.

Article 212-18

Under AMF supervision, certain information may be omitted from the prospectus in the following cases :

1° disclosure of such information would be contrary to the public interest ;

2° disclosure of such information would be seriously detrimental to the issuer, provided that the omission would not be likely to mislead the public ;

3° such information is of minor importance for the envisaged transaction, and is not such as will influence the assessment of the financial condition and prospects of the issuer of the guarantor, if any, of the relevant financial instruments.

Article 212-19

Without prejudice to the adequate information of investors, the contents of the prospectus may be adapted, in exceptional circumstances and under AMF supervision, if some of the items prove to be inappropriate to the nature of the financial instruments concerned, or to the business or legal form issuer, on condition that equivalent information is provided. If there is no such equivalent information, the issuer shall be authorised, under AMF supervision, to omit the items in question from the prospectus.

Paragraph 7 - Conditions for issuance of approval

Subparagraph 1 - General provisions

Article 212-20

Where the requirements of this Chapter have been met, and particularly where the AMF has received the confirmations from the participants in the transaction, the AMF shall issue its approval.

Before issuing its approval, the AMF may request additional investigations from the statutory auditors or ask for an audit to be carried out by an external specialist, appointed with its agreement, if it considers that the statutory auditors have not exercised due care.

Article 212-21

The documentation needed to scrutinise the dossier shall be submitted to the AMF when the draft prospectus is filed. The content of this documentation shall be specified in an AMF instruction.

If the dossier is incomplete, the AMF shall so inform the person that filed the draft prospectus, within ten trading days of such filing. Once the dossier is complete, the AMF shall, within the same time limit, send the issuer a notice of filing which, where appropriate, can be an acknowledgment of receipt.

The AMF announces its approval within ten trading days of issuing the notice of filing or acknowledgement of receipt, as the case may be.

For a public offering of financial instruments, where the issuer has drawn up a registration document and registered it in accordance with Article 212-13, it shall file a securities note in accordance with an AMF instruction no later than five trading days before the proposed date for obtaining approval for the transaction.

If, when scrutinising the dossier, the AMF states that the documents are incomplete or that additional information must be incorporated, the time limits mentioned in the third and fourth paragraphs shall commence only when the AMF has received the missing or additional information.

Subparagraph 2 - Provisions applicable to a first public offering of financial instruments or first admission to trading on a regulated market or on an organised multilateral trading facility

Article 212-22

Article 212-21 shall not apply to a first public offering of financial instruments.

The documentation needed to scrutinise the dossier shall be submitted to the AMF when the draft prospectus is filed. The content of this documentation shall be specified in an AMF instruction.

If the dossier is incomplete, the AMF shall so inform the person that filed the draft prospectus, at the earliest opportunity. If the dossier if complete, the AMF shall send the issuer a notice of filing.

The AMF shall announce its approval within twenty trading days of issuing the notice of filing.

If, when scrutinising the dossier, the AMF states that the documents are incomplete or that additional information must be incorporated, the time limit mentioned in the fourth paragraph shall commence only when the AMF has received the missing or additional information.

Article 212-23

1° For the first admission of financial instruments referred to in Point 1°, Section I of Article L. 211-1 of the Financial and Monetary Code to trading on a regulated market or a multilateral trading facility referred to in Article 525-1, the issuer shall be authorised to draw up a base document.

2° The issuer or any person or entity acting on its behalf shall file the draft base document with the AMF at least twenty trading days before the proposed date for obtaining approval for this transaction.

3° The filing shall be accompanied by the documentation specified in an AMF instruction. If the dossier is incomplete, the AMF shall so inform the issuer at the earliest opportunity. If the dossier if complete, the AMF shall send the issuer a notice of filing.

4° The AMF shall register the base document, as specified in an AMF instruction. It shall send the issuer a registration notice, which it shall also post on its website.

5° The issuer shall disseminate the base document as soon as it has been notified of the registration notice as specified in Article 212-27. It may, however, take it upon itself to delay dissemination provided it refrains from disclosing any material information in the base document to persons not subject to a confidentiality or secrecy obligation. Accordingly, online publication of the registration notice, as provided for in Point 4°, shall be delayed for as long as confidentiality is maintained.

In any case, the base document shall be disseminated no later than five trading days before the proposed date for obtaining approval for the transaction.

6° For the admission to trading of financial instruments, the issuer shall file a draft securities note no later than five trading days before the proposed date for obtaining approval for the transaction.

If there has been a material change or recent development that could affect investors' assessments since the registration of the base document, the securities note shall provide the information that would normally be provided in the base document.

Paragraph 8 - Existence of a recent prospectus

Article 212-24

I. - The prospectus shall be valid for other transactions for a period of twelve months after publication provided it has been completed by the supplements stipulated in Article 212-25.

II. - The registration document, previously filed, shall be valid for a period of twelve months provided it has been updated in accordance with Article 221-1-1.

The registration document accompanied by the securities note, updated if applicable in accordance with Article 212-10, and the summary note shall be considered to constitute a valid prospectus.

Paragraph 9 - Supplement to the prospectus

Article 212-25

I. - Every significant new factor, material mistake or inaccuracy relating to the information included in the prospectus that could materially affect the assessment of the financial instruments and that arises or is noted between the time that approval is obtained and the closing of the transaction shall be mentioned on a supplement to the prospectus, which shall be subject to AMF approval.

The AMF shall issue its approval within seven trading days, as specified in Articles 212-20 to 212-23.

The document shall be published and disseminated with the same arrangements as were applied when the initial prospectus was published.

The summary note, and any translation thereof, shall also be supplemented, if necessary, to take into account the new information included in the supplement.

II. - Investors who have already agreed to purchase or subscribe for financial instruments before the supplement is published shall have the right, exercisable within a time limit that shall be no shorter than two trading days after the publication of the supplement, to withdraw their acceptances.

SUB-SECTION 2 - DISSEMINATION OF THE PROSPECTUS, ADVERTISEMENTS

Paragraph 1 - Dissemination of the prospectus

ARTICLE 212-26

Once approval has been issued, the prospectus shall be filed with the AMF and made available to the public by the issuer or the person or entity asking for admission to trading on a regulated market.

The prospectus shall be disseminated to the public as soon as practicable and, in any case, at a reasonable time in advance of and, at the latest, at the beginning of, the transaction.

In the case of a first admission to trading on a regulated market, the prospectus shall be disseminated to the public at least six trading days before the end of the offer.

Article 212-27

I. - In practice, the prospectus shall be disseminated in one of the following ways :

1° by publication in one or more newspapers with nationwide circulation or widely circulated ;

2° by being made available free of charge from the issuer at its registered office, from the undertaking that operates the market on which the financial instruments are admitted to trading, and from the financial intermediaries placing or trading the instruments, including paying agents ;

3° by posting on the website of the issuer and, if applicable, on the website of the financial intermediaries placing or trading the instruments, including paying agents ;

4° by posting on the website of the regulated market where the admission to trading is sought.

II. - Issuers that publish their prospectus in accordance with Point 1° or Point 2° of Section I shall also publish it on their website if they have one.

Issuers that publish their prospectus in accordance with Point 2° to Point 4° of Section I shall also publish the summary of the prospectus in accordance with Point 1° of Section I or a press release disseminated in accordance with Article 222-10, which specifies how the prospectus is to be made available.

III. - Where the prospectus is disseminated in accordance with Point 3° or Point 4° of Section I, a copy of the prospectus shall be sent free of charge to any person who requests one.

IV. - The electronic version of the prospectus shall be sent to the AMF for posting on its website.

Article 212-27-1

The prospectus and the supplement published and made available to the public shall always be identical to the original versions approved by the AMF.

Paragraph 2 - Advertisements

Article 212-28

Any advertisement, regardless of its form and method of dissemination, that relates to a public offering of financial instruments shall be communicated to the AMF before being disseminated.

The above advertisements shall :

1° state that a prospectus has been or will be published and indicate where investors are or will be able to obtain it ;

2° be clearly recognisable as advertisements ;

3° contain no false or misleading statements ;

4° contain information that is consistent with the information in the prospectus, if already published, or with information required to be in the prospectus, if the prospectus is published afterwards ;

5° contain a notice alerting the public of the section of the prospectus dealing with "risk factors" ;

6° where applicable and at the request of the AMF, contain a warning about certain exceptional characteristics of the issuer, the guarantors, if any, or the relevant financial instruments.

Article 212-29

All information about a public offering of financial instruments that is disclosed in oral or written form shall be consistent with the information in the prospectus.

Article 212-30

When no prospectus is required pursuant to this Title, material information provided by an issuer and addressed to qualified investors, as defined by Articles D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the Financial and Monetary Code, or to special categories of investors, including information disclosed in the context of meetings relating to the disposal or issuance of financial instruments, shall be disclosed to all qualified investors of special categories of investors to whom the offer is addressed.

Where a prospectus is required to be published, such information shall be included in the prospectus or in a supplement to the prospectus in accordance with Article 212-25.

Section 3 - Special cases

Paragraph 1 - Base prospectus

Article 212-31

An offering programme means a programme that permits the issuance of non-equity securities, including warrants in any form and having a similar category, in a continuous or repeated manner during a specified issuing period.

Article 212-32

For the types of financial instruments hereafter, the prospectus may consist of a base prospectus containing all relevant information about the issuer and the relevant financial instruments :

1° debt securities, including warrants in any form, issued under an offering programme ;

2° debt securities issued in a continuous or repeated manner by credit institutions :

a) where the sums deriving from the issue of the said securities are placed in assets which provide sufficient coverage for the liability deriving from securities until their maturity date ;

b) where, in the event that the related credit institution is unable to meet its current liabilities, the sums referred to in a) are intended to repay the capital and interest falling due, without prejudice to the provisions of Articles L. 613-25 to L. 613-31-10 of the Financial and Monetary Code.

The information given in the base prospectus shall be supplemented, if necessary, with updated information on the issuer and on the relevant financial instruments, in accordance with Article 212-25.

If the final terms of the issue or disposal are not included in either the base prospectus or supplemental note, the final terms shall be provided to investors and filed with the AMF for each issue or disposal, as soon as practicable and if possible in advance of the beginning of the issue or disposal. In this case, the provisions of Point 1° of Article 212-17 shall be applicable.

Article 212-33

In the case of an offering programme, the base prospectus, previously filed, shall be valid for 12 months.

In the case of the financial instruments referred to in Point 2° of Article 212-32, the base prospectus shall be valid until no more of the instruments concerned are issued in a continuous or repeated manner.

Paragraph 2 - Merger, demerger, partial merger

Article 212-34

1° Two months before the scheduled date of an extraordinary general meeting called to authorise an issue of financial instruments relating to a merger, demerger or partial merger, the issuer may file with the AMF the document prepared for that meeting. Where the document contains information equivalent to that specified in an AMF instruction, it is registered by the AMF.

2° The document provided for in Point 1° shall be published and distributed in accordance with Articles 212-26 and 212-27 fifteen days for partial mergers, or one month for mergers and demergers, before the date of the extraordinary general meetings called to authorise the transaction.

3° Where the application for admission is made more than one year after a merger, demerger or partial merger that entailed the preparation of a document registered by the AMF, the issuer that is to prepare a listing prospectus may refer to the registered document for the description of the merger, demerger or partial merger.

4° Documents pertaining to a merger, demerger or partial merger are made available free of charge to any person who so requests for viewing at the registered office of the issuer or the offices of the paying agent.

Paragraph 3 - Offers of financial instruments with embedded debt securities

Article 212-35

I. - The AMF may request that an issue be rated by a specialised agency when it examines a prospectus for the admission to trading on a regulated market of, or for the issuance of, financial instruments with embedded debt securities, particularly where these financial instruments are intended to be widely distributed to the public.

II. - The AMF may request all appropriate guarantees when it examines a prospectus for the admission to trading on a regulated market of, or for the issuance of, financial instruments with embedded debt securities.

The guarantee contract shall be made available free of charge to any person who so requests for viewing at the registered office of the issuer or the offices of the paying agent ; a copy of the document shall be provided free of charge to any interested party.

Article 212-36

Issuers of debt securities admitted to trading on a regulated market shall :

1° publish material extracts of their annual accounts and consolidated accounts, if any, within six months of the end of the financial year ; local authorities and State-guaranteed issuers are exempt from this publication requirement ;

2° publish as quickly as possible any new, material and non-public fact that arises in their business sector and that could significantly affect their solvency ;

3° notify the AMF, at the latest before the meeting of the body that is to give its decision, of any change in their articles of association (*statuts*) that affects the rights of securities holders ;

4° inform the public of any change in the rights of securities holders resulting, *inter alia*, from a change in the terms and conditions of issuance and from new issues of debt securities and their associated guarantees, if any ;

5° ensure equal treatment for all holders of securities from the same debt issue, and provide all the facilities and information needed for holders of debt securities to exercise their rights.

Paragraph 4 - Disclosures to shareholders by issuers having their registered office outside France

Article 212-37

Issuers with equity securities admitted to trading on a regulated market and having their registered office outside France shall take the necessary measures to allow shareholders to exercise their rights. The information provided must be equivalent to that given on other markets where the securities are traded and must be filed with the AMF by the date of publication at the latest.

They shall :

1° inform shareholders about the holding of general meetings and allow them to exercise their voting rights ;

2° informer shareholders about dividend payments, new share issues, allotments, subscriptions, rights waivers and conversions ;

3° inform the AMF at the earliest opportunity about any plans to amend their instrument of incorporation ;

4° provide information about changes in the distribution of its capital relative to previously published data ;

5° publish, within six months of the end of the financial year their annual accounts and consolidated accounts, if any, and their management report and have that report or material extracts thereof translated into French ; such extracts shall include, *inter alia*, the accounts for the financial year and the elements that make it possible to identify policies that have been followed and the main decisions taken about the future of the company ;

6° disseminate, through the French financial press, information about the business and results for the first half-year, with, as a minimum requirement, turnover and pretax net profit, consolidated where applicable, within four months of the end of the first half-year ;

7° publish at the earliest opportunity any changes in the rights attaching to different categories of shares.

Paragraph 5 - Issuers having their registered office outside the European Economic Area

Article 212-38

Issuers having their registered office in a State not party to the EEA agreement may draw up a prospectus meeting the standards of the International Organisation of Securities Commissions and containing information equivalent to that required under this Title and Article 221-1-1. In this case, the provisions of Articles 212-39 and 212-39-1 shall apply.

Article 212-39

Issuers having their registered office in a State not party to the EEA agreement shall appoint, with the assent of the AMF, a statutory auditor to verify the translation of the financial statements and notes as well as the relevance of any supplements and adaptations. This statutory auditor shall prepare a completion letter for its work on the translation of the financial statements and the relevance of the supplements and adaptations, in accordance with Article 212-15.

Article 212-39-1

In preparation for the first admission to trading on a regulated market of securities from an issuer referred to in Article 212-38, the draft prospectus should be submitted to the AMF with a document containing all of the relevant information that the issuer published or made available to the public over the preceding 12 months in the State where its registered office is located, along with a timetable of upcoming publications and the topics of the issuer's communications over the two months following the draft prospectus submission date.

Section 4 - Offers in several member States of the European Community or States party to the European Economic Area agreement

SUB-SECTION 1 - ISSUANCE BY THE AMF OF AN APPROVAL CERTIFICATE

Article 212-40

At the request of the issuer or the person responsible for preparing the prospectus, the AMF shall issue the supervisory authorities of the other Member States of the European Community or States party to the EEA agreement with an approval certificate declaring that the prospectus has been drawn up in accordance with Directive 2003/71/EC of 4 November 2003, along with a copy of the said prospectus. This shall be done within three trading days of that request or, if the request is submitted with the draft prospectus, within one day of issuance of approval. The same procedure shall apply to any supplemental note to the prospectus.

Where such is the case, the certificate shall mention and justify the application of Articles 212-18 and 212-19.

SUB-SECTION 2 - VALIDITY OF THE PROSPECTUS APPROVED BY THE COMPETENT SUPERVISORY AUTHORITY OF ANOTHER MEMBER STATE OF THE EUROPEAN COMMUNITY OR A STATE PARTY TO THE EUROPEAN ECONOMIC AREA AGREEMENT

Article 212-41

Without prejudice to Article L. 621-8-3 of the Financial and Monetary Code, when a public offering of financial instruments is planned in one or more Member States of the European Community or States party to the EEA agreement, including France, the prospectus approved by the competent supervisory authority of another Member State of the European Community or a State party to the EEA agreement shall be valid for a public offering of financial instruments in France, provided that the AMF receives the notification provided for in Article 212-42.

Article 212-42

Where the AMF receives notification of a prospectus approved by the competent supervisory authority of another Member State of the European Community or a State party to the EEA agreement, it shall ensure that the prospectus is drawn up in French or another language customary in the sphere of finance and the issuer produces the French translation of the summary note.

In practice, the prospectus shall be disseminated in a form equivalent to that of the prospectus approved by the competent supervisory authority of another Member State of the European Community or a State party to the EEA agreement.

The same provisions shall apply to any supplemental note to the prospectus.

Article 212-43

If significant new factors, material mistakes or inaccuracies arise after the approval of the prospectus by the competent supervisory authority of another Member State of the European Community or a State party to the EEA agreement, the AMF may draw that authority's attention to the need for new information.

CHAPTER III - TRANSACTIONS IN DERIVATIVE FINANCIAL INSTRUMENTS

Article 213-1

Before the issuance or disposal of derivative financial instruments in accordance with Point 1°, Section II of Article L. 211-1 of the Financial and Monetary Code, the issuer or its guarantor shall prepare the registration document referred to in Article 212-13, an offer document describing the transactions in the financial instruments and their shared characteristics, and a term sheet for each class of instrument. The offer document and term sheet shall be submitted to the AMF for approval.

The AMF can draft a warning and ask that it appear on the offer document or term sheet.

The waivers provided for in Article 212-4 shall apply.

The offer document and term sheet shall be drafted in French and filed with the AMF at least fifteen trading days before the envisaged date for obtaining approval. They shall show the name and job title of the person(s) who prepared them. These persons shall declare that, to the best of their knowledge, the information in the offer document and term sheet is in accordance with the facts and there are no omissions likely to affect their import.

CHAPTER IV - RIGHT OF THE AMF TO SUSPEND, PROHIBIT OR OPPOSE PUBLIC OFFERINGS OF FINANCIAL INSTRUMENTS

Section 1 - Right of suspension

Article 214-1

The AMF can suspend the transaction for no more than ten consecutive trading days each time that it has reasonable grounds to suspect that the transaction infringes applicable laws and regulations.

Section 2 - Right of prohibition

Article 214-2

The AMF may order a prohibition where :

1° it has reasonable grounds to suspect that an issue or disposal infringes applicable laws and regulations ;

2° it observes that a proposed admission to trading on a regulated market infringes applicable laws and regulations.

Section 3 - Right of the AMF to oppose admission to trading on a regulated market

Article 214-3

The AMF shall oppose the admission of financial instruments to trading on a regulated market if it considers that admission would engender risks that are incompatible with investors' interests and market integrity. It shall oppose the delisting of financial instruments on the same grounds.

The AMF shall similarly oppose any material change to the characteristics of derivative financial instruments admitted to trading.

Article 214-4

The AMF shall oppose the admission of financial instruments other than derivative financial instruments if it considers that, having regard to laws and regulations and to the professional standards applicable to statutory auditors, there are serious shortcomings in financial statements, that the issuer's statutory auditors have not exercised due care, or that the independence of said auditors was manifestly impaired.

It shall also oppose the admission financial instruments other than derivative financial instruments if, for one year prior to admission, these instruments have been the subject of transactions benefiting persons enjoying undue privilege, as specified in an AMF instruction.

Article 214-5

The AMF shall inform the market operator of its opposition, and the reasons therefor, within five days of receipt of the referral.

CHAPTER V - RELINQUISHING PUBLIC ISSUER STATUS

Article 215-1

Issuers that have acquired the status of public issuer can relinquish this status in the following conditions :

1° if the financial instruments referred to in Article L. 211-1 of the Financial and Monetary Code are not or are no longer traded on a regulated market ;

2° if the financial instruments referred to in Point 1° that have been offered to the public are in the hands of fewer than 100 persons ;

3° if the financial instruments referred to in Point 1° have not been offered to the public in the previous year or have been the subject of a mandatory buyout offer followed by a squeeze-out.

Relinquishment of public issuer status shall take effect from the date of publication of a notice in the official gazette (*Bulletin des annonces légales obligatoires*). This publication shall be followed within one month by a letter to each shareholder or the publication of a news release in a financial daily newspaper with nationwide circulation, under the issuer's responsibility.

CHAPTER VI - APPOINTMENT OF A CORRESPONDENT BY PERSONS OR ENTITIES HAVING THEIR REGISTERED OFFICE OUTSIDE FRANCE

Article 216-1

Persons or entities having their registered office outside France and having financial instruments admitted to trading on a regulated market shall appoint a correspondent in France, with whom they shall be domiciled and whom they shall authorise to :

1° receive any and all correspondence from the AMF ;

2° forward to the AMF all documents and information provided for in laws and regulations, or respond to requests for information from the AMF using the powers granted to it by laws and regulations.

Where their financial instruments were admitted to trading on a regulated market before this article came into force, the persons or entities concerned shall comply with the first paragraph before 1 September 2005.

CHAPTER VII - DESIGNATING THE AMF AS THE COMPETENT AUTHORITY TO SUPERVISE AN OFFER

Article 217-1

Any company mentioned in Part II of Article L. 433-1 of the Financial and Monetary Code that designates the AMF as the competent authority to supervise a takeover bid must send the AMF a statement to be posted on the AMF's website. This statement must reach the AMF no later than the first day on which the company's securities are admitted to trading on a regulated market.

The statement must follow the standard format set out in an AMF instruction.

TITLE II - PERIODIC AND ONGOING DISCLOSURE OBLIGATIONS

CHAPTER I - PERIODIC DISCLOSURES

Section 1 - Accounting and financial information

SUB-SECTION 1 - ANNUAL FINANCIAL REPORTS

Article 221-1

Whenever a change in scope of consolidation has an accounting impact greater than 25 %, the issuer shall present pro forma information for, at minimum, the previous financial year, as specified in an AMF instruction.

Article 221-1-1

Within twenty days of publication of their interim financial statements in the official gazette (Bulletin des annonces légales obligatoires), the issuers referred to in Article L. 451-1-1 of the Financial and Monetary Code shall file with the AMF a document containing or mentioning all the information they have published or made public over the previous twelve months in one or more States party to the EEA agreement or in one or more third countries in order to fulfil their legal or regulatory obligations with respect to financial instruments, financial instrument issuers and financial instrument markets.

The document referred to in the first paragraph shall be made available to the public in accordance with Article 212-13. The document shall also be posted to the issuer's website, if it has one. It may be included in the registration document referred to in Article 212-13.

The above document may be included in the registration document.

If the document refers to other information, it should specify where this information can be obtained.

Article 221-1-2

I. Within four months of the end of their financial year, public issuers shall publish a news release specifying the fees paid to each of the statutory auditors responsible for auditing their financial statements and, where applicable, to the company through which those auditors carry out their duties, or to other professionals in the network to which that company belongs, wherever such network, composed of natural or legal persons, provides professional services or advice in accounting, financial statement auditing, non-statutory auditing, or consulting on legal, financial, tax, organisational or related matters, and directly or indirectly maintains relations within the network that establish a material and durable community of economic interest. If the issuer prepares consolidated financial statements, the aforementioned fees shall be those paid by it and the other companies fully consolidated in those statements. As specified in an AMF instruction, fees paid for the statutory audit engagement and the formalities related directly thereto shall be distinguished from the fees paid for other services.

The above news release shall be posted on the AMF website and the website of the issuer, if it has one.

II. - Section I shall not apply to issuers where their securities have gained admission to a regulated market in financial instruments referred to in Point 2° of Section I of Article L. 211-1 of the Financial and Monetary Code.

III. - If the issuer publishes a registration document in accordance with Article 212-13, this document may contain the information referred to in Section I. In this case, the issuer shall be exempted from the enforcement of Section I.

SUB-SECTION 2 - FIRST-HALF FINANCIAL REPORTS

Single paragraph - Publication of the half-yearly report and interim statement of activity and financial results on a consolidated basis

Article 221-2

Companies mentioned in Article 294 of Decree 67-236 of 23 March 1967 that prepare consolidated annual financial statements shall publish the half-yearly report and the interim statement of activity and financial results mentioned in the third Point of Article L. 232-7 of the Commercial Code and Article 297-1 of the aforementioned Decree on a consolidated basis.

The consolidated report and consolidated statement shall be accompanied by a certification of the statutory auditors attesting to the fairness of the presentation.

This report and statement shall be published within four months from the end of the first half of the financial year.

Article 221-3

Insurance, reinsurance and capitalisation companies (*sociétés de capitalisation*) that, under the provisions of Article 299 of Decree 67-236 of 23 March 1967, are not required to publish a statement of activity and financial results need publish only the half-yearly report mentioned in Article L. 232-7 of the Commercial Code on a consolidated basis. This report requires quantitative data on consolidated revenue and consolidated profit or loss.

Article 221-4

A parent company that publishes its half-yearly report and statement of activity and financial results on a consolidated basis is not required to publish the report and statement on a non-consolidated basis. However, the consolidated half-yearly report must contain quantitative data on the revenue and the profit or loss of the parent company, in particular its net profit if it intends to pay an advance dividend.

Article 221-5

I. - Companies mentioned in Article 221-2 shall draw up the interim statement of activity and financial results in accordance with IAS 34, in the form of interim accounts that include :

1° a balance sheet,

2° an income statement,

3° a statement of changes in shareholders' equity,

4° a cash flow statement, and

5° notes to these financial statements.

These statements may be abridged, and the notes may contain only a selection of the most significant items.

II. - To ensure comparability, the interim accounts shall include :

1° The balance sheet at the end of the interim period concerned and the balance sheet at the end of the preceding financial year.

2° The income statement for the interim period, the income statement for the corresponding period of the preceding financial year, and the income statement for entire period of the preceding financial year.

3° The statement of changes in shareholders' equity for the interim period and the statement of changes in shareholders' equity for the preceding financial year.

4° The cash flow statement for the interim period and the cash flow statement for the preceding financial year.

III. - The interim accounts shall be presented on a consolidated basis if the reporting entity's financial statement for the most recent financial year were presented on a consolidated basis.

IV. - If earnings per share is reported in the annual financial statements, it shall also be reported in the interim accounts.

Section 2 - Disclosures relating to corporate governance and internal control

Article 221-6

Public limited companies (*sociétés anonymes*) making a public offer of securities shall publicly disclose the reports mentioned in the last point of Articles L. 225-37, L. 225-68 and L. 225-235 of the Commercial Code no later than the day of filing of the report with the clerk of the commercial court mentioned in Article L. 225-100 of the Commercial Code.

Other legal persons making a public offer of securities shall publicly disclose information about the matters mentioned in the last point of Articles L. 225-37 and L. 225-68 of the Commercial Code under the same conditions set forth in the preceding sentence, if they are required to file their financial statements with the clerk of the commercial court. If they are not required to file, they shall make such disclosure once their statements for the preceding financial year have been approved.

Article 221-7

The reports and disclosures mentioned in Article 221-6 shall be disseminated in the following ways :

1° made available at no charge at the registered office of the legal person concerned, with a copy sent free of charge to any person who requests one ;

2° posted in electronic form on the websites of the AMF and the legal person concerned, when it has such a site.

Article 221-8

Whenever an issuer prepares a registration document pursuant to Article 212-13, that document shall include the reports and disclosures mentioned in Article 221-6. In such case, the dissemination requirements of Article 221-7 do not apply.

CHAPTER II - ONGOING DISCLOSURE

Section 1 - Obligation to inform the public

Article 222-1

The provisions of this section apply to all financial instruments mentioned in Article L. 211-1 of the Financial and Monetary Code.

For the purposes of this section :

1° The term "issuer" shall mean any legal person making a public offer of financial instruments or whose financial instruments serve as the underlying instrument of a futures contract or other financial instrument admitted to trading on a regulated market.

2° The term "person" shall mean a natural or legal person.

The provisions of this section also apply to the officers and directors of the issuer, entity or legal person concerned.

Article 222-2

Information provided to the public must be accurate, precise and fairly presented.

Article 222-3

I. - Every issuer must disclose to the public as soon as possible any privileged information, as defined in Article 621-1, that directly concerns that issuer.

II. - The issuer may assume responsibility for deferring disclosure of privileged information in order to protect his legitimate interests, provided such non-disclosure is unlikely to mislead the public and provided the issuer is in a position to ensure confidentiality by controlling access to that information, in particular by :

1° implementing effective security measures to prevent access to that information by persons other than those who require access in order to perform their duties within the issuer ;

2° taking the necessary steps to ensure that every person granted access to that information is aware of the legal and regulatory obligations associated with such access and has been warned of the penalties imposed for unauthorised use or distribution of that information ;

3° introducing the necessary procedures to disclose that information immediately in the event the issuer has been unable to ensure confidentiality, without prejudice to the provisions of the second point of Article 222-4.

III. - The legitimate interests mentioned in II above may concern the following situations, among others :

1° Negotiations in progress or elements related thereto, if the act of making them public could affect the normal course or outcome of those negotiations. In particular, in cases where the issuer's financial viability is in grave and imminent danger, but the provisions of Book VI of the Commercial Code relating to distressed companies do not apply, disclosure may be deferred for a limited period if it could cause serious harm to the interests of existing or potential shareholders by compromising the outcome of negotiations aimed at ensuring the long-term financial recovery of the issuer.

2° Decisions taken or contracts approved by an issuer's executive body that require approval by another of the issuer's governing bodies to become effective, when the issuer's governance structure requires such separation of powers, if disclosure before the approval by both bodies, combined with a simultaneous announcement that such approval is yet to be given, would be likely to prevent a fair assessment of those decisions or contracts by the public.

Article 222-4

Whenever an issuer, or a person acting in the name or for the account of the issuer, communicates privileged information to a third party in the ordinary course of that party's work, profession or duties, within the meaning of the

third point of Article 622-1, the issuer or agent shall ensure that such information is fully disclosed to the public, either simultaneously, if the communication was intentional, or promptly, if it was unintentional.

The provisions of the preceding sentence do not apply when the person who receives the information is bound by an obligation of confidentiality imposed by law, regulation, bylaw or contract.

Article 222-5

Issuers shall refrain from providing privileged information combined with advertising or commercial materials relating to its activities in such a way that the public could be misled.

Article 222-6

Any material change concerning privileged information already made public shall be disclosed promptly, by the same means used for the initial disclosure.

Article 222-7

Any issuer or other person acting on the issuer's behalf that is preparing a financial transaction liable to have a significant impact in the market price of a financial instrument, or on the financial position and rights of holders of that financial instrument, must disclose the characteristics of the transaction to the public as soon as possible.

If confidentiality is temporarily necessary to carry out the transaction and if the person mentioned in the preceding sentence is able to ensure such confidentiality, he may assume responsibility for deferring disclosure of those characteristics.

Article 222-8

Where a person has publicly disclosed his intentions and subsequently his intentions no longer conform to his initial declaration, he is required to inform the public promptly of his new intentions.

Article 222-9

All issuers must ensure that the same information disclosed abroad is disclosed simultaneously in France in accordance with the provisions of Article 222-2.

Article 222-10

All the information mentioned in Articles 222-3 to 222-9 must be disclosed to the public in the form of a news release. The author of the release shall ensure that it is distributed in full, and that the AMF receives it no later than the moment of its publication.

Issuers with websites must post on their site, for an appropriate length of time, all privileged information that they are required to disclose publicly.

Article 222-11

The AMF may request that issuers and persons mentioned in Articles 222-3 to 222-9 publicly disclose, in a timely fashion, information that the AMF deems necessary for investor protection and orderly markets. Failing such publication, the AMF itself may disclose the information.

Section 2 - Crossing of shareholding thresholds, declarations of intent and changes of intent

SUB-SECTION 1 - MAJOR SHAREHOLDINGS

Article 222-12

To calculate the shareholdings mentioned in Article L. 233-7 of the Commercial Code, the person required to provide the notification referred to in Part I of the aforementioned article shall take account of the shares and voting rights that it holds as well as shares and voting rights assimilated thereto, pursuant to Article L. 233-9 of the said code, and determine the portion of capital and voting rights that it holds based on the total number of equities making up the share capital of the company and the total number of voting rights attached to these equities.

The total number of voting rights is calculated on the basis of all the equities to which voting rights are attached, including equities whose voting rights have been suspended.

Article 222-12-1

I. - Pursuant to Point 2° of Part II of Article L. 233-9 of the Commercial Code, the following are not treated as shares or voting rights held by the person required to provide the notification provided for in Part I of Article L. 233-7 of the aforementioned code : equities held in a portfolio managed by an investment services provider controlled by that person within the meaning of Article L. 233-3 of the Commercial Code in connection with an asset management service, if the provider is able to exercise the voting rights attached to these equities only on the instructions of its client or if it provides assurance that the asset management business is conducted separately from all other activities.

II. - The provisions of Part I do not apply if the management company or investment services provider is able to exercise voting rights only on the direct or indirect instructions of the person required to provide the notification mentioned in Part I of the aforementioned Article L. 233-7 or of any other person controlled by that person within the meaning of the aforementioned Article L. 233-3.

Article 222-12-2

I. - The notification requirements provided for in Parts I, II and III of Article L. 233-7 of the Commercial Code do not apply to equities :

1° acquired solely for the clearing, settlement or delivery of financial instruments within the meaning of Title V of Book V ;

2° held by an investment services provider in its trading book within the meaning of Council Directive 93/6/EC of 15 March 1993 on the capital adequacy of investment firms and credit institutions, provided that :

a) these equities represent 5 % or less of the share capital or voting rights of the issuer ;

b) the voting rights attached to these equities are not exercised nor otherwise used to intervene in the management of the issuer ;

3° provided to or by the members of the European System of Central Banks (ESCB) in carrying out their functions as monetary authorities, provided that :

a) these equities are provided for a short period ;

b) the voting rights attached to these equities are not exercised.

II. - The notification requirements provided for in Parts I, II and III of Article L. 233-7 of the Commercial Code do not apply to a market maker whose shareholding breaches the threshold of 5 % of the share capital or voting rights in connection with market-making activities, provided that it neither intervenes in the issuer's management nor exerts any influence on the issuer to buy such equities or to support the price of such equities.

Article 222-12-3

I. - The persons required to provide the notification mentioned in Part I of Article L. 233-7 of the Commercial Code must inform the AMF of changes in major shareholdings within five trading days.

II. - The information mentioned in Part I must include :

1° the identity of the reporting person ;

2° where applicable, the identity of the natural person or legal entity entitled to exercise voting rights on behalf of the reporting person ;

3° the date on which the threshold was breached ;

4° the reason why the threshold was breached ;

5° the resulting situation in terms of shares and voting rights ;

6° where applicable, the type of assimilation to the shares or voting rights held by the reporting person under Article L. 233-9 of the Commercial Code and as well as, where appropriate, the main points of the agreement mentioned in Point 4° of Part I of Article L. 233-9 of the aforementioned code ;

7° where applicable, the chain of undertakings controlled within the meaning of Article L. 233-3 of the Commercial Code through which the shares and voting rights are held ;

8° the number of securities held by the reporting person that may eventually give access to capital as well as attached voting rights.

III. - The information mentioned in Part I should be in French or another language that is customary in the sphere of finance.

IV. - The AMF may request equivalent information from companies whose registered offices are not in France and whose shares are admitted to trading on a regulated market.

Article 222-12-4

The AMF shall publicly disclose the information mentioned in Article 222-12-3.

SUB-SECTION 2 - INFORMATION ABOUT THE TOTAL NUMBER OF VOTING RIGHTS AND SHARES MAKING UP THE SHARE CAPITAL

Article 222-12-5

At the end of each month, companies whose shares are admitted to trading on a regulated market shall post on their website and report to the AMF the total number of voting rights and shares making up their share capital, if these have changed relative to previous disclosures.

The AMF may request equivalent information from companies whose registered offices are not in France and whose shares are admitted to trading on a regulated market.

SUB-SECTION 3 - STATEMENTS OF INTENT AND CHANGES OF INTENT

Article 222-12-6

The AMF shall publicly disclose the information mentioned in Part VII of Article L. 233-7 of the Commercial Code. The AMF shall specify in an instruction how such information is to be transmitted to it.

The AMF may request equivalent information from companies whose registered offices are not in France and whose shares are admitted to trading on a regulated market.

Section 3 - Shareholder agreements

Article 222-13

The AMF shall publicly disclose the information mentioned in Article L. 233-11 of the Commercial Code. The AMF shall specify in an instruction how such information is to be transmitted to it.

Section 4 - Transactions in the company's securities by officers and directors and persons referred to in Article L. 621-8-2 of the Financial and Monetary Code

Article 222-14

The persons referred to in Article L. 621-18-2 of the Financial and Monetary Code shall report to the AMF, electronically and within five business days of execution, all acquisitions, disposals, subscriptions or exchanges involving the financial instruments of the issuer at which the persons referred to in (a) and (b) of Article L. 621-18-2 ibid. carry out their duties, as well as all transactions in related instruments.

The reports referred to in the first paragraph are posted on the AMF website.

Article 222-15

By way of derogation from Article 222-14, notification is not required for transactions carried out by a person mentioned in Article L. 621-18-2 of the Financial and Monetary Code if the total amount of such transactions does not exceed EUR 5,000 in a calendar year. This total is calculated by aggregating the transactions carried out by persons referred to in a) and b) of Article L. 621-18-2 of the Financial and Monetary Code and the transactions carried out on behalf of persons referred to in c) of the same article.

In the case of a transaction in financial instruments related to the issuer's securities, this amount applies to the underlying.

Article 222-15-1

The issuer shall prepare, update and transmit simultaneously to the persons concerned and to the AMF a list of the persons referred to in Article L. 621-18-2 (b) of the Financial and Monetary Code.

The first such transmission shall be made no later than 30 May 2006.

Article 222-15-2

The report referred to in Article 222-14 contains the following :

1° For transactions by a person referred to in Article L. 621-18-2 (a) or (b) of the Financial and Monetary Code, the name of such person and the duties he carries out at the issuer ;

2° For transactions by a person referred to in (c) of the above article, the name of such person with the indication "a person or persons related to…", followed by the name of the person referred to in Article L. 621-18-2 (a) or (b) and the duties he carries out ;

3° Company name of the issuer concerned ;

4° Description of the financial instrument ;

5° Nature of the transaction ;

6° Date and place of the transaction ;

7° The unit price and amount of the transaction.

The report shall be prepared in accordance with the standard format set out in an AMF instruction.

Article 222-15-3

The management report referred to in Article L. 225-100 of the Commercial Code contains a summary statement of the transactions referred to in Article L. 621-18-2 of the Financial and Monetary Code that have been made during the past financial year.

Section 5 - Lists of insiders

Article 222-16

Any issuer that issues financial instruments admitted for trading on a regulated market or applying for admission of its securities to trading on such a market shall submit a written list of persons and third parties with regular or occasional access to the inside information, as defined in Article 621-1. It shall submit said list to the AMF at the latter’s request and for the purposes of the first paragraph of Article L. 621-18-4 of the Financial and Monetary Code.

The list of persons and third parties with regular or occasional access to the inside information prepared by third parties for the purposes of the second paragraph of Article L. 621-18-4 of the Financial and Monetary Code shall be submitted to the AMF under the same conditions and using the same procedures.

Article 222-17

The lists referred to in Article 222-16 shall include :

1° the name or business name of each of the persons ;

2° the reason for their appearing on the list ;

3° the dates on which the list was created and updated.

Article 222-18

The lists referred to in Article 222-16 must be updated rapidly in the following cases :

1° if there is a change in the reason for the person’s appearing on the list ;

2° if a new person has to appear on the list ;

3° if a person is removed from the list, with a mention of the date on which the person stopped having access to inside information.

Article 222-19

The issuer shall notify the persons concerned that they appear on the list and inform them about the rules applying to holding, communicating and using inside information, and the penalties for violations of these rules.

The third parties referred to in the second paragraph of Article 222-16 shall provide the same information to the persons appearing on the lists that they have drawn up.

Article 222-20

The lists referred to in Article 222-16 shall be kept for at least five years after they are drawn up or updated.

Section 6 - Information concerning restrictions on the exercise of voting rights or on transfers of securities

Article 222-21

I. - In the event that a company, whose registered office is in France and whose shares are admitted to trading on a French regulated market or for which an application for admission to trading on such a market has been filed, decides to apply or cease applying the provisions set forth in Articles L. 233-35 to L. 233-39 of the Commercial Code, it shall notify the AMF of amendments to its articles of association as soon as these are made, so that the AMF can post this information on its website.

II. - The following are also subject to the provisions of Part I :

1° any company whose registered office is in France and whose shares are admitted to trading on a regulated market in a Member State of the European Community or in a State party to the European Economic Area (EEA) Agreement, other than France, or for which an application for admission to trading on such a market has been filed ;

2° any company whose registered office is in a Member State of the European Community or in a State party to the EEA Agreement, other than France, and whose shares are admitted to trading on a French regulated market or for which an application for admission to trading on such a market has been filed.

Section 7 - Statement of intent in the event of preparations for a takeover bid

Article 222-22

Without prejudice to the provisions of Article 222-7, in particular when the market for the financial instruments of an issuer is subject to large price swings or unusual trading volumes, the AMF may require persons to publicly disclose their intentions within a set deadline, where there is reason to believe they are preparing a takeover bid, either alone or in concert with others within the meaning of Article L. 233-10 of the Commercial Code. This shall be the case, for example, in the event of discussions between the issuers concerned or the appointment of advisors with a view to preparing a public offer.

The information is publicly disclosed in a news release submitted in advance to the AMF for approval. The author of the release shall ensure that it is distributed in full.

Article 222-23

Where the persons mentioned in Article 222-22 state their intention to file a draft offer, the AMF sets the date on which they must publish a release describing the terms of the draft offer, or, depending on the circumstances, file a draft offer.

The news release referred to in the first paragraph should mention the financial terms of the draft offer, any agreements that could affect its execution, the interest held in the issuer in question, any conditions that must be satisfied before the draft offer is filed, and the proposed timetable.

The AMF may request any information it deems necessary.

If the terms of the draft offer are not disclosed or if the draft offer is not filed within the deadline mentioned in the first paragraph, the persons in question are deemed not to have the intention of filing a draft offer and are subject to the provisions of Article 222-25.

Article 222-24

Sections 10 and 11 of Chapter I of Title III of this book and the provisions relative to trading in the target securities of a public offer shall apply as soon as the statement of intent mentioned in Article 222-23 is published. They shall cease to apply once the company announces that it has abandoned its plans or if the draft offer is not filed within the deadline mentioned in Article 222-23.

The provisions of the first paragraph shall also apply between the announcement of the terms of a draft offer made pursuant to Articles 222-7 and 222-23 and the filing of the said offer.

Article 222-25

If the persons mentioned in Article 222-22 indicate that they do not intend to file a draft offer, or if they are deemed not to have such an intention pursuant to the final paragraph of Article 222-23, they may not file a draft offer for a period of six months starting from when they made their statement or from the expiry of the deadline mentioned in the final paragraph of Article 222-23, unless they provide evidence of major changes in the environment, situation or shareholding structure of the persons concerned, including the issuer itself.

During the period mentioned in the first paragraph, these persons may not place themselves in a situation in which they are obliged to file a draft offer. If they increase, by 2 % or more, the number of equity securities and securities giving access to capital or voting rights that they hold in the issuer, they must report this immediately and indicate the objectives that they intend to pursue through to the expiry of the period.

The information mentioned in the previous paragraph shall be publicly disclosed according to the conditions and procedures set forth in Article 222-22.

TITLE III - TAKEOVER BIDS

CHAPTER I - GENERAL RULES AND COMMON PROVISIONS

Section 1 - Scope, definitions and general principles

SUB-SECTION 1 - SCOPE

Article 231-1

This title applies to all public offers made to holders of financial instruments traded on a regulated market in a Member State of the European Community or a State party to the EEA Agreement, including France, where the AMF is the competent authority in the cases provided for in Parts I and II of Article L. 433-1 of the Financial and Monetary Code, by a person acting alone or in concert within the meaning of Articles L. 233-10 and L. 233-10-1 of the Commercial Code, with the aim of acquiring some or all of the financial instruments concerned.

It also applies to buyout offers of financial instruments that are no longer admitted to trading on a regulated market.

The AMF may apply these rules, excepting those governing standing market offers, buyout offers with squeeze-outs, and squeeze-outs, to public offers for financial instruments issued by companies whose registered offices are not in a Member State of the European Community or a State party to the EEA Agreement, where these instruments are admitted to trading on a French regulated market.

For the purposes of this Title, the financial instruments covered are those mentioned in Points 1° and 2° of Section I of Article L. 211-1 of the Financial and Monetary Code and all equivalent instruments issued under foreign law. Offers for debt securities other than those mentioned in Point 8° of Article 233-1 are governed by the provisions of Chapter VIII of this title.

SUB-SECTION 2 - DEFINITIONS

Article 231-2

For the purposes of this Title :

1° the offeror is any natural or legal person or legal entity that files a draft offer or on whose behalf one or more investment services providers file such draft offer ;

2° the target company is the issuer of the financial instruments to be acquired through the offer ;

3° the persons concerned are the offeror, the target company, and any persons or entities acting in concert with one of the preceding parties ;

4° The offer period is the period of time between the publication by the AMF of the main provisions of the proposed offer and the publication of the final outcome of the offer.

5° the offer term is the period of time between the opening and closing dates of the offer.

SUB-SECTION 3 - GENERAL PRINCIPLES

Article 231-3

To allow an offer to be conducted in an orderly fashion in the best interests of investors and the market, the parties concerned shall respect the principles of free interplay of offers and counter-offers, equal treatment and information for all holders of the securities concerned, market transparency and integrity, and fairness of transactions and competition.

Article 231-4

The persons concerned shall comply with the rules of this title from the time that a draft offer is filed by the offeror until the outcome of the offer is made public.

Article 231-5

Once a draft offer has been filed, any restrictive clause agreed by the parties concerned or their shareholders that could have an impact on the assessment of the offer or its outcome, subject to assessment by the courts of its validity, must be disclosed to the parties concerned, the AMF and the public. If it was not possible to mention the clause in the offer document(s), because of the date on which the agreement was concluded or for another reason, the signatories shall, as soon as the agreement has been concluded, publish a news release detailing the content of the clause in accordance with the procedures set forth in Article 222-22.

Article 231-6

Save for the exceptions mentioned in Article 233-1, the offer must be for all the equity securities as well as any securities giving access to the capital and voting rights of the target company.

Article 231-7

From the beginning of the offer period to the close of the offer, all orders for the target securities shall be executed on the regulated market(s) on which such securities are admitted to trading.

The rules of the regulated markets concerned shall determine how the provisions of the preceding sentence are applied.

Section 2 - Nature of the offer and conditions precedent

Article 231-8

An offer may consist of :

1° a single offer proposing a purchase of the target securities, an exchange for existing securities or securities to be issued, or a payment in cash and securities ;

2° an alternative offer ;

3° a principal offer with one or more non-severable subordinate options.

Where the securities provided in exchange are not liquid securities admitted to trading on a regulated market in a Member State of the European Community or a State party to the EEA Agreement, the offer must include a cash option.

If, in the twelve months before the offer is filed, the offeror, acting alone or in concert, has purchased, for cash, securities giving it more than 5 % of the shares or voting rights of the target company, the offer must include a cash option.

Where the offer consists of an alternative offer or a single offer proposing payment in cash and securities, the AMF shall assess the validity of the offeror's designation of it as a public cash offer or public exchange offer.

The offeror may give holders the option of selling their securities at a later date, provided that the option is exercisable within a reasonable time, that it is subordinate to the principal offer, and that exercise of the option is unconditionally guaranteed by the institution sponsoring the offer as defined in Article 231-13. Any arrangements that consist in offering payment at a later date of the difference between the future market price and the future offer price must contain guarantees and advantages equivalent to those of a deferred sale.

Article 231-9

The offeror may stipulate a condition in its offer that a number of securities, expressed as a percentage of the share capital or voting rights, must be tendered in order for the transaction to be successful.

Article 231-10

An offeror making draft offers for two or more different companies may stipulate that if the threshold set pursuant to Article 231-9 is reached in one of the offers, it will declare the offer to have succeeded only if this threshold is reached in the other offer or offers. While the offers are open, the offeror may withdraw this threshold condition, notably in the case of a competing or improved offer on one of the target companies.

Article 231-11

If, under competition rules, notice of the draft offer must be given to the European Commission, the minister for economic affairs or the competent authority in this regard in another State party to the EEA Agreement or the United States of America, the offeror may stipulate the condition precedent of obtaining the decision provided for in Article 6-1 a) or b) of EC Regulation 139/2004, the authorisation provided for in Article L. 430-5 of the Commercial Code, or any authorisation of the same nature issued by the foreign State.

An offeror that seeks to assert such provisions shall provide the AMF with a copy of the notices to the authorities concerned and shall keep the AMF informed of the progress of the procedure.

The offer shall lapse if the proposed transaction becomes subject to the procedure of Article 6-1 (c) of EC Regulation 139/2004, or is referred to the French competition authority (Conseil de la Concurrence) under the last paragraph of Part III of Article L. 430-5 of the Commercial Code, or becomes subject to a similar procedure before the competent authority of a foreign State. The offeror shall disclose whether it is seeking to pursue the intended transaction with the authorities to which the case has been referred.

Article 231-12

Where the proposed offer calls for remittal of securities to be issued, the irrevocability of the offeror's commitments entails an obligation to propose a resolution to the general meeting of the issuing company's shareholders authorising issuance of the securities under the conditions and clauses of the proposed offer, as consideration to persons tendering their securities to the offer, unless the company's governing body has already obtain an express delegation of authority to this effect.

Depending on the applicable provisions of law, regulation or bylaw governing the offeror, the AMF may authorise the offeror to make opening of the offer conditional on its being authorised by a general meeting of shareholders, provided that such a meeting has already been called before the draft offer is filed.

Section 3 - Filing of the draft offer, the draft offer document and the draft reply document

Article 231-13

The draft offer shall be filed by one or more investment services providers authorised to act as underwriter(s) and acting on behalf of the offeror(s).

The filing is made by means of a letter addressed to the AMF guaranteeing the tenor and irrevocable nature of the commitments made by the offeror. This letter must be signed by at least one of the sponsoring institutions.

This letter shall stipulate :

1° the aims and intentions of the offeror ;

2° the number and type of securities of the target company that the offeror already holds, alone or in concert, or may hold on its own initiative, as well as the date and terms on which such holdings were acquired in the last twelve months or may be acquired in the future ;

3° the price or exchange ratio at which the offeror proposes to acquire the target securities, the basis on which such price or ratio was determined, and the proposed conditions of payment or exchange ;

4° if applicable, the conditions required pursuant to Articles 231-9 to 231-12.

The letter shall be accompanied by :

1° the draft offer document drawn up by the offeror, on its own or jointly with the target company. In the cases provided for in Article 261-1, the offeror's draft offer document may not be prepared jointly with the target company, except in the event of a squeeze-out ;

2° copies of any prior notices given to other bodies empowered to authorise the proposed transaction.

In the case provided for in Part IV of Article L. 433-3 of the Financial and Monetary Code, the letter shall also be accompanied by :

1° the filed offer document or a draft of the offer document that will be filed ;

2° any other document constituting a binding commitment proving that an irrevocable and fair draft offer has been or will be filed for all the equity securities and securities giving access to the capital or voting rights of the company of which more than one-third of the shares or voting rights is held, where such holding constitutes an essential part of the target company's assets.

In all cases, an electronic version of the draft offer document must be sent to the AMF for posting on its website.

Article 231-14

The AMF shall make public the main provisions of the draft offer. Such publication shall signal the beginning of the offer period.

Article 231-15

Once the proposed offer has been filed, the Chairman of the AMF may ask the market operator that runs the regulated market on which the target company's securities are admitted to trading to halt trading in those securities.

Such request may also extend to other securities concerned by the draft offer.

If need be, the same request may be made to more than one market operator.

Section 4 - Disclosures to shareholders and the public

Article 231-16

I. - Once the offer period begins, the draft offer document shall be made available to the public free of charge at the offices of the offeror and the sponsoring institution(s). Where the offer document has been prepared jointly with the target company, it shall also be made available at the offices of the target company and the organisations engaged as paying agent for the target company's securities.

Where the registered office of the offeror or sponsoring institution is outside France, the offer document must be made available at the offices of an investment services provider in France designated for this purpose by the offeror or sponsoring institution.

The draft offer document shall also be published on the website of the offeror and, if it was prepared jointly with the target company, on the website of the target company, provided that these companies have websites.

II. - In all cases, a copy of the draft offer document must be sent free of charge to any person who requests it.

III. - On or before the date that the draft offer is filed with the AMF, a news release shall be issued. The offeror shall ensure that the release is distributed in full. This news release shall present the main elements of the draft offer document and explain how the document is being made available.

IV. - The draft offer document and the news release mentioned in Part III shall include the words : "This offer and the draft offer document are subject to AMF approval".

Article 231-17

The target company may, once the news release mentioned in Part III of Article 231-16 has been published, issue its own news release to inform the public of the opinion of its Board of Directors or Supervisory Board or, in the case of a foreign company, the competent governing body, on the benefits of the offer or the consequences of the offer for the target company, its shareholders and its employees.

Where applicable, the news release shall mention the findings of the report by the independent appraiser appointed pursuant to Article 261-1. If the news release is published before the appraiser submits his report, the target company shall issue another release when the report is published, mentioning the appraiser's findings and the reasoned opinion of the governing bodies referred to in the first paragraph.

In all cases, if the independent appraiser has not completed his assignment or has not been appointed by the time the offeror files its draft offer document, the target company shall issue a news release to inform the public of the identity of the independent appraiser as soon as the offeror publishes its draft document or as soon as the appraiser is appointed.

The AMF may request any disclosure that it deems necessary.

Section 5 - Contents of the draft offer document and the reply document

Article 231-18

The draft offer document prepared by the initiator, which must meet the content requirements specified in an AMF instruction, shall mention :

1° the identity of the offeror ;

2° the terms of the offer, including in particular :

a) the proposed price or exchange ratio, based on generally accepted objective valuation criteria, the characteristics of the target company and the market for its securities ;

b) the number and type of securities that it promises to acquire ;

c) the number and type of securities of the target company that the offeror already holds directly, indirectly or in concert, or may hold on its own initiative, as well as the date and terms on which such holdings were acquired in the last twelve months or may be acquired in the future ;

d) where applicable, the conditions to which the offer is subject pursuant to Articles 231-9 to 231-12 ;

e) the planned timetable for the offer ;

f) where applicable, the number and type of securities tendered in exchange by the offeror ;

g) the terms of financing for the transaction and the impact of those terms on the assets, activities and financial results of the companies concerned ;

3° its intentions for at least the coming twelve months with regard to (i) the industrial and financial strategy of the companies concerned and (ii) continued public trading on a regulated market of the equity securities or securities giving access to the capital of the target company ;

4° its policy with respect to employment. In particular, the offeror shall indicate, based on the data available to it and its intentions in the matter of industrial and financial strategy as mentioned in Point 3° above, any foreseeable changes in the size and composition of the workforce ;

5° the law applicable to contracts between the offeror and holders of the target company's securities following the offer, and competent jurisdictions ;

6° agreements relating to the offer to which the offeror is party or of which it is aware, as well as the identity and characteristics of persons with which it is acting in concert or persons acting in concert with the target company within the meaning of Articles L. 233-10 and L. 233-10-1 of the Commercial Code and of which the offeror is aware ;

7° if relevant, the opinion and the reasons therefor of the Board of Directors or Supervisory Board, or, in the case of a foreign offeror, the competent governing body, regarding the benefits of the offer or the consequences of the offer for the offeror, its shareholders and its employees ; and the voting procedures by which this opinion was obtained, with the possibility for dissenting members to request that their identity and position be mentioned ;

8° in the case provided for in Part IV of Article L. 433-3 of the Financial and Monetary Code, a commitment to file an irrevocable and fair draft offer for all the equity securities and securities giving access to the capital or voting rights of the company of which more than one-third of the shares or voting rights is held, where such holding constitutes an essential part of the target company's assets ;

9° if relevant, the report by the independent appraiser mentioned in Article 261-3 ;

10° procedures for making available the information mentioned in Article 231-28.

The offer document shall bear the signature of the initiator, or of its legal representative, declaring that the information contained therein is accurate.

The offer document shall also include a declaration by the legal representatives of the sponsoring institutions as to the accuracy of the information about the presentation of the offer and the information used to appraise the proposed price or exchange ratio.

Article 231-19

The reply document of the target company, which must meet the content requirements specified in an AMF instruction, shall mention :

1° the agreements mentioned in Article 231-5 ;

2° the information mentioned in Article L. 225-100-3 of the Commercial Code, updated where applicable as at the date of the offer, to the best of the company's knowledge ;

3° the independent appraiser's report in the cases provided for in Article 261-1. In order to protect its legitimate interests, the target company may assume responsibility for not disclosing certain information in the independent appraiser's report, provided such non-disclosure is unlikely to mislead the public ;

4° the opinion and the reasons therefor of the Board of Directors or Supervisory Board, or, in the case of a foreign offeror, the competent governing body, regarding the benefits of the offer or the consequences of the offer for the target company, its shareholders and its employees ; and the voting procedures by which this opinion was obtained, with the possibility for dissenting members to request that their identity and position be mentioned ;

5° if they are available and different from the opinion mentioned in Point 4°, comments by the works council, or, failing that, by staff representatives, or, failing that, by staffmembers ;

6° whether members of the governing bodies mentioned in Point 4° intend to tender their shares to the offer ;

7° the procedures for making available the information mentioned in Article 231-28.

The reply document shall bear the signature of the legal representative of the target company, declaring that the information contained therein is accurate.

Section 6 - Review of the draft offer by the AMF

Article 231-20

I. - The AMF shall have ten trading days from the beginning of the offer period to determine whether the draft offer complies with applicable laws and regulations.

II. - In the cases provided for in Article 261-1, the statement of compliance shall be issued no earlier than five trading days after the target company has filed its draft reply document.

III. - In all cases, the AMF may request any supporting documentation or guarantees that it deems appropriate, as well as any further information that it needs for its assessment of the draft offer, the draft offer document or the reply document. In this case, the time period is suspended. It resumes once the information requested has been received.

Article 231-21

To determine whether the draft offer complies with applicable laws and regulations, the AMF shall examine :

1° The aims and intentions of the offeror.

2° where applicable, the type and characteristics of and market for any securities proposed in exchange ;

3° the conditions stipulated by the offeror pursuant to Articles 231-9 and 231-10 ;

4° the information in the draft offer document ;

5° in the cases provided for in Article 261-1, the financial terms of the offer, notably with respect to the independent appraiser's report and the reasoned opinion of the Board of Directors, the Supervisory Board, or, in the case of a foreign offeror, the competent governing body.

The AMF may ask the offeror to modify the draft offer if the AMF believes that it may contravene the legal and regulatory provisions mentioned in the first paragraph, and notably the principles referred to in Article 231-3.

Article 231-22

In the cases and in accordance with the conditions set forth in Section 2 of Chapter II and in Chapters III to VII of this title, the AMF shall assess application of the special provisions governing the proposed price or exchange ratio.

Article 231-23

Where the draft offer meets the requirements of Articles 231-21 and 231-22, the AMF shall publish a reasoned statement of compliance that also constitutes an approval of the offer document.

Where the document does not meet the requirements, the AMF shall refuse to issue a statement of compliance for the draft offer and shall state the grounds for refusal.

Where appropriate, the AMF shall set a date for resumption of trading in the securities concerned if trading is still halted. It shall inform the market operator accordingly.

Article 231-24

In the cases mentioned in Part III of Article L. 433-1 of the Financial and Monetary Code, where the offer concerns equity securities that are also admitted to trading on a market not located in a Member State of the European Community or a State party to the EEA Agreement, whether regulated or not, where the AMF does not claim jurisdiction, and where an offer document has been prepared in compliance with a procedure governed by a competent foreign authority, the AMF may exempt the offeror and the target company from the obligation to prepare an offer document and a reply document, provided that the offeror and the target company publish, jointly or separately, a news release subject to review by the AMF. The release, which must be distributed in full by the author, shall present the main elements of the offer document. In such cases, only Articles 231-36, 231-38 and 231-41 shall be applicable. The information called for in Articles 231-5, 231-18 and 231-19, if not included in the offer document, must be included in the news release.

Article 231-25

Once the offer document has been approved by the competent authority of another Member State of the European Community or a State party to the EEA Agreement, the offeror and the target company are exempt from preparing an offer document and a reply document, provided that their application is accompanied by a copy of the offer document approved by the competent authority and translated in French.

This document should be published in accordance with the procedures provided for in Article 231-27.

Article 231-26

No later than five trading days after the AMF has issued its statement of compliance, the target company shall file a draft reply document with the AMF. Exceptionally, if an independent appraiser has been appointed pursuant to Article 261-1, the target company shall file its draft reply document no later than twenty trading days after the beginning of the offer period.

The electronic version of the draft reply document shall be sent to the AMF for posting on its website.

As soon as it has been filed, the draft reply document shall be made available to the public in accordance with the procedures mentioned in Parts I and II of Article 231-16 and shall contain the words referred to in Part IV of the said article. No later than when it is filed with the AMF, the document shall be described in a news release that presents the main elements of the draft reply document, explains how the document is being made available, and contains the words referred to in Part IV of Article 231-16. The target company shall ensure full distribution of the news release.

Except in the cases provided for in Part II of Article 231-20, the AMF shall have five trading days from the filing of the draft reply document to issue its approval in accordance with Article 231-20. During this time, the AMF may request any additional information that it deems necessary for its review. In this case, the time period is suspended. It resumes once the information requested has been received.

Section 7 - Distribution of the offer and reply documents

Article 231-27

1° Public distribution of the AMF-approved offer document drawn up by the offeror, alone or jointly with the target company, must occur before the opening date of the offer and no later than the second trading day following issuance of the statement of compliance.

2° The offer document approved by the AMF must be distributed in one of the following forms :

a) publication of the document in at least one daily newspaper with nationwide circulation that covers economic and financial news ;

b) publication of a summary of the offer document on the same conditions as in *a)*, when the offer document is made available free of charge at the offices of the offeror and the sponsoring institution(s) ; or publication of a news release, distributed in full under the offeror's responsibility, specifying that the offer document is available as described above.

Where the registered office of the offeror or sponsoring institution is outside France, the offer document must be made available at the offices of an investment services provider in France designated for this purpose by the offeror or sponsoring institution. Where the offer document has been prepared jointly with the target company, the document shall also be made available free of charge at the offices of the target company and the organisations engaged as paying agent for the target company's securities.

In all cases, a copy of the document must be sent free of charge to any person who requests it, and an electronic version of the offer document must be sent to the AMF for posting on its website

3° The target company sends its reply document to the offeror as soon as the AMF has issued its approval. The reply document must be distributed in one of the following forms :

a) publication of the document in at least one daily newspaper with nationwide circulation that covers economic and financial news ;

b) publication of a summary of the reply document on the same conditions as in *a)*, when the reply document is made available free of charge at the offices of the target company or the organisations engaged as paying agent for its securities ; or publication of a news release, distributed in full under the offeror's responsibility, specifying that the document is available as described above.

In all cases, a copy of the reply document must be sent free of charge to any person who requests it, and an electronic version must be sent to the AMF for posting on its website.

4° The approved offer and reply documents published and made available to the public shall always be identical to the original versions approved by the AMF.

Section 8 - Other information

Article 231-28

I. - Disclosures providing information on the legal, financial, accounting and other characteristics of the offeror and the target company, which must meet the content requirements specified in an AMF instruction, shall be filed with the AMF and made available to the public no later than the day on which the offer opens, in accordance with the procedures mentioned in Points 2° and 3° of Article 231-27.

II. - The reports by the statutory auditors of the offeror and the target company must also be filed with the AMF.

Foreign offerors and target companies shall appoint, with the assent of the AMF, a statutory auditor that verifies the translation of the financial statements and notes as well as the relevance of any supplements and adaptations, and sends the AMF a declaration concerning the tasks that it has completed.

III. - For the waiver provided for in Point 2° of Article 212-4 and Point 3° of Article 212-5 to be effective, the statutory auditors shall declare that any forward-looking information, whether estimated or pro forma, has been properly prepared in accordance with the indicated basis and that the accounting basis is consistent with the offeror's accounting policies.

They shall examine all the information mentioned in Part I and, where such is the case, the updates or corrections thereto. This overall examination and any special verifications shall be carried out in accordance with a standard issued by the national institute of statutory auditors (*Compagnie Nationale des Commissaires aux Comptes*).

They shall draw up a completion letter for their work, in which they inform the offeror about any reports issued. Upon completion of their overall examination and any special verifications that may have been made in accordance with the aforementioned professional standard, they shall state their observations, if any.

The offeror shall forward a copy of the completion letter to the AMF.

IV. - No later than the day on which the offer opens, the offeror, the target company and at least one of the sponsoring institutions shall file a declaration certifying that all the information required under this article has been filed and published.

Article 231-29

If the AMF finds an omission or a material inaccuracy in the content of the information mentioned in Article 231-28, it shall inform the offeror or the target company, as appropriate, of this fact. The offeror or target company is then required to amend the information and file the corrections with the AMF.

Any omission or inaccuracy, with regard to this General Regulation or to AMF instructions, that could manifestly distort an investor's assessment of the proposed transaction shall be considered as material.

These corrections shall be made available to the public as soon as possible, in accordance with Points 2° and 3° of Article 231-27.

Article 231-30

The AMF may postpone the closing date of the offer to give holders of securities at least five trading days to respond following publication of the information mentioned in Article 231-29.

Section 9 - Offer timetable

Article 231-31

The offer timetable is set based on the distribution date of the joint offer document of the offeror and the target company or the reply document of the target company.

Article 231-32

The offer opens on the day after distribution of the approved offer document prepared jointly by the offeror and the target company, or of the offer document prepared by the offeror, or, in the cases provided for in Article 261-1, of the reply document prepared by the target company, along with the information mentioned in Article 231-28 and, where applicable, after the AMF has received any prior authorisations required by law.

The AMF publishes the opening and closing dates of the offer and the release date of the outcome of the offer.

Article 231-33

Persons wishing to tender their securities to the offer must send their orders to an authorised provider during the offer period.

Article 231-34

At any time during the offer period, the AMF may postpone the closing date of the offer.

Article 231-35

The AMF publishes the results of the tender offer, which are transmitted to it by the market operator concerned or by the sponsoring institution, as the case may be.

Section 10 - Obligations of officers and directors, persons concerned and their advisers

Article 231-36

The parties concerned, their officers and directors and their advisers shall demonstrate particular vigilance in their statements.

Any advertisement, regardless of its form and method of dissemination, shall be communicated to the AMF before being disseminated.

Such advertisements shall :

1° state that an offer document or reply document has been or will be published and indicate where investors are or will be able to obtain it ;

2° be clearly recognisable as advertisements ;

3° contain no information that could mislead the public or discredit the offeror or the target company ;

4° be consistent with the information contained in the news releases, the offer document and the reply document ;

5° where applicable and at the request of the AMF, contain a warning about certain exceptional characteristics of the offeror, the target company, or the financial instruments concerned by the offer.

Article 231-37

Any additional information not included in the offer document approved by the AMF must be made public in a news release. The author of the release shall ensure that it is distributed in full.

Section 11 - Reporting of public offer transactions

Article 231-38

The parties concerned, the members of their Boards of Directors, Supervisory Boards or Management Boards, the sponsoring and advising institutions, individuals or legal entities holding, directly or indirectly, at least 5 % of the shares or voting rights at shareholders' meetings, and other individuals or legal entities acting in concert with them, are required to report to the AMF every day, after the trading session, all purchases or sales they have made in the

securities concerned by the offer, as well as any other transactions with the effect of transferring, immediately or in the future, title to such securities or voting rights.

This same reporting obligation applies to individuals or legal entities that have acquired, directly or indirectly and after the filing of the draft offer document, a quantity of securities of the target company representing at least 0.5 % of its equity, for as long as they hold that quantity of securities.

The reports to the AMF must include :

1° the name and address of the seller or acquirer ;

2° the date of the sale or purchase ;

3° the number of securities traded and the price at which they were traded ;

4° the number of securities and voting rights owned after the transaction.

In the case of a public exchange offer, these reports cover transactions in the securities of the offeror as well as in those of the target company.

Article 231-39

With the exception of the reports made by sponsoring and advising institutions, the AMF makes public the reports sent to it.

Article 231-40

Any individual or legal entity that has increased the number of shares or voting rights that it holds in the target company by at least 2 % of the total number of such shares or voting rights, or that has acquired a number of shares representing more than 5 %, 10 %, 15 %, 20 %, 25 % or 30 % of the equity or voting rights of the target company, is required to make public immediately its intentions in regard to a tender offer in progress.

Article 231-41

All intermediaries taking part in the routing and processing of orders are required to comply with this Title. If need be, they must inform the originators of the orders.

Section 12 - Challenging the equivalence of defensive measures

Article 231-42

Any person challenging the equivalence of the measures mentioned in Article L. 233-32 of the Commercial Code shall transmit simultaneously to the AMF and to the target company the arguments and documents on which the challenge is based. Once it has received these documents, the target company has ten trading days in which to present its comments to the AMF.

The AMF shall issue its decision within five trading days of the reply from the target company. The AMF may request any supporting documentation or further information that it deems necessary. In this case, the time period is suspended. It resumes once the information requested has been received.

The AMF shall make its decision public.

Section 13 - Suspending the effects of restrictions on the exercise of voting rights and extraordinary powers to appoint and dismiss directors, members of the Supervisory Board, members of the Management Board, Chief Executive Officers and Deputy Chief Executive Officers

Article 231-43

The effects of statutory restrictions on the number of votes held by individual shareholders at general meetings, mentioned in the first paragraph of Article L. 225-125 of the Commercial Code, shall be suspended during the first general meeting following the close of the offer where the offeror, acting alone or in concert, has acquired more than two-thirds of the shares or voting rights of the target company.

Article 231-44

Where provided for by the articles of association, the effects of statutory restrictions on the exercise of voting rights attached to the equities of the company, and the effects of clauses in agreements concluded after 21 April 2004

providing for restrictions on the exercise of voting rights attached to the equities of the company, shall be suspended during the first general meeting following the close of the offer where the offeror, acting alone or in concert, has acquired more than one-half of the shares or voting rights of the target company.

Article 231-45

Where provided for by the articles of association, the extraordinary powers held by certain shareholders to appoint and dismiss directors, members of the Supervisory Board, members of the Management Board, Chief Executive Officers and Deputy Chief Executive Officers shall be suspended during the first general meeting following the close of the offer where the offeror, acting alone or in concert, has acquired more than one-half of the shares or voting rights of the target company.

CHAPTER II - STANDARD PROCEDURE

Section 1 - General provisions

Article 232-1

Where the offeror, acting alone or in concert, holds less than one-half of the shares or voting rights of the target company, only the standard offer procedure shall apply.

Article 232-2

The term of the offer is twenty-five trading days. This term may be extended to not more than thirty-five trading days when the target company does not file an offer document jointly with the offer.

Exceptionally, when the offeror asserts the provisions of Article 231-11, the closing date and timetable of the offer are set after the AMF has received the documents supporting the authorization by the competition authorities mentioned in the first point of Article 231-11.

In agreement with the AMF, the market operator concerned announces the conditions and deadlines for account-keeping institutions to deposit securities tendered to the offer and for delivery and settlement in securities or cash, as well as the date on which the outcome of the offer will be available.

Orders of persons wishing to tender their securities to the offer may be cancelled at any time up to and including the closing date of the offer.

Article 232-3

In principle, the outcome of the offer is published no later than nine trading days after the closing date.

If the AMF determines that the offer has succeeded, the market operator announces the terms of settlement and delivery for the securities acquired by the offeror. If the AMF determines that the offer has not succeeded, the market operator announces the date on which the target securities will be returned to the account-keeping institutions.

If the offer is subject to an acceptance threshold, the AMF publishes a provisional result as soon as the market operator notifies it of the total number of securities tendered for centralisation by authorised intermediaries.

Article 232-4

If the offer is successful, it shall be re-opened within ten trading days of publication of the outcome.

The AMF publishes the timetable for the re-opened offer, which must last at least ten trading days. This signals the beginning of a new offer period, which terminates when the outcome of the offer is published.

Section 2 - Competing and improved offers

Article 232-5

At any time after the opening of the offer but no later than five trading days before it closes, a competing proposed offer on the securities of the target company or one of the target companies may be filed with the AMF.

Article 232-6

An offeror may improve upon the terms of its original offer or the most recent competing offer until no later than five trading days before the offer closes.

Article 232-7

To be declared compliant, a competing public cash offer or an improved cash offer must be at least 2 % higher than the price stated in the public cash offer or the previous improved cash offer.

In all other cases, the AMF declares compliant any competing draft offer or improved offer which, assessed in the light of Articles 231-21 and 231-22, significantly improves upon the terms offered to holders of the target securities.

However, a competing or improved offer may be declared compliant if, without modifying the terms of its previous offer, the offeror removes the acceptance threshold below which the offer will not be declared successful.

Article 232-8

Where the AMF declares an improved offer to be compliant, it determines whether to postpone the closing date of the offer(s) and to void orders tendering securities to the earlier offer(s).

Article 232-9

Except when the terms of its offer are raised automatically, an offeror that raises its preceding offer must prepare an additional document to supplement the offer document submitted for AMF review in accordance with Article 231-20.

This supplemental document specifies how the terms of the new offer are improved relative to those of the preceding offer, indicating the changes of the various items required by Articles 231-18 and 231-19.

The opinion and reasons therefor of the Board of Directors or Supervisory Board or, in the case of a foreign company, the competent governing body of the target company, including the information specified in Article 231-19, are communicated to the AMF. This information is made public as specified in Article 231-37.

Article 232-10

A competing offer is opened in accordance with the provisions of Article 231-32. Where the AMF determines the timetable for the competing offer, it aligns the closing dates of all competing bids on the furthermost date, without prejudice to the provisions of Article 231-34.

Where a competing offer is opened, all orders to tender securities to the earlier offer shall be null and void.

Article 232-11

The offeror may withdraw its offer within five trading days of publication of the timetable for a competing offer or improved competing offer. If it does so, it must inform the AMF of its decision, which is made public.

The offeror may also withdraw an offer if it is frustrated or if the target company adopts measures that modify its substance, either during the offer or in the event that the offer is successful. The offeror may not exercise this right without prior authorisation from the AMF, which rules on the basis of the principles set forth in Article 231-3.

Article 232-12

When a period of more than ten weeks has elapsed since the public announcement of the opening of an offer, the AMF may, with a view to expediting comparison of competing offers and with due observance of the order of their filing, set deadlines for filing each successive improved offer.

The AMF announces its decision and specifies the implementation procedures. The deadline may not be less than three trading days from the publication of the AMF's decision on each improved offer.

Article 232-13

When a period of more than ten weeks has elapsed since the opening of an offer, the AMF may, with a view to hastening the outcome of the outstanding offers, decide to use a cut-off bid procedure.

The AMF sets a date by which each of the offerors must either inform the AMF that its offer is maintained on the same terms or file a final improved offer.

Where applicable, the AMF rules on the compliance of the improved offer(s) and sets the final offer closing date.

In such case, notwithstanding Article 232-6, no improved offer may be filed unless a new competing offer has been filed, declared compliant and opened.

Section 3 - Market trading in the securities concerned by the offer

Sub-section 1 - Trading by the offeror and persons acting in concert with the offeror

Article 232-14

From the time that a draft offer has been filed or trading in the target securities has resumed, and until the outcome of the offer is made public, the initiator of a public cash offer not contingent upon one of the conditions mentioned in Articles 231-9 to 231-11, and persons acting in concert with such offeror, are permitted to purchase the target company's securities in the market.

Where such trading takes place in the market at a price higher than the offer price, at any time prior to the cut-off date stated in Article 232-6 for the filing of an improved offer, the offer price is automatically raised to the higher of 102 % of the stipulated offer price or the price actually paid in the market, regardless of the quantity of securities purchased and the price at which they were acquired ; and the offeror is not allowed to change the other terms and conditions of the offer. The same rule applies to the market in subscription rights for a new issue of equity securities by the target company.

After the cut-off date and until the offer closes, the offeror and persons acting in concert with it may not buy the securities of the target company at a price higher than the offer price.

Article 232-15

Between the closing of the offer and the publication of the offer outcome, the offeror and persons acting in concert with it may not buy the securities of the target company at a price higher than the offer price.

Article 232-16

Between the closing of the offer and either the date of the AMF's announcement, pursuant to Article 232-3, that the offer has succeeded, or the date at which the target securities are returned to the account-keeping institutions, the offeror and persons acting in concert with it may not sell the securities of the target company in the market.

Sub-section 2 - Trading by the target company and persons acting in concert with it

Article 232-17

The target company and persons acting in concert with it may not trade in the market, directly or indirectly, in the equity securities or own equity instruments of the target company.

Where the offer is to be settled entirely in cash, the target company may proceed with a share buyback programme if the resolution adopted at the shareholders' meeting that authorised the programme has expressly provided for this. If this is a measure designed to frustrate the offer, its implementation must be approved or confirmed by the shareholders' meeting.

Sub-section 3 - Trading by parties concerned by a public exchange offer or public cash and exchange offer

Article 232-18

Whenever all or part of the offer is to be settled in securities, the parties concerned may not trade in the market in the equity securities or securities giving access to the equity of the target company during the offer period.

From the filing of the draft offer until the close of the offer, these parties may not trade in the market in the equity securities or securities giving access to the capital of the company whose securities are offered in exchange.

Sub-section 4 - Trading by sponsoring and advising institutions

Article 232-19

The rules set forth in Articles 232-14 to 232-16 and 232-18 are applicable to own-account trades made by institutions advising the offeror or the target company or sponsoring the offer, as well as by any company in the same corporate group as any of these institutions.

However, an advising or sponsoring institution is permitted to :

1° trade in the securities concerned by the offer as part of its arbitrage, market-making or position-hedging activities, to the extent that such trades are made in the ordinary course of business and the staff, resources, objectives and responsibilities pertaining to them are separate from those involved in the offer ; ;

2° trade in the market if the offeror has given the institution a mandate to hedge a risk it has taken in connection with the offer.

SUB-SECTION 5 - TRADING WHEN THE OFFER HAS BEEN RE-OPENED

Article 232-20

The provisions of Articles 232-15, 232-16, 232-18 and 232-19 shall continue to apply during the period of the re-opened offer.

However, the issuer of equity securities proposed as consideration in a public exchange offer may trade in its own securities as part of a share buyback programme provided for in Article L. 225-209 of the Commercial Code.

CHAPTER III - SIMPLIFIED PROCEDURE

Article 233-1

The simplified offer procedure may be used in the following cases :

1° an offer by a shareholder that already holds directly or indirectly, alone or in concert within the meaning of Article L. 233-10 of the Commercial Code, one-half or more of the target company's equity and voting rights ;

2° an offer by a shareholder that, following an acquisition, holds directly or indirectly, alone or in concert within the meaning of Article L. 233-10 of the Commercial Code, one-half or more of the target company's equity and voting rights ;

3° an offer for no more than 10 % of the voting equity securities or voting rights of the target company, taking into account the voting equity securities and voting rights that the offeror already holds, directly or indirectly ;

4° an offer by a person, acting alone or in concert within the meaning of Article L. 233-10 of the Commercial Code, for preference shares, investment certificates or voting rights certificates ;

5° an offer by a company to buy back its own shares, pursuant to Article 225-207 of the Commercial Code ;

6° an offer by a company to buy back its own shares, pursuant to Article 225-209 of the Commercial Code ;

7° an offer by the issuing company for securities giving access to its equity ;

8° an offer by the issuing company to exchange debt securities that do not give access to capital for equity securities or securities that do give access to its capital.

Article 233-2

The simplified public cash offer is implemented by purchases in the market on the terms stipulated at the opening of the offer, except in the case of the limited offers referred to in Points 3°, 5° and 6° of Article 233-1 and in Articles 233-4 and 233-5.

The simplified exchange offer is centralised by the market operator concerned or by the sponsoring institution under the supervision of the market operator.

The offer period for a simplified offer may be limited to ten trading days in the case of a cash offer and to fifteen trading days in other cases, with the exception of a buyback offer pursuant to Article L. 225-207 of the Commercial Code.

Article 233-3

In the case of a cash offer under Point 1° of Article 233-1, and subject to the provisions of Articles 231-21 and 231-22, the price stipulated by the offeror may not, except with AMF approval, be less than the volume-weighted average share price over the sixty trading days preceding publication of the notice of filing of the draft offer.

Article 233-4

In the case of an offer for investment certificates or voting rights certificates, the offeror may limit itself to acquiring a quantity of voting rights certificates or investment certificates equivalent to the number of such investment certificates or voting rights certificates, respectively, that it already holds.

Article 233-5

If the person making a simplified offer has been authorised to reserve the right to scale down the sale or exchange orders made in response to its offer, the scaling-down is done on a proportional basis, subject to any necessary adjustments.

Orders made in response to a buyback offer filed pursuant to Point 5° of Article 233-1 are scaled down in accordance with Decree 67-236 of 23 March 1967.

In such cases, the offeror may not trade in the market in the securities concerned.

Article 233-6

The provisions of Articles 232-15, 232-16, 232-18 and 232-19 apply to simplified tender offers. However, the issuer of equity securities proposed as consideration in a simplified public exchange offer may continue to trade in its own securities as part of a share buyback programme provided for in Article L. 225-209 of the Commercial Code.

CHAPTER IV - MANDATORY FILING OF A DRAFT OFFER

Article 234-1

For the purposes of this Chapter, equity securities shall mean voting securities if a company's equity capital consists partly of non-voting securities.

Article 234-2

Where a natural or legal person, acting alone or in concert within the meaning of Article 233-10 of the Commercial Code, comes to hold more than one-third of a company's equity securities or voting rights, such person is required, on its own initiative, to inform the AMF immediately thereof and to file a draft offer for all the company's equity securities, as well as any securities giving access to its capital or voting rights, on terms that can be declared compliant by the AMF.

The proposed offer may not contain a clause requiring a minimum number of securities to be tendered in order for the offer to be declared successful. Subject to this proviso, the provisions of Chapter I and, as appropriate, Chapters II or III of this Title are applicable to mandatory tender offers.

Article 234-3

Without prejudice to Part IV of Article L. 433-3 of the Financial and Monetary Code, where more than one-third of the shares or voting rights of a company whose equity securities are admitted to trading on a regulated market in a Member State of the European Community or in a State party to the EEA Agreement, including France, is held by another company and constitutes an essential part of the holder's assets, the obligation defined in Article 234-2 applies whenever :

1° a person acquires control of the holder, within the meaning of the law and regulations applicable to that holder ;

2° a group of persons acting in concert acquires control of the holder, within the meaning of the law and regulations applicable to that holder, unless one or more of them already held control and remains predominant, and in such case, as long as the balance of the respective holdings is not significantly altered.

Natural or legal persons acting alone or in concert are subject to the requirement set forth in Article 234-2 when, as a result of a merger or asset contribution, they come to hold more than one-third of a company's equity securities or voting rights and when such securities represent an essential part of the assets of the entity absorbed or contributed.

Article 234-4

The AMF may authorise, under terms that are made public, a temporary breach of the one-third threshold mentioned in Articles 234-2 and 234-3 if the breach amounts to less than 3 % of the equity and voting rights and lasts no longer than six months. The person(s) concerned shall undertake not to exercise the corresponding voting rights during the period of resale of the securities.

Article 234-5

The provisions of Article 234-2 apply to natural or legal persons, acting alone or in concert, who hold directly or indirectly between one-third and one-half of the total number of equity securities or voting rights of a company and who, within a period of less than twelve consecutive months, increase such holdings by 2 % or more of the company's total equity securities or voting rights.

Persons who, alone or in concert, hold directly or indirectly between one-third and one-half of a company's capital or voting rights must keep the AMF informed of any change in such holdings. The AMF shall make these disclosures public.

Article 234-6

When a draft offer is filed pursuant to Articles 234-2, 234-3 and 234-5, the proposed price must be at least equivalent to the highest price paid by the offeror, acting alone or in concert within the meaning of Article 233-10 of the Commercial Code, in the twelve-month period before the draft offer was filed.

The AMF may request or authorise a price modification if this is warranted by a manifest change in the characteristics of the target company or in the market for its securities, and notably in the following cases :

1° if events liable to materially alter the value of the securities concerned occurred in the twelve-month period before the draft offer was filed ;

2° if the target company is in recognised financial difficulty ;

3° if the price mentioned in the first paragraph results from a transaction that includes related items involving the offeror, acting alone or in concert, and the seller of the securities acquired by the offeror over the last twelve months.

In these cases, or in the absence of transactions by the offeror, acting alone or in concert, in the securities of the target company over the twelve-month period referred to in the first paragraph, the price is determined based on generally accepted objective valuation criteria, the characteristics of the target company and the market for its securities.

Article 234-7

The AMF may determine that there is no requirement to file a proposed offer if the thresholds referred to in Articles 234-2 and 234-5 are breached by one or more persons as a result of their having declared themselves to be acting in concert with :

1° one or more shareholders who already held, alone or in concert, the majority of a company's equity or voting rights, provided such shareholders remain predominant ;

2° One or more shareholders that already held, alone or in concert, between one-third and one-half of a company's equity or voting rights, provided that such shareholders maintain a larger holding and that, upon the formation of this concert party, they do not exceed one of the thresholds referred to in Articles 234-2 and 234-5.

As long as the balance of shareholdings within a concert party is not altered significantly relative to the situation at the time of the initial declaration, there is no requirement to make a public offer.

Article 234-8

The AMF may waive the mandatory filing of a tender offer if the person(s) concerned demonstrate to it that one of the conditions listed in Article 234-9 is met.

The AMF rules after examining the circumstances in which the threshold(s) have been or will be breached, the structure of ownership of the equity and voting rights and, where applicable, the conditions on which the transaction has been or will be approved by a general meeting of the target company's shareholders.

Article 234-9

The cases in which the AMF may grant a waiver are as follows :

1° Transmission by way of gift between natural persons, or distribution of assets by a legal person in proportion to the rights of its members.

2° Subscription to a capital increase by a company in recognised financial difficulty, subject to the approval of a general meeting of its shareholders.

3° Merger or asset contribution subject to the approval of a general meeting of shareholders.

4° Merger or asset contribution subject to the approval of a general meeting of shareholders, combined with an agreement between shareholders of the companies concerned establishing a concert party.

5° Reduction in the total number of equity securities or voting rights in the target company.

6° Holding of a majority of the company's voting rights by the applicant or by a third party, acting alone or in concert.

7° Resale or other comparable disposal of equity securities or voting rights between companies or persons belonging to the same group.

Article 234-10

In the case of transactions subject to the approval of the target company's shareholders, the AMF may rule on a waiver application before a general meeting is held, provided it has precise information about the intended transaction.

In the other cases mentioned in Article 234-9 and in the situations referred to in Article 234-7, the AMF may make its ruling before the relevant transaction is carried out, based on the nature, circumstances and timetable of the transaction as well as the supporting documents provided by the person(s) concerned.

The AMF is to be kept informed of the course of events and, if the transaction is not carried out according to the initial terms, may declare its previous decision to be null and void.

Where it grants a waiver or determines that there is no requirement to file an offer, the AMF makes its decision public and discloses any commitments made by the applicant(s).

CHAPTER V - STANDING MARKET OFFER

Section 1 - Standing market offers for financial instruments listed on a regulated market

Article 235-1

Where a natural or legal person, acting alone or in concert within the meaning of Article 233-10 of the Commercial Code, acquires or agrees to acquire a block of securities that, with the securities or voting rights that the person already holds, confers a majority of a company's equity or voting rights, such person is required to file a proposed standing market offer.

The proposed offer must specify the identity of the seller(s) and acquirer(s) of the block, the quantity of securities sold, the date, method and price of the sale, as well as any additional information needed for a proper appraisal of the transaction.

Article 235-2

The acquirer of the block of securities undertakes to acquire in the market, during a period of at least ten trading days, all the securities offered for sale, at the price at which the securities have been or will be sold and only at that price.

The AMF may authorise a lower offer price if the sale includes a guarantee clause covering an identified risk or a deferred payment clause affecting any or all of the relevant payments. In the case of a deferred payment, the discount rate used may not exceed the market rate at the time of sale.

The provisions of Article 232-15 apply to standing market offers.

Article 235-3

The AMF may enforce Article 234-2 and apply the ordinary rules governing mandatory offers to a proposed or actual acquisition of one or more blocks of securities conferring a majority of a company's shares or voting rights, in the following cases :

1° The context of the transaction reveals characteristics that could compromise the equality required by the first point of Article 235-2 between the price paid for the majority block and the price offered to other shareholders

2° The block or blocks are acquired from persons that did not previously hold, in concert with each other or with the seller, the majority of the company's voting rights.

In either case, the public offer is implemented in accordance with the simplified procedure described in Point 2° of Article 233-1 if the offeror, after acquiring one or more blocks of securities, holds the majority of the company's equity and voting rights.

Section 2 - Standing market offers for financial instruments admitted for trading in a multilateral trading facility

Article 235-4

Standing market offers for financial instruments admitted for trading in a multilateral trading facility shall be subject to the provisions of Chapter I, except for Section 2. They shall also be subject to Articles 235-1 and 235-2.

CHAPTER VI - BUYOUT OFFERS WITH SQUEEZE-OUT

Article 236-1

Where the majority shareholder(s) hold, in concert within the meaning of Article 233-10 of the Commercial Code, 95 % or more of the voting rights of a company whose shares are or were admitted to trading on a regulated market in a Member State of the European Community or in a State party to the EEA Agreement, including France, any holder of voting equity securities who is not part of the majority group may apply to the AMF to require the majority shareholder(s) to file a draft buyout offer.

Once the AMF has made the necessary verifications, it rules on such application in the light of, inter alia, the state of the market for the securities concerned and the information provided by the applicant.

If the AMF declares the application to be acceptable, it notifies the majority shareholder(s), which must then file a draft buyout offer, within a time limit set by the AMF and drawn up in terms that can be deemed compliant by it.

Article 236-2

Where the majority shareholder(s) hold, in concert within the meaning of Article 233-10 of the Commercial Code, 95 % or more of the voting rights of a company whose investment certificates and, if applicable, voting rights certificates, are or were admitted to trading on a regulated market in a Member State of the European Community or in a State party to the EEA Agreement, including France, any holder of such certificates who is not part of the majority group may apply to the AMF to require the majority shareholder(s) to file a buyout offer for those securities.

Once it has made the necessary verifications, the AMF rules on such application in the light of, inter alia, the state of the market for the securities concerned and the information provided by the applicant.

If the AMF declares the application to be acceptable, it notifies the majority shareholder(s), which must then file a draft buyout offer, within a time limit set by the AMF and drawn up in terms that can be deemed compliant by it.

Article 236-3

The majority shareholder(s) holding, in concert within the meaning of Article 233-10 of the Commercial Code, 95 % or more of the voting rights of a company whose shares are or were admitted to trading on a regulated market in a Member State of the European Community or in a State party to the EEA Agreement, including France, may file with the AMF a draft buyout offer for the equity securities, and any other securities giving access to the capital or voting rights in the company, that they do not already hold.

Article 236-4

The majority shareholder(s) holding, in concert within the meaning of Article 233-10 of the Commercial Code, 95 % or more of the voting rights of a company whose investment certificates and, if applicable, voting rights certificates are or were admitted to trading on a regulated market in a Member State of the European Community or in a State party to the EEA Agreement, including France, may file with the AMF a draft buyout offer for those securities.

Article 236-5

Where a public limited company (société anonyme) whose equity securities are admitted to trading on a regulated market is converted to a limited partnership with shares (société en commandite par actions), the person(s) that controlled it prior to conversion, or the active partners in the limited partnership with shares, are required to file a draft buyout offer once a resolution regarding the conversion has been adopted at a general meeting of shareholders. The draft offer cannot include a minimum acceptance condition and must be drawn up in terms that can be declared compliant by the AMF.

The offeror informs the AMF whether it reserves the right, depending on the result of the offer, to request that all equity securities and securities giving access to the capital and voting rights of the company be delisted from the regulated market on which they are traded.

Article 236-6

The natural or legal persons that control a company must inform the AMF :

1° when they intend to ask an extraordinary general meeting of shareholders to approve one or more significant amendments to the company's articles or bylaws, in particular the provisions concerning the company's legal form or disposal and transfer of equity securities or the rights pertaining thereto ;

2° when they decide in principle to proceed with the merger of that company into the company that controls it, sell or contribute all or most of the company's assets to another company, reorient the company's business, or suspend dividends for a period of several financial years.

The AMF evaluates the consequences of the proposed changes in the light of the rights and interests of the holders of the company's equity securities or voting rights and decides whether a buyout offer should be made.

The draft offer cannot include a minimum acceptance condition and must be drawn up in terms that can be declared compliant by the AMF.

Article 236-7

A public buyout offer is carried out either by purchases in the market at the offer price during a period of at least ten trading days or, if the circumstances and characteristics of the transaction so warrant, by centralising sale and exchange orders with the market operator or, under its supervision, at the sponsoring institution.

The provisions of Articles 232-15, 232-16, 232-18 and 232-19 apply to buyout offers.

However, the issuer of equity securities proposed as consideration in a public buyout offer by way of an exchange may continue to trade in its own securities as part of a share buyback programme provided for in Article L. 225-209 of the Commercial Code.

CHAPTER VII - SQUEEZE-OUTS

Section 1 - Squeeze-out following a buyout offer

Article 237-1

At the close of a buyout offer carried out in accordance with Articles 236-1, 236-2, 236-3 or 236-4, securities not tendered by minority shareholders or holders of investment certificates or voting rights certificates may be transferred to the majority shareholder or group, provided that they represent not more than 5 % of the shares or voting rights, in return for compensation.

Similarly, securities that give or could give access to capital may be transferred to the majority shareholder or group, provided that the equity securities that could potentially be created, through conversion, subscription, exchange, redemption or any other means, from untendered securities that give or could give access to the company's capital, plus existing but untendered equity securities, do not represent more than 5 % of all the equity securities that exist or that could be created.

Article 237-2

Where a buyout offer is filed, the offeror informs the AMF whether it reserves the right to apply for a compulsory buyout once the offer has closed and the result is known, or whether it requests that a compulsory buyout be implemented once the buyout offer has closed.

In support of its proposed buyout offer, the offeror provides the AMF with a valuation of the securities of the target company, carried out using the objective methods applied in cases of asset disposals, that takes into account the value of the company's assets, its past earnings, its market value, its subsidiaries, if any, and its business prospects, according to a weighting appropriate to each case.

The AMF examines the draft offer in accordance with the provisions of Articles 231-21 and 231-22.

Article 237-3

Where the AMF declares a proposed buyout offer followed by a squeeze-out to be acceptable, the majority shareholder or group shall place a notice informing the public of the squeeze-out procedure in a newspaper carrying legal notices published in the vicinity of its registered office.

Article 237-4

The offeror designates a custody account-keeper to take charge of centralising the compensation payments (hereinafter "the centraliser").

Article 237-5

The offeror requesting the squeeze-out deposits the amount corresponding to the compensation for securities not tendered to the public buyout offer in a reserved account with the centraliser.

Compensation is calculated net of all expenses.

Article 237-6

Unallocated funds are held by the centraliser for ten years and paid to Caisse des Dépôts et Consignations at the end of this period. These funds are at the disposal of the legal beneficiaries, but revert to the French State after thirty years.

Article 237-7

The centraliser, acting on behalf of the majority shareholder or group and throughout the entire period during which it holds the funds, places an annual notice in a newspaper of national circulation inviting former shareholders who have not been compensated to exercise their rights.

Where the centraliser has paid out all frozen funds corresponding to compensation payable to securities holders that did not respond to the public buyout offer, it places an appropriate announcement in a newspaper of national circulation. It is then no longer required to place the annual notice mentioned above.

Article 237-8

If, when filing the public buyout offer, the offeror reserved the right to proceed with a squeeze-out after the offer, it informs the AMF within ten trading days of the close of the offer whether it intends so to proceed or waives that right. The offeror's decision is made public by the AMF.

If the offeror decides to proceed with a squeeze-out, it informs the AMF of the price it proposes to pay as compensation. This price cannot be lower than that of the buyout offer, and it shall be higher when events liable to alter the value of the securities concerned have occurred after the offer was declared compliant.

The AMF shall make the mandatory buyout public and specify the terms for implementing it, including the date on which it becomes effective. The time between the decision and the execution of the buyout cannot be less than the time referred to in Article R. 621-44 of the Financial and Monetary Code. This decision shall result in the delisting of the relevant securities from the regulated market where they had been traded.

Custody account-keeping institutions transfer any securities not tendered to the buyout offer into the name of the majority shareholder or group, which pays the corresponding compensation into a reserved account opened for this purpose in accordance with the provisions of Article 237-9.

Article 237-9

Where the offeror has chosen to proceed with a squeeze-out in accordance with the provisions of Article 237-8, the freezing of funds and crediting of compensation to holders that have not tendered their securities to the public buyout offer takes place at the date on which the AMF's decision becomes enforceable.

Article 237-10

If, when filing the public buyout offer, the offeror applies to the AMF for a squeeze-out to be implemented as soon as the offer closes, regardless of result, the notice published by the market operator to announce the opening of the buyout offer stipulates the conditions applying to the squeeze-out procedure, and in particular the date on which it takes effect.

As soon as the buyout offer closes, the relevant securities are delisted from the regulated market on which they are traded. At the same date, the custody account-keeping institutions transfer any securities not tendered to the buyout offer into the name of the majority shareholder or group, which pays the corresponding compensation into a reserved account opened for this purpose in accordance with the provisions of Article 237-11.

Article 237-11

Where the offeror requested a squeeze-out at the time the proposed buyout offer was filed, the funds are frozen the day after the offer closes.

At the date the funds are frozen, the custody account-keeper credits the accounts of securities holders affected by the squeeze-out with the compensation that is due them.

Article 237-12

During the offer period of a public buyout offer prior to a squeeze-out, only the investment service provider(s) designated by the offeror are authorised to acquire the securities concerned on the offeror's behalf.

Persons seeking to acquire securities subject to a public buyout offer followed by a squeeze-out must obtain them solely from the investment service provider(s) designated by the offeror.

Article 237-13

The sole beneficiaries of the facility whereby the offeror covers brokerage commissions up to an amount set by it, including, where applicable, stamp duty, shall be those sellers whose securities were registered on their account prior to the opening of :

1° a simplified tender offer in which the offeror has explicitly declared its intention, if it obtains 95 % of the voting rights of the target company, to request initiation of a public buyout offer followed by a squeeze-out ; or

2° a public buyout offer followed by a squeeze-out.

To this end, and in connection with the simplified tender offer referred to in Point 1°, the market operator concerned puts in place a procedure for centralising orders placed in response to such offer.

Requests for refunds must be accompanied by documentary evidence of the sellers' rights.

Section 2 - Squeeze-out following any public offer

Article 237-14

Without prejudice to the provisions of Article 237-1, following any public offer and within three months of the close of the offer, securities not tendered by minority shareholders may be transferred to the offeror, provided that they represent not more than 5 % of the shares or voting rights, in return for compensation.

Similarly, securities that give or could give access to capital may be transferred to the offeror, provided that the equity securities that could potentially be created, through conversion, subscription, exchange, redemption or any other means, from untendered securities that give or could give access to the company's capital, plus existing but untendered equity securities, do not represent more than 5 % of all the equity securities that exist or that could be created.

Implementation of the squeeze-out procedure provided for in this article is subject to the provisions of Articles 237-4 to 237-7 and to the following provisions.

Article 237-15

When it files the draft offer, the offeror informs the AMF whether it reserves the right, depending on the result of the offer, to implement a squeeze-out.

Article 237-16

I. - The AMF rules on whether the proposed squeeze-out is compliant, in accordance with Articles 231-21 and 231-22, except in one of the following two cases and provided that the squeeze-out includes the cash settlement proposed in the last offer :

1° the squeeze-out follows a public offer subject to the provisions of Chapter II ;

2° the squeeze-out follows a public offer for which the AMF has the valuation mentioned in Part II of Article L. 433-4 of the Financial and Monetary Code and the report by the independent appraiser mentioned in Article 261-1.

II. - Where the AMF rules on whether the squeeze-out is compliant, the offeror provides, in support of its proposed squeeze-out, a valuation of the securities of the target company, carried out using the objective methods applied in cases of asset disposals, that takes into account the value of the company's assets, its past earnings, its market value, its subsidiaries, if any, and its business prospects, according to a weighting appropriate to each case.

Where a squeeze-out is to be implemented, the parties concerned must draw up a draft squeeze-out document in accordance with the conditions and procedures set out in Articles 231-16 to 231-20, except for the description of the offeror's intentions for the next twelve months. The squeeze-out document(s) are submitted to the AMF for approval in accordance with Articles 231-20 and 231-26 and made available to the public in accordance with Article 231-27.

Disclosures providing information on the legal, financial, accounting and other characteristics of the target company are filed with the AMF and made publicly available in accordance with the conditions and procedures set out in Articles 231-28 to 231-30. Content requirements for these disclosures are stipulated in an AMF instruction.

III. - Where the AMF does not rule on whether the squeeze-out is compliant, the offeror informs the AMF of its intention to implement the squeeze-out. The AMF publishes the implementation date for the squeeze-out. The offeror publishes a news release and is responsible for its full distribution. Content requirements for these news releases are stipulated in an AMF instruction.

Article 237-17

Where the AMF declares a draft squeeze-out to be compliant or where the AMF does not rule on whether the squeeze-out is compliant when the majority shareholder or group informs the AMF of its intention to proceed with a squeeze-out, the shareholder or group shall place a notice informing the public of the squeeze-out in a newspaper carrying legal notices published in the vicinity of its registered office.

Article 237-18

The statement of compliance shall specify the date on which it becomes enforceable. The time period between the release and the enforcement of the statement cannot be less than the time period referred to in Article R. 621-44 of the Financial and Monetary Code.

The statement shall result in the delisting of the relevant securities from the regulated market where they are traded. The freezing of funds and crediting of compensation to holders that have not tendered their securities to the public offer takes place at the date on which the AMF's statement becomes enforceable.

Where the AMF does not rule on whether the squeeze-out is compliant, the provisions of the preceding paragraph shall apply as from implementation of the squeeze-out.

Custody account-keeping institutions transfer any securities not tendered to the last offer into the name of the majority shareholder or group, which pays the corresponding compensation into a reserved account opened for this purpose in accordance with the provisions of Article 237-5.

Article 237-19

As soon as the statement of compliance becomes enforceable, or, if the AMF does not rule on compliance, as soon as the squeeze-out is implemented, the relevant securities are delisted from the regulated market where they are traded. At the same date, the custody account-keeping institutions transfer any securities not tendered to the buyout offer into the name of the majority shareholder or group, which pays the corresponding compensation into a reserved account opened for this purpose in accordance with the provisions of Article 237-11.

CHAPTER VIII - PUBLIC OFFERS FOR DEBT SECURITIES THAT DO NOT GIVE ACCESS TO EQUITY

Article 238-1

This chapter applies to public offers for debt securities that do not give access to capital issued by a company whose registered office is in France and that are admitted to trading on a French regulated market.

The AMF may apply the provisions of this chapter to public offers for securities that are issued by companies whose registered offices are not located in a Member State of the European Community or a State party to the EEA Agreement and that are admitted to trading on a French regulated market.

Article 238-2

The principles mentioned in Article 231-3 apply to public offers for debt securities that do not give access to equity.

Article 238-3

Public offers for debt securities that do not give access to equity require only a draft offer document to be filed with the AMF.

Article 238-4

The parties concerned must comply with the rules of this Title from the time that the offeror files a draft offer document until the outcome of the offer is made public.

Article 238-5

The parties concerned, their officers and directors and their advisers must observe the provisions of Article 231-36.

Article 238-6

The draft offer document is filed with the AMF in accordance with Article 231-13 and made publicly available in accordance with the conditions and procedures mentioned in Parts I and II of Article 231-16. The document should include the words given in Part IV of the same article.

Article 238-7

Upon filing of the draft offer document with the AMF, a news release thereon is issued in accordance with Article 231-16, and the target company may issue a news release in accordance with Article 231-17.

The AMF may request any disclosure that it deems necessary.

Article 238-8

The draft offer document, which must meet the content requirements specified in an AMF instruction, mentions :

1° the identity of the offeror ;

2° the nature of its offer, including in particular :

a) the proposed price or exchange ratio, with a precise statement of all information needed to understand the calculation ;

b) the number and type of the securities that it promises to acquire ;

c) the number of securities of the same class that it already holds and/or has already bought ;

d) if applicable, the number of securities tendered to the offer below which the offer will not be successful ;

e) the terms of financing for the transaction and the impact of those terms on the assets, activities and financial results of the companies concerned.

3° The opinion and reasons therefor of the Board of Directors or Supervisory Board, or, in the case of a foreign company, the competent governing body, regarding the benefits of the offer or its consequences for the target company, its shareholders and employees ; the voting procedures by which this opinion was obtained, and whether dissenting members could request that their identity and position be mentioned.

4° the procedures for publicly disclosing the information mentioned in Article 231-28.

This document also indicates the opinion of the independent appraiser on the fairness of the proposed price or exchange ratio, or the opinion of the sponsoring institutions on the consistency of the proposed price or exchange ratio with market conditions.

The offer document must bear the signature of the legal representative of the offeror and, where applicable, the legal representatives of the sponsoring institutions-with the requirements of Article 231-18.

Where the offer document is drawn up jointly, it must also bear the signature of the legal representative of the target company and include a certification by its statutory auditors as specified in Article 231-21.

The offer document is submitted for AMF approval and made public according in accordance with Articles 231-20, 231-26 and 231-27.

Article 238-9

Disclosures providing information on the legal, financial, accounting and other characteristics of the offeror and the target company are filed with the AMF and made publicly available in accordance with the conditions and procedures set out in Articles 231-28 to 231-30. Content requirements for these disclosures are stipulated in an AMF instruction.

Article 238-10

Any additional information not included in the offer document approved by the AMF must be made public in a news release. The author of the release shall ensure that it is distributed in full.

Article 238-11

Tender offers for debt securities may be exempted from the requirement to file an offer document under the conditions mentioned in Article 231-24.

Article 238-12

Member States of the Organisation for Economic Co-operation and Development and public international bodies of which France is a member, are not required to prepare the draft offer document mentioned in Article 238-3.

TITLE IV - BUYBACK PROGRAMMES FOR SHARES LISTED ON A REGULATED MARKET AND TRANSACTION REPORTING

Article 241-1

The provisions of this title shall apply to companies listed on a regulated market that carry out share buyback programmes in accordance with Articles L. 225-209 and L. 225-217 of the Commercial Code.

The shall also apply to all issuers of securities equivalent to those mentioned above, issued under foreign law and listed on a regulated market.

Article 241-2

I. - Before engaging in a share buyback programme, issues must publish a description of the programme in accordance with Article 212-13, including :

1° the date of the shareholders' meeting that authorised or has been called to authorise the programme ;

2° the number of shares and the percentage of the share capital that the issuers holds directly and indirectly ;

3° the division of shares held by purpose on the date of the publication of the description of the programme ;

4° the objective(s) of the share buyback programme that correspond to the provisions of European Commission Regulation no. 2273/2003 of 22 December 2003 or to the market practices accepted by the AMF.

5° the maximum percentage of the share capital, the maximum number of shares and the characteristics of the shares that the issuer intends to buy back, along with the maximum purchase price ;

6° the term of the share buyback programme ;

7° the transactions to acquire, sell or transfer shares through a regulated market or off the market, distinguishing cash transactions, derivative transactions and open positions according to the summary reporting table provided in an AMF instruction, as part of the previous share buyback programme up to the date of the publication of the description of the programme.

II. - During the term of the share buyback programme, any material change to any of the information stipulated in Section I must be made public in accordance with Article 212-13, as soon as possible.

Article 241-3

I. - Issuers shall not be required to include the information referred to in Points 1° to 3° in Section I of Article 241-2 in their description of the share buyback programme if they publish the special report referred to in Article L. 225-209 of the Commercial Code in accordance with the procedures set out in Article 212-13.

II. - Issuers shall not be required to include the programme description, if they publish the special report referred to in Article L. 225-209 of the Commercial Code in accordance with the procedures set out in Article 212-13 and this report contains all of the information required for the programme description, and, if the report is not published immediately, any new material facts emerging since the description was drafted.

III. - The issuer shall not be required to publish the programme description if the offer document drawn up under the provisions of Article 212-13 includes all of the information that needs to be in the programme description under the terms of Article 241-2.

Article 241-4

I. - Issuers in the course of carrying out a share buyback programme :

1° Shall notify the market of all transactions carried out as part of the share buyback programme by the seventh trading day after their execution. The information shall be drawn up according to the procedures specified in an AMF instruction. It must be published in a news release that is posted to the AMF website and to the issuer's website, if there is one ;

2° shall notify the AMF at least once a month of :

a) cancellations of shares, since the last report and for the twenty-four month period before the announcement date, specifying the number and the characteristics of the cancelled shares, as well as the date the cancellation takes place ;

b) transactions executed on the regulated market or off market to acquire, sell or transfer shares, distinguishing between cash transactions and derivative transactions during the period since the last report and during the period since the start of the share buyback programme ;

c) open derivative positions on the reporting date.

The information is defined in the reporting tables provided in an AMF instruction.

II. - The provisions of Point 1° of Section I shall not apply to transactions carried out by an investment service provider under a liquidity contract that complies with the AMF decision of 22 March 2005 on the acceptance of liquidity contracts as a market practice that the AMF deems acceptable ;

If the issuer sends the AMF all of the information required for the monthly report referred to in Point 2° of Section I, at the same time as the report referred to in Point 1° of Section I, it shall not be subject to Point 2° of Section I.

Article 241-5

Persons holding more than 10 % of the issuer's share capital, as well as the issuer's directors, must report the number of securities that they have sold to the issuer.

Article 241-6

By the time the next Shareholders' Meeting is held, the issuers shall allocate the shares acquired before 13 October 2004 that they own directly or indirectly, according to the definition of the first paragraph of Article L. 225-210 of the Commercial Code, to either the objectives set out in European Commission Regulation no. 2273/2003 of 22 December 2003 or to the market practices accepted by the AMF.

Issuers may also use this time to decide to sell the shares through an investment service provider acting independently. An AMF instruction shall specify the general requirements for executing such sales and the reporting requirements for them.

TITLE V - MARKETING IN FRANCE OF FINANCIAL INSTRUMENTS TRADED ON A RECOGNISED FOREIGN MARKET OR A REGULATED MARKET OF THE EUROPEAN ECONOMIC AREA (EEA)

Article 251-1

Information provided to the public, regardless of the medium, with a view to trading in financial instruments on a recognised foreign market or regulated market of the European Economic Area must be accurate, precise and truthful. It must contain no false or deceptive statement that could mislead the client.

Article 251-2

Products proposed through an act of solicitation shall be suitable to the members of the public being solicited.

If there is no adequate assurance that clients are being informed of the associated risks, the AMF may order the interested party or any other person taking part in the distribution of such products, in any way, to halt the marketing or trading thereof.

Article 251-3

Before any transaction on a recognised foreign market in financial instruments, the market operator that runs that market shall draw up a disclosure document in the market itself and the various financial instruments that it proposes. This disclosure document, in French, must be made available to financial intermediaries by the market operator. It shall state or describe the following :

1° the foreign market is recognised by the Minister for the Economy, under the terms of Article D. 423-1 of the Financial and Monetary Code.

2° The various ways in which orders are placed and executed, when these have consequences for the person initiating the order.

3° The legal nature of the products, the technical characteristics thereof and, if applicable, the evidence supporting the advertised risks and returns.

4° The validity date of the aforementioned information.

This disclosure document must be provided by the financial intermediary to each prospective client, or transmitted to him electronically, before the placing of the client's first order to buy or sell a financial instrument admitted to trading on the recognised foreign market.

For transactions on a market in derivative financial instruments, if the client does not trade on that market in the ordinary course of business, this document must be sent by registered letter with return receipt, or via the Internet, with the financial intermediary recording the date on which the client viewed or downloaded it.

No one may receive, directly or indirectly, orders or funds from the client until seven days after the date that the disclosure document was delivered, viewed onscreen or downloaded, or before the financial intermediary has received a certification bearing the handwritten or electronic signature of the client and stating, "I have read the disclosure document relating to {name of the recognised market}, transactions on that market, and the commitments that I will take on by virtue of my participation in such transactions." This waiting period applies only to the first order, however.

Article 251-4

Before any transaction on a regulated market in derivative financial instruments in the European Economic Area, and in compliance with the obligations of Section 3 of Chapter I of Title 2 of Book III, the financial intermediary shall provide or transmit electronically to each client the following information :

1° A statement that the regulated market in derivative financial instruments appears on the list of regulated markets of the European Economic Area published in the Official Journal of the European Union.

2° The various ways in which orders are placed and executed, when these have consequences for the client.

3° The legal nature of the products, the technical characteristics thereof and, if applicable, the evidence supporting the announced risks and returns.

If the client does not trade in the market in question in the ordinary course of business, no one may receive orders or funds from him, directly or indirectly, before the financial intermediary has received a certification bearing his signature and stating, "I have read the disclosure document relating to {name of the EEA regulated market in derivative financial instruments}, transactions on that market, and the commitments that I will take on by virtue of my participation in such transactions." This certification is needed only for the first order.

Article 251-5

Any advertisement or message disseminated by the foreign market must include the information that it has been recognised by the Minister for the Economy, under the terms of Article D. 423-1 of the Financial and Monetary Code, or that it is on the list of regulated markets in the European Economic Area published in the *Official Journal of the European Union*.

All advertisements or messages disseminated by the financial intermediary with a view to trading in financial instruments on a recognised foreign market must contain the following information :

1° Name, address, legal form of the person referred to in Article D. 423-3 of the Financial and Monetary Code, making a public offering ;

2° Name and address of that person's correspondent in France, if applicable.

3° The identity of the foreign authority that has authorised that person to conduct a financial activity.

4° A statement that the foreign market has been recognised by the economy minister of France pursuant to Article 1 of the aforementioned Decree.

5° The minimum term, if any, of the recommended investments.

6° The law that will apply in the event of a dispute, and the courts competent to hear such dispute.

7° The availability of an arbitration procedure, if applicable.

All advertisements or messages disseminated by the financial intermediary with a view to trading on a regulated market in derivative financial instruments of the European Economic Area must mention that the market appears on the list of such markets published in the *Official Journal of the European Union*.

Article 251-6

The AMF :

1° Shall receive, for information, the disclosure document drawn up by the market operator that runs the recognised foreign market.

2° Shall request that all recognised foreign markets keep it informed of any substantial changes in the way they operate and send it data on their activities in French territory, as specified in an AMF instruction.

3° May require the market operator that runs a recognised foreign market to make available to the AMF all information needed to support the claims or statements appearing in the disclosure document provided for in Article 251-3 and, if need be, may request modification thereof.

4° May require any person referred to in Article D. 423-3 of the Financial and Monetary Code to produce any elements likely to support the claims or representations made in the advertisements or messages referred to in Article 251-4, and to require their amendment, as needed.

Article 251-7

Only Articles 251-1, 251-2, 251-4 and 251-5 apply to recognised markets in derivative financial instruments on commodities in the European Economic Area, when such market is operated by a market operator that also runs a regulated market in the derivative financial instruments appearing on the list of such markets published in the Official Journal of the European Union.

TITLE VI - FAIRNESS OPINIONS

CHAPTER I - APPOINTING AN INDEPENDENT APPRAISER

Article 261-1

I. - The target company of a takeover bid shall appoint an independent appraiser if the transaction is likely to cause conflicts of interest within its Board of Directors, Supervisory Board or governing body that could impair the objectivity of the reasoned opinion mentioned in Article 231-19 or jeopardise the fair treatment of shareholders or bearers of the financial instruments targeted by the bid.

The situations described below, in particular, constitute such cases :

1° if the target company is already controlled by the offeror, within the meaning of Article L. 233-3 of the Commercial Code, before the bid is launched ;

2° if the senior managers of the target company or the persons that control it, within the meaning of Article L. 233-3 of the Commercial Code, have entered into an agreement with the offeror that could compromise their independence ;

3° if the controlling shareholder, within the meaning of Article L. 233-3 of the Commercial Code, does not tender its securities to a buyback offer launched by the company for its own securities ;

4° if the offer is related to one or more transactions that could have a significant impact on the price or exchange ratio of the proposed offer ;

5° if the offer pertains to financial instruments in multiple categories and is priced in a way that could jeopardise the fair treatment of shareholders or bearers of the financial instruments targeted by the bid ;

6° if the non-equity financial instruments mentioned in Point 1° of Part I of Article L. 211-1 of the Financial and Monetary Code that give or could give direct or indirect access to the capital or voting rights of the offeror or of a company belonging to the offeror's group are provided as consideration for the takeover of the target company.

II. - The target company shall also appoint an independent appraiser before implementing a squeeze-out, subject to the provisions of Article 237-16.

Article 261-2

Any issuer that carries out a reserved capital increase at a discount to the market price greater than the maximum discount authorised for capital increases without pre-emptive subscription rights and giving a shareholder, acting alone or in concert within the meaning of Article L. 233-10 of the Commercial Code, control over the issuer within the meaning of Article L. 233-3 of the aforementioned code, shall appoint an independent appraiser who will apply the provisions of this title.

Article 261-3

Any issuer or offeror carrying out a takeover bid may appoint an independent appraiser who will apply the provisions of this title.

Article 261-4

I. - The independent appraiser must not be placed in a conflict of interest in relation to the parties concerned by the public offer or transaction and their advisors. An AMF instruction shall describe situations in which the independent appraiser is considered to be placed in a conflict of interest, although this shall not constitute an exhaustive list.

The independent appraiser shall not work repeatedly with the same sponsoring institution(s) or within the same group if the regular nature of such work could compromise his independence.

II. - The appraiser shall prepare a statement certifying that there are no known past, present or future ties between him and the parties concerned by the offer or transaction and their advisors that could compromise his independence or impair the objectivity of his assessment when carrying out the appraisal.

If there is the risk of a conflict of interest but the appraiser deems this unlikely to compromise his independence or impair the objectivity of his assessment, he shall mention this risk in his statement, including relevant supporting information.

CHAPTER II - APPRAISAL REPORT

Article 262-1

I. - The independent appraiser prepares a report on the financial terms of the offer or transaction. Content requirements for the report are set out in an AMF instruction. In particular, the report contains the statement of independence mentioned in Part II of Article 261-4, a description of the verifications performed and a valuation of the company in question. The report's conclusion takes the form of a fairness opinion.

No other type of opinion shall count as a fairness opinion.

II. - Once appointed, the appraiser must have sufficient time to prepare the report mentioned in Part I, taking into account the complexity of the transaction and the quality of the information provided to him. The appraiser shall have at least fifteen trading days to prepare his report.

Article 262-2

I. - In the cases provided for in Article 261-2, the issuer shall distribute the report by the independent appraiser at least ten trading days before the general meeting convened to authorise the transaction, or, where the meeting has exercised its powers of delegation, as soon as possible after the decision by the Board of Directors or Management Board. The report shall be distributed by :

1° making it available free of charge at the issuer's registered office ;

2° publishing a news release for which the issuer ensures full distribution ;

3° publishing it on the issuer's website, provided the issuer has such a site.

II. - An issuer that appoints an independent appraiser pursuant to Article 261-3 shall follow the procedures set forth in Part I when publishing the appraiser's report.

CHAPTER III - RECOGNITION OF PROFESSIONAL ASSOCIATIONS

Section 1 - Requirements for AMF recognition

Article 263-1

A professional association of independent appraisers may be recognised, at its request, by the AMF.

Article 263-2

I. - The professional association shall draw up a code of conduct setting out the basic principles with which its members must comply.

Members of the association may adapt these principles to reflect their size and organisation.

II. - The code of conduct shall set out, inter alia :

1° the principles governing the independence of appraisers ;

2° the expertise and resources that appraisers must have ;

3° the rules of confidentiality to which they are subject ;

4° procedures for taking on and carrying out appraisals and quality controls to verify work done by association members.

III. - The code of conduct shall detail the disciplinary action applicable in the event of breaches.

IV. - The code of conduct may be consulted at any time at the association's registered office by any person who so requests. The code shall also be published on the association's website provided the association has such a site.

Article 263-3

The association must have the staff and technical resources needed to carry out its mission on an ongoing basis.

The technical resources shall include, inter alia, a data storage facility for the retention of documents, in particular reports by independent appraisers belonging to the association, for at least five years.

Section 2 - Recognition procedure

Article 263-4

Recognition of a professional association shall be subject to prior filing of an application with the AMF containing :

1° the articles (*statuts*) of the association ;

2° a *curriculum vitae* and an extract from the judicial record (*casier judiciaire*) for each of the association's legal representatives ;

3° a three-year projected budget for the association ;

4° a draft code of conduct ;

5° a description of the human and technical resources that will enable the association to meet its obligations under this chapter.

Article 263-5

In deciding whether to recognise an association, the AMF shall review the application mentioned in Article 263-4 to assess whether the association, based on its filing, fulfils the conditions set forth in Articles 263-2 and 263-3. The AMF may ask the association to provide any further information it considers necessary to reach its decision.

Section 3 - Reporting to the AMF

Article 263-6

The association shall inform the AMF promptly of any changes in key items in the initial application for recognition, notably concerning its senior management, organisation or supervision.

Article 263-7

The association shall inform the AMF promptly of disciplinary action taken against any of its members and shall make available to the AMF the minutes of meetings by the management bodies and general meetings of shareholders.

Article 263-8

I. - The AMF may revoke its recognition of an association if said association no longer meets the conditions of its initial recognition.

When the AMF is considering revocation, it shall so inform the association and shall tell it the reasons therefor. The association shall have one month from receipt of such notification to submit any observations it may have.

II. - When the AMF decides to revoke its recognition, the association shall be notified of this by registered letter with return receipt. The AMF shall inform the public of the revocation by means of a news release posted on its website.

The decision shall specify the timetable and method for implementing the revocation. The association must inform its members that its authorisation has been revoked.

GENERAL REGULATION OF THE AUTORITÉ DES MARCHÉS FINANCIERS

BOOK III - SERVICE PROVIDERS

TITLE I - SERVICES

CHAPTER I - GENERAL PROVISIONS

Article 311-1

I. - This book of the General Regulations governs :

1° Investment services :

a) Reception and transmission of orders for third parties ;

b) Execution of orders for third parties ;

c) Dealing on own account ;

d) Portfolio management for third parties ;

e) Placing and underwriting ;

whenever such investment services are performed, together or separately, in the ordinary course of business.

2° The following services :

a) Account-keeping, when related to one of the services mentioned in point 1° above or in points *b*, *c* or d below ;

b) Clearing ;

c) Custody or administration of financial instruments, referred to as custody account-keeping within the meaning of these Regulations ;

d) Custodial services for collective investment undertakings.

II. - This book of the General Regulations governs the following related services when provided in conjunction with investment services :

a) Advice on asset management ;

b) Advice to undertakings on capital structure, industrial strategy and related matters and services related to mergers and acquisitions ;

c) Services related to underwriting ;

d) Foreign exchange services, when related to the provision of investment services ;

e) Rental of safe deposit boxes ;

f) Trading in commodities underlying the instruments mentioned in point 4° of section II of Article L. 211-1 of the Financial and Monetary Code, when related to performance of such contracts.

Article 311-2

I. - For the purposes of these Regulations, authorised service providers include :

1° Investment service providers authorised as credit institutions or investment firms, with the exception of portfolio management companies ;

2° Non-investment service providers who are members of regulated markets, as defined in Article L. 421-8 of the Financial and Monetary Code ;

3° Non-investment service providers who are members of clearing houses, as defined in Article L. 442-2 of the same Code ;

4° Non-investment service providers who are custody account keepers, as defined in point 5° of Article L. 542-1 of the same Code.

II. - Also governed by these Regulations are the following :

1° Management companies of collective investment undertakings ;

2° Custodians of collective investment undertakings.

CHAPTER II - DEFINITIONS

Section 1 - Investment services

Article 312-1

An investment service provider engages in the business of receiving and transmitting orders for third parties whenever it transmits orders on behalf of a client to an authorised service provider with a view to executing transactions in financial instruments.

There are two exceptions to the above provision :

1° When an investment service provider appoints an agent who, acting exclusively in the provider's name and under its responsibility, receives orders from the provider's clients and transmits them to the provider, that agent's activity is deemed to be part of the investment service performed by the provider.

2° An issuing company may transmit orders on behalf of its shareholders, provided the securities of said shareholders are held in registered form on its books.

Article 312-2

An authorised provider engages in the business of executing orders for third parties whenever it acts on behalf of a client as a broker or agent with a view to executing transactions in financial instruments.

Orders placed through a broker are executed only when the parties brought together by that broker have agreed to the terms of the transaction.

The authorised provider that executes the order may be different from the authorised provider that clears and settles the transaction.

An authorised provider also engages in the business of executing orders for third parties when it operates a multilateral trading facility that, without having the status of a regulated market, matches multiple buying and selling interests in financial instruments, in accordance with published rules, in a way that results in a transaction.

Article 312-3

An investment service provider engages in the business of portfolio management for third parties whenever it manages one or more individual or collective portfolios of the following types :

1° An individual portfolio of financial instruments as defined in Article L. 211-1 of the Financial and Monetary Code, under a mandate given by the client ;

2° A collective investment scheme (CIS) ;

3° An investment fund established under foreign law, whether or not such fund meets the criteria set forth in Article 411-34.

Article 312-4

An authorised provider engages in the business of Dealing on own account whenever it buys or sells financial instruments on its own behalf. This activity is considered an investment service only when it does not involve cash management operations or the acquisition of shareholdings.

Article 312-5

An investment service provider engages in the business of placing when it seeks subscribers or purchasers on behalf of an issuer or seller of financial instruments.

An investment service provider engages in the business of standby underwriting when it seeks subscribers or purchasers on behalf of an issuer or seller of financial instruments and guarantees to such issuer or seller a minimum amount of subscriptions or purchases by agreeing to subscribe for or purchase any unsold securities.

An investment service provider engages in the business of underwriting when it subscribes for or acquires financial instruments directly from the issuer or seller with a view to placing them with clients.

Section 2 - Other services

Article 312-6

An authorised provider engages in the business of account-keeping whenever it makes accounting entries in its books to record transactions in financial instruments executed on behalf of clients.

The persons referred to in Article L. 542-1 of the Financial and Monetary Code engage in the business of custody account-keeping and are considered custody account keepers for the purposes of this book of the General Regulations. Custody account-keeping consists in recording financial instruments in account(s) kept in the name of their owner, i. e. giving recognition to the rights of the holder in respect of said financial instruments, and safeguarding the corresponding assets under the terms and conditions applicable to each financial instrument.

The financial instruments are those listed in points 1°, 2° and 3° of section I of Article L. 211-1 of the Financial and Monetary Code and all equivalent instruments issued under foreign law.

Article 312-7

An authorised provider engages in the business of clearing financial instruments when, in its capacity as member of a clearing house, it holds and settles positions recorded by the clearing house.

Article 312-8

Investment service providers that supply, in addition to investment services, one or more of the related services referred to in Article 311-1 must comply with all the provisions of these General Regulations.

TITLE II - INVESTMENT SERVICE PROVIDERS

CHAPTER I - INVESTMENT SERVICE PROVIDERS PROVIDING INVESTMENT SERVICES OTHER THAN MANAGEMENT FOR THE ACCOUNT OF THIRD PARTIES

Section 1 - Remarks on the application for authorization

Article 321-1

As part of the authorization procedure administered by the Comité des Etablissements de Crédit and des Entreprises d'Investissement (CECEI) and prior to the issuance of such authorization, the AMF examines the filing submitted by the applicant.

The AMF decides whether to approve an investment service provider's programme of operations in the light of the integrity and expertise of its senior managers, the suitability of their experience to their functions, and the resources that the provider undertakes to make available in order to provide the investment services in question.

When examining an investment service provider's application at the request of the CECEI, the AMF asesses the applicant's organizational structure for the contemplated activity and for each financial instrument and market concerned against the standard application filing referred to in Article R. 532-1 of the Financial and Monetary Code.

In particular, the AMF verifies that the resources to be engaged as per the standard application filing are suited to the contemplated activities.

The AMF transmits its observations to the CECEI by the deadline specified in Article R. 532-4 of the Financial and Monetary Code.

The AMF may ask the CECEI to require the applicant to furnish any additional information needed for approval of the filing.

Article 321-2

The licence application referred to in Article 321-1 shall list any of the related services referred to in Article L. 321-2 of the Financial and Monetary Code that the investment service provider intends to supply.

The AMF ensures that the resources to be engaged are suited to the contemplated activities.

Section 2 - Passport

Sub-section 1 - Use of the passport by French investment service providers with a view to providing investment services in other States party to the European Economic Area (EEA) agreement

Article 321-3

When the CECEI forwards to the AMF an authorised provider's notice of intent to provide investment services under the right of establishment or the freedom to provide services in another State that is party to the EEA agreement, the AMF ensures that the intended investment services are consistent with the authorization that the provider enjoys.

The notice of intent shall be drawn up in compliance with Chapter II, Title III, Book V of the regulatory part of the Financial and Monetary Code and Articles R. 735-6, R. 745-6, R. 755-6 and R. 765-6 of that code.

When the notice of intent referred to the AMF invokes the right of establishment, the AMF ensures that the administrative structure of the investment service provider is suited to the contemplated activities and, in particular, to the manner in which the provider intends to do business in the host country. The AMF ensures that the investment service provider has in place the facilities necessary to keep it informed of the activity of the branch offices in question. At the AMF's request, the investment service provider supplies all relevant information concerning the compensation fund or equivalent system that protects clients of such branches. The AMF transmits its observations to the CECEI within one month.

The AMF makes these same verifications whenever there is any change in the information contained in the notice.

Sub-section 2 - Use of the passport by investment service providers based in other States party to the EEA agreement with a view to providing investment services in France

Article 321-4

When the CECEI, pursuant to Article R. 532-17 of the Financial and Monetary Code, forwards to the AMF a notice of intent of an investment service provider, authorised as such in a State party to the EEA agreement, that seeks to provide investment services in France pursuant to Article L.532-18 of the Financial and Monetary Code, the AMF informs the investment service provider of the conduct of business rules and other public interest provisions that the provider must adhere to in order to maintain investor protection and prevent noncompliant transactions.

The AMF also informs the investment service provider of the methods of supervision to which it is subject.

Section 3 - Rules of conduct and other professional obligations

SUB-SECTION 1 - PROFESSIONAL LICENCES

Paragraph 1 - General provisions

Article 321-5

Natural persons acting on behalf of an authorised provider must hold a professional licence, issued by the AMF or the authorised provider in compliance with Articles 321-13 and 321-14, if they perform one of the following duties :

1° Trader of financial instruments ;

2° Clearer of financial instruments ;

3° Investment Services Compliance Officer ;

4° Investment analyst.

A trader of financial instruments is a natural person empowered to commit the authorised provider under whose authority or on whose behalf he is acting to a transaction in a financial instrument, whether executed for its own account or for a third party.

A clearer of financial instruments is a natural person empowered to commit a clearing-house member vis-à-vis the clearing house.

An Investment Services Compliance Officer is a natural person charged with ensuring that the authorised provider, its management, employees, individuals acting on its behalf, and the agents mentioned in point 1° of Article 312-1 comply with the professional rules applicable to the performance of the services mentioned in Article 311-1, with the contractual commitments linked to the provision of these services, and with the decisions made by the executive body.

An investment analyst is a natural person tasked with producing investment research on issuers that have made or seek to make a public offer of securities, with a view to formulating an opinion on foreseeable changes in the economic and financial situations of such issuers and consequently in the prices of the financial instruments that they issue.

Article 321-6

A natural person may perform one of the functions referred to in Article 321-5 on a trial basis or temporarily, without holding the required professional licence, for a period not exceeding six months, renewable once.

Use of this exception by an authorised provider for the duties of trader, clearer and investment analyst requires the consent of the provider's Investment Services Compliance Officer.

The function of Investment Services Compliance Officer cannot be undertaken on a trial basis or temporarily without the prior consent of the AMF.

Article 321-7

Before a professional licence can be issued, the applicant must prepare an application and submit it to the licence-issuing entity.

Article 321-8

The information required in the licence application is specified in an AMF instruction.

Article 321-9

The licence application shall be retained by the legal person that issues the licence for ten years after the licensee has ceased to perform the functions that gave rise to the issuance of the professional licence.

Article 321-10

Where a person ceases temporarily to perform the activity that required a professional licence, such interruption does not result in withdrawal of the licence.

Where activity ceases for more than twelve months, the interruption is considered final and the licence is withdrawn unless the AMF grants an exception.

Article 321-11

The AMF keeps a register of all professional licences

To this end, whenever a professional licence is issued or withdrawn, the issuing entity shall inform the AMF, within one month, of the identity of the person to whom the licence was issued or from whom it was withdrawn.

The AMF shall be informed whenever one of the persons referred to in Articles 321-13-2 and 321-21 is appointed as an Investment Services Compliance Officer.

The information in the register of professional licences is retained for ten years after the licence has been withdrawn.

Article 321-12

When a person definitively ceases to perform the function for which a professional licence was issued, the licence is withdrawn by the entity that issued it.

Where a professional licence is issued by the AMF, the authorised provider for whom the licensed person is acting shall inform the AMF as soon as that person ceases definitively to perform the functions for which the license was issued.

Paragraph 2 - Professional licences issued by the AMF

Article 321-13

The AMF issues the professional license for persons performing the function of Investment Services Compliance Officer.

The AMF assesses the integrity of the persons concerned, their knowledge of the professional obligations set forth in the laws, regulations and professional rules applicable to the performance of the services mentioned in Article 311-1, and their ability to carry out the duties of Investment Services Compliance Officer. The AMF also ensures that the authorised provider grants these persons the appropriate independence as well as the staff and technical resources necessary to perform their task.

Article 321-13-1

For the purpose of issuing the professional licence, the AMF organises a professional examination, wherein a jury interviews the licence applicant put forward by the authorised provider for which he is going to carry out his duties.

An AMF instruction sets forth the examination syllabus and procedures.

The AMF organises at least two examination sessions each year and decides upon the composition of the jury, the examination dates and the enrolment fees. Authorised providers are informed of these matters.

Enrolment fees are collected by the AMF from the authorised providers that enter the applicants.

Article 321-13-2

The AMF can waive the examination requirement referred to in Article 321-13-1 in the case of a person who has performed the function of Investment Services Compliance Officer at another authorised provider that has a comparable business and organisational structure, provided that such person has already passed this examination and that the authorised provider for which he is going to carry out his duties has already successfully entered a candidate for the examination.

Article 321-13-3

The jury referred to in Article 321-13-1 is chaired by an incumbent Investment Services Compliance Officer, aided by a person who manages an operational department at an authorised provider and by a member of the AMF's services. Where an applicant considers that a jury member has a conflict of interests in relation to him, he can ask the AMF to be assigned to another jury.

The jury recommends that the AMF should issue a professional licence if it considers that the conditions referred to in the second paragraph of Article 321-13 are satisfied. Notwithstanding the last paragraph of this article, the jury recommends that a professional licence should not be issued if it considers that the conditions for performing the function of Investment Services Compliance Officer are not satisfied.

If the jury considers that the applicant has the qualities needed to perform the function of Investment Services Compliance Officer but that the authorised provider is not giving him the appropriate independence or is not providing him with the staff and technical resources necessary to perform his function, it can recommend that

issuance of the licence be conditional upon the authorised provider's rectifying the situation and informing the AMF of the measures taken to that end.

Article 321-13-4

Persons holding a professional licence for the function of investment services supervisor at the date this article comes into effect shall automatically be granted a professional licence for the function of Investment Services Compliance Officer.

Paragraph 3 - Professional licences issued by investment service providers, market operators and clearing houses

Article 321-14

Professional licences other than those referred to in Article 321-13 are issued by the authorised providers under whose authority or on whose behalf the natural persons concerned are acting.

Article 321-15

Before any of the professional licences referred to in Article 321-14 are issued, the Investment Services Compliance Officer ensures that the applicant possesses the requisite integrity and has met the procedural requirements established by the provider to ascertain that prospective licensees are cognisant of their professional obligations.

The Investment Services Compliance Officer may obtain from the AMF, upon request made by registered or hand-delivered letter with acknowledgment of receipt, a record of any disciplinary actions taken against the person in question during the previous five years.

Articles 321-16 and 321-17

(Deleted by the Order of 15 April 2005)

Article 321-18

When an authorised provider, market operator, or clearing house issues a professional licence, it must inform the AMF thereof within one month.

The AMF may ask the provider to forward to it a copy of the licence application.

Any person to whom a professional licence is issued is personally informed of that fact.

Article 321-19

Whenever an authorised provider takes disciplinary measures against a natural person holding a professional licence and acting under its authority or on its behalf because of a breach of the professional obligations referred to in Article 621-15 of the Financial and Monetary Code, the provider duly informs the AMF within one month.

SUB-SECTION 2 - CONDITIONS UNDER WHICH CERTAIN AUTHORISED PROVIDERS ACT AS DEL CREDERE AGENTS

Article 321-20

Authorised providers act as del credere agents for their clients when they provide the services of receiving and transmitting orders for third parties, executing orders for third parties, account-keeping as defined in Article 312-6, or clearing.

In this capacity, they guarantee the delivery and payment of financial instruments bought or sold on the client's behalf.

By exception to the above, provided they so inform their clients beforehand, providers do not act as del credere agents for their clients when they

1° receive neither funds nor securities from the client, or

2° trade on the client's behalf on other than a regulated market.

A member of a regulated market is a del credere agent until the transaction it has executed on that market is recorded in the client's name by an account keeper. Thereupon, the account keeper becomes del credere agent vis-à-vis the client.

SUB-SECTION 3 - THE INVESTMENT SERVICES COMPLIANCE OFFICER FUNCTION

Paragraph 1 - Appointment and tasks of the Investment Services Compliance Officer

Article 321-21

The authorised provider appoints the Investment Services Compliance Officer. The board of directors, the supervisory board or, failing this, the body responsible for administration or supervision, shall be informed by the executive body of this appointment.

Where an authorised provider is unable to assign the function of Investment Services Compliance Officer to a dedicated member or members of staff because of its size or the size of the corporate group to which it belongs within the meaning of Article 1 of Regulation 2000-03 of 6 September 2000 of the Comité de la Réglementation Bancaire et Financière, it shall assign that function to one of the managers referred to in Articles L. 511-13 and L. 532-2 the Financial and Monetary Code. In this case, the appointed manager is not required to take the examination referred to in Article 321-13-1.

Article 321-22

The tasks of the Investment Services Compliance Officer are, *inter alia* :

1° To identify the procedures necessary for compliance with the professional obligations set forth in the laws, regulations and professional rules applicable to the performance of the services referred to in Article 311-1, as well as the decisions taken by the executive body ;

2° To monitor implementation of a handbook of such procedures, which must be respected by the authorised provider, its managers and employees, individuals acting on its behalf, and the agents referred to in point 1° of Article 312-1 ;

3° To disseminate some or all of the procedures to the authorised provider's managers, and employees, individuals acting on its behalf, and the agents referred to in point 1° of Article 312-1 ;

4° To conduct a prior compliance review of new products or services or of material changes to existing products or services, and to issue a written opinion thereon ;

5° To assume responsibility for advising, training and effecting a regulatory watch for the managers of the authorised provider, its employees and individuals acting on its behalf in order to ensure compliance with all the obligations referred to in point 1° ;

6° To carry out formal controls in order to ensure that the authorised provider, its managers and employees, individuals acting on its behalf, and the agents referred to in point 1° of Article 312-1 comply with all the procedures referred to in point 1°, to formulate proposals for rectifying any shortcomings observed, and to monitor the measures put in place by the executive body to that end.

The controls referred to in point 6° cannot be delegated to an external service provider, except as provided in Article 321-23-9 or occasionally if warranted by special circumstances.

Article 321-23

The authorised provider establishes a procedure whereby any employee or individual acting on its behalf who has queries about shortcomings observed in the proper fulfilment of compliance obligations can convey such queries to the Investment Services Compliance Officer.

Paragraph 2 - Conditions for carrying out the function of Investment Services Compliance Officer

Article 321-23-1

The authorised provider shall ensure that the Investment Services Compliance Officer has the independence, the staff, the technical resources and the informational access needed to carry out his task. All these resources must be adapted to suit the nature, volume and risk exposure of the business carried on by the authorised provider, as well as the firm's organisational structure.

The authorised provider shall ensure that the Investment Services Compliance Officer acts independently and does not receive any compensation that might affect his independent judgment.

Except where the Investment Services Compliance Officer is a manager, the authorised provider shall make sure that he does not carry out any commercial, financial or accounting operations on its behalf.

Article 321-23-2

The Investment Services Compliance Officer reports regularly on the performance of his duties to the executive body, which in turn reports to the board of directors or the supervisory board, or, failing this, to the body responsible for administration or supervision. However, if one of these bodies considers it necessary, the Investment Services Compliance Officer reports directly to the board of directors or the supervisory board or, failing this, to the body responsible for administration or supervision.

The Investment Services Compliance Officer draws up a yearly report on the conditions in which he has carried out his tasks. The report is submitted to the executive body of the authorised provider and to the AMF no later than 30 April following the end of the calendar year. The executive body passes the report on to the board of directors or the supervisory board or, failing this, to the body responsible for administration or supervision, unless the Investment Services Compliance Officer reports directly to one of these bodies.

The report includes :

1° a description of how the Investment Services Compliance Officer function is organised ;

2° a description of the tasks performed in carrying out that function ;

3° any observations made by the Investment Services Compliance Officer ;

4° measures taken as a result of such observations.

Article 321-23-3

The handbook referred to in point 2° of Article 321-22 is brought to the attention of the executive body of the authorised provider, which makes it available to the board of directors, the supervisory board, or, failing this, the body responsible for administration or supervision.

The handbook is made available to the AMF upon request. Any changes to the handbook are to be described in the report referred to in Article 321-23-2.

The handbook contains, *inter alia*, a set of provisions, referred to as "Chinese walls", to prevent undue disclosure of confidential information, particularly inside information as defined in Article 621-1.

These provisions set forth, *inter alia* :

1° the manner in which the authorised provider's premises are organised in order to separate business activities likely to produce conflicts of interest ;

2° the conditions in which the Investment Services Compliance Officer may, under special circumstances, authorise confidential information to be transferred between departments or authorise a staff member assigned to a particular department to assist another department.

The Investment Services Compliance Officer monitors the use of any such authorisations that he has granted.

Article 321-23-4

Pursuant to Article 321-76, the Investment Services Compliance Officer establishes rules regarding surveillance and prohibition of transactions in financial instruments carried out by the authorised provider for its own account.

The Investment Services Compliance Officer keeps regularly updated lists of financial instruments subject to surveillance or prohibition for own-account trading.

Article 321-23-5

The surveillance list enumerates the financial instruments about which the authorised provider has sensitive information, such that the Investment Services Compliance Officer must exercise particular vigilance.

The Investment Services Compliance Officer monitors the trading reports on financial instruments on the surveillance list and may halt dealing on own account by the authorised provider in these instruments, particularly if such trading gives reason to believe that the authorised provider may be acting on the basis of inside information as defined in Article 621-1.

The Investment Services Compliance Officer assesses the consequences for the authorised provider's investment analysts of a decision to place a financial instrument on the surveillance list.

Article 321-23-6

The list of prohibited instruments ("prohibited list") enumerates the financial instruments in respect of which the authorised provider may not trade for its own account or disseminate financial research due to the nature of the information to which it is privy.

The Investment Services Compliance Officer decides which of the authorised provider's departments must refrain from making trading recommendations to clients in respect of instruments on the prohibited list.

Notwithstanding the provisions of the first paragraph of this article, the Investment Services Compliance Officer determines the conditions in which he may authorise the publication of financial research, under his supervision, where non-publication would in itself constitute an undesirable indication.

The Investment Services Compliance Officer determines the conditions in which the prohibited list is made available to the persons concerned.

Paragraph 3 - Delegating the tasks of the Investment Services Compliance Officer

Sub-paragraph 1 - General provisions

Article 321-23-7

The Investment Services Compliance Officer may delegate some or all of his tasks to one or more employees of the authorised provider or to one or more individuals acting on its behalf.

The authorised provider may enter the delegatee(s) in the examination referred to in Article 321-13-1. The AMF verifies that the number of professional-licence holders is commensurate with the nature and risk exposure of the authorised provider's businesses, as well as its size and organisational structure.

Where several persons hold a professional licence, the authorised provider establishes precisely in writing the tasks and accountabilities of each one.

Sub-paragraph 2 - Special provisions

Article 321-23-8

Where an authorised provider belongs to a group within the meaning of Article 321-21 or depends on a central body within the meaning of Article L. 511-30 the Financial and Monetary Code, it may delegate the Investment Services Compliance Officer function to an employee or an entity belonging to the same group or dependent on the same central body based in France. Such employee shall hold a professional licence as an Investment Services Compliance Officer.

Use of the above right is subject to the prior approval of the boards of directors or the supervisory boards or, failing this, the bodies responsible for administration or supervision, of the entity concerned and of the authorised provider as well as the AMF, which ensures that implementation of the right is not likely to create conflicts of interest.

Article 321-23-9

Where the Investment Services Compliance Officer function has been entrusted to a manager, some or all of the monitoring tasks referred to in point 6° of Article 321-22 may be delegated to an individual or a legal entity external to the authorised provider.

Where the AMF considers that the manager cannot personally undertake some or all of the control referred to in the first paragraph, especially if there is a conflict of interest, these tasks must be delegated to an individual or a legal entity external to the authorised provider.

In any case, the authorised provider ensures that the delegatee undertakes to carry out the task in accordance with the provisions of this section and to give the AMF access, including on-site access, to all the information it needs to carry out its mission. The delegation agreement is subject to the prior approval of the AMF, which may seek the opinion of the jury referred to in Article 321-13-1.

SUB-SECTION 4 - RULES OF CONDUCT

Paragraph 1 - General provisions

Article 321-24

In accordance with Articles L. 533-4 and L. 533-6 of the Financial and Monetary Code and with ethical requirements, rules of conduct set forth the general principles of conduct that an authorised provider and persons acting on its behalf or under its authority must comply with, together with the basic rules for applying and monitoring observance of such principles. The rules of conduct also apply to persons referred to in Article L. 421-8 of the Financial and Monetary Code authorised by the AMF to provide the services mentioned in points 2° and 3° of Article L. 321-1 of the Financial and Monetary Code.

The officers of an authorised provider shall ensure that these provisions are complied with and that appropriate resources and procedures are implemented.

The activities referred to in Article 311-1 shall be performed diligently, honestly and fairly, respecting the primacy of clients' interests and market integrity. Authorised providers shall make every effort to avoid conflicts of interest and, when such conflicts cannot be avoided, see to it that all their clients are treated fairly.

The AMF informs authorised providers whose registered office or principal place of business is outside France of those rules of conduct and other public interest provisions that apply to them, depending on whether the provider in question is doing business under the freedom to provide services or the freedom of establishment and on whether its clients include French investors.

The rules of conduct adopted under this Title by an authorised provider and applying to its staff constitute a professional obligation of such staff.

Article 321-25

Where a professional organisation draws up a code of conduct applicable to investment services, it shall submit a draft to the AMF, which shall verify whether the code's provisions comply with this General Regulation.

The professional organisation may ask the AMF to approve all or part of the code as professional standards.

If, having sought the opinion of the Association Française des Etablissements de Crédit et des Entreprises d'Investissement (AFECEI), the AMF considers that some or all of the provisions of such code should be recommended to all authorised providers, the AMF publishes such recommendation in the official gazette (BALO) and on its website.

Article 321-26

Pursuant to Article 321-21, the head of compliance (hereinafter "compliance officer") of an authorised provider is responsible for ensuring that the provider and its agents mentioned in point 1° of Article 312-1 comply with the rules of conduct applicable to the investment services and other services listed in Article 312-1. In addition, the compliance officer verifies that individuals acting under the authority or on behalf of the authorised provider in providing the services listed in Article 311-1 comply with these rules. Such individuals are hereinafter called "staff members".

The role of the compliance officer consists, inter alia, of the following :

1° identifying the measures needed to ensure compliance with the rules of conduct ;

2° preparing a handbook outlining the rules and procedures applicable to the authorised provider, persons acting on its behalf or under its authority, and its agents acting within the scope of the investment service performed by the authorised provider ;

3° informing the authorised provider's staff and agents of some or all of the provisions of point 2° above ;

4° monitoring compliance with all rules of conduct by the authorised provider, its staff and its agents and ensuring that appropriate measures are taken in the event of non-compliance ;

5° providing assistance and guidance, in addition to monitoring procedures, to help the authorised provider's staff apply the rules of conduct.

The compliance officer may delegate some of his functions to one or more persons in operational positions.

Article 321-27

Each authorised provider appoints a compliance officer. Compliance officers operate independently of all business units that they monitor. They report on their compliance work to the authorised provider's executive body. The executive body informs the deliberative body of the compliance officer's appointment and of the contents of the aforementioned report.

When warranted by the provider's size, organisational structure or type of business, the authorised provider entrusts the compliance function to a staff member having no other responsibilities. In such a case, this person must be one of the holders of the professional licence for investment service supervisors.

In all other cases, the compliance function is assigned to the staff member responsible for supervising the investment services and related services referred to in Article 311-1.

Regardless of the authorised provider's organisational structure, the activities of the compliance officer are described in the yearly report referred to in Article 321-22.

Article 321-28

The executive body of the authorised provider ensures that the compliance officer has the staff and other resources needed to perform the compliance function.

Article 321-29

The handbook mentioned in point 2° of Article 321-26 is brought to the attention of the authorised provider's executive body.

The handbook is made available to the AMF on request. Any changes to the handbook are to be described in the report referred to in Article 321-22.

The handbook contains, inter alia, a set of provisions, referred to as "Chinese walls", to prevent undue disclosure of confidential information, particularly privileged information as defined in Article 621-1.

These provisions set forth, inter alia :

1° the manner in which the authorised provider's premises are organised in order to separate business activities likely to produce conflicts of interest ;

2° the conditions under which the compliance officer may, in special circumstances, authorise confidential information to be transferred between departments or authorise a staff member assigned to a particular department to assist another department.

The compliance officer monitors the use of any such authorizations that he has granted.

Article 321-30

Pursuant to Article 321-76, the compliance officer establishes rules regarding surveillance and prohibition of transactions in financial instruments carried out by the authorised provider for its own account.

The compliance officer keeps regularly updated lists of financial instruments subject to surveillance or prohibition.

Article 321-31

The surveillance list enumerates the financial instruments about which the authorised provider has sensitive information, such that the compliance officer must exercise particular vigilance.

The compliance officer monitors the trading reports on financial instruments on the surveillance list and may halt Dealing on own account by the authorised provider in these instruments, particularly if such trading gives reason to believe that the authorised provider may be acting on the basis of privileged information as defined in Article 621-1.

The compliance officer assesses the consequences for the authorised provider's investment analysts of a decision to place a financial instrument on the surveillance list.

Article 321-32

The list of prohibited instruments ("prohibited list") enumerates the financial instruments in respect of which the authorised provider may not trade for its own account or disseminate financial research due to the nature of the information to which it is privy.

The compliance officer decides which of the authorised provider's departments must refrain from making trading recommendations to clients in respect of instruments on the prohibited list.

Notwithstanding the provisions of the first sentence of this Article, the compliance officer determines the conditions in which he may authorise the publication of financial research, under his supervision, where non-publication would in itself constitute an undesirable indication.

The compliance officer determines the conditions in which the prohibited list is made available to those concerned.

Paragraph 2 - Ethical rules applicable to staff

Article 321-33

An authorised provider ensures that its staff, whether they work on its behalf on a temporary or permanent basis, know they are bound by the obligation of professional secrecy, as provided and on pain of the penalties prescribed by law.

An authorised provider further ensures that its staff who may have access to privileged information as defined in Article 621-1 are aware of the legal and regulatory definition thereof, as well as the criminal, administrative or disciplinary sanctions that may be incurred through the misuse or undue disclosure of such information.

Article 321-34

Orders submitted by staff for their own account may not take precedence, in transmission or execution, over orders placed by clients with the authorised provider for transmission or execution.

An authorised provider providing services to individual clients ensures that staff members' orders are routed and executed using procedures comparable to those used for other such clients.

Under no circumstances may staff members transmit orders directly to the market or to a trading desk.

These provisions apply to transactions executed for any account on which the staff member has power to operate.

Article 321-35

An authorised provider is responsible for determining, on the basis of its activities and organisational structure, the categories of sensitive positions and the obligations of staff members in such positions, with a view to complying with the ethical principles set forth in Article 321-24.

Article 321-36

A position is considered to be sensitive if it involves investment services or other services referred to in Article 311-1 and if performance of such service may expose the staff member in such position to conflicts of interest, or may give the staff member access to confidential or privileged information. This definition applies in particular to positions that involve the arrangement or structuring of transactions, advisory services, trading on markets, investment analysis, or information handling.

The supervisor of a person in a sensitive position is deemed to occupy a sensitive position.

Article 321-37

To protect its clients and staff and preserve the integrity of the market, an authorised provider may restrict the right of staff in sensitive positions to trade in financial instruments for their own account.

Such restrictions may involve a total or partial ban, on either a temporary or an extended basis, on the staff member placing orders in financial instruments for his own account.

In all cases, an authorised provider shall prohibit its staff members from placing orders in a financial instrument for their own account :

1° if they are traders and, because of their functions, may have occasion to make trades in such instrument ;

2° if they are analysts and, because of their functions, may have occasion to produce an analysis on the issuer of such instrument. The same prohibition shall apply to all financial instruments of issuers in the same sector as the issuer of the instrument concerned. The handbook mentioned in point 2° of Article 321-22 defines the sectors concerned.

Article 321-38

An authorised provider may not prevent its staff members from entering into agreements to place their investment portfolios under discretionary management.

Article 321-39

An authorised provider requires its staff members in sensitive positions to declare all financial instrument accounts on which they have the power to operate, regardless of the institution keeping the account.

An authorised provider may require any staff member occupying a sensitive position :

1° to waive professional secrecy with respect to any financial instrument account ;

2° to provide, at the authorised provider's request, any trade confirmations and statements of trades involving an account at another institution.

Article 321-40

An authorised provider takes all necessary measures to restrict the gifts or perquisites that its staff may receive or give in the course of their professional activities.

Staff declare to the authorised provider any gifts or perquisites they receive beyond a reasonable limit set by the provider.

The authorised provider establishes a procedure whereby any staff member encountering difficulties with the application of this Article can refer the matter to a superior.

Paragraph 3 - Obligations relating to the fight against money laundering and terrorist financing

Article 321-41

Authorised providers shall adopt an organisational structure and procedures enabling them to comply with the vigilance and notification requirements of Title VI of Book V of the Financial and Monetary Code relating to money laundering and terrorist financing and with the implementing regulations relating thereto.

Paragraph 4 - Client relationships

SUB-PARAGRAPH 1 - GENERAL PROVISIONS

Article 321-42

Authorised providers put the interests of their clients first as regards order reception and transmission, execution of orders for third parties, and the Placing of securities.

Authorised providers who execute orders for third parties take care to provide their clients with the best possible execution, taking into account the instructions they receive, the state of the relevant market(s) and the financial instruments involved.

Article 321-43

Before executing a transaction in a financial instrument for a new client, the authorised provider verifies the identity of the client and, when applicable, the person on whose behalf the client is acting.

The authorised provider ensures that the client has the legal capacity and status to realise the transaction.

If the client is not an individual, the authorised provider verifies that the person representing the client is entitled to act either as that entity's legal representative or as an agent under the terms of a power of attorney or an agency agreement. For this purpose, the authorised provider requests any documents required to establish the powers or appointment of the representative.

Article 321-44

Pursuant to Article 321-68, an authorised provider informs clients of the general conditions applicable to the proposed services, in particular :

1° the types of orders that it is able to receive, taking into account the rules of the relevant regulated market whenever orders are to be executed on such market ;

2° the procedures for receiving and transmitting orders ;

3° the procedures for providing the client with information on the client's transactions ;

4° the charges for the authorised provider's services.

Article 321-45

When a client informs an account-keeping authorised provider that he has delegated discretionary portfolio management authority over the account to a third party, the authorised provider asks the client to fill out a declaration, which is signed by the principal and the agent. Such declaration is based on the model set forth in an AMF instruction.

The authorised provider is not required to have knowledge of the terms of the management agreement.

Article 321-46

The authorised provider assesses the professional skills of the client as regards his understanding of the nature and attendant risks of the transactions in which he intends to engage. This assessment takes into account the client's financial condition, investment experience, and objectives as regards the services requested of the authorised provider.

The authorised provider informs the client of the characteristics of the financial instrument(s) in which the client intends to trade, the transactions that could be carried out in them, and the risks that those transactions could entail.

The authorised provider adapts this information in accordance with its assessment of the client's professional skills. In particular, it takes into account whether the client is one of the persons referred to in Article L. 531-2 of the Financial and Monetary Code, or a qualified investor within the meaning of Article L. 411-2 of the same Code, or a person or entity belonging to an equivalent category under the law of the country of the client's residence or registered office.

For transactions in derivative financial instruments traded on a regulated market, the information provided to the client includes the prospectus and technical specifications pertaining to those instruments, as provided for in Articles 518-4 to 518-7.

Article 321-47

The authorised provider regularly updates the information it holds pursuant to Article 321-43 as well as the facts relating to its client's financial condition, in keeping with the provisions of Article 321-46.

The authorised provider sends promptly to the client the information that it must provide to him pursuant to Articles 321-44 and 321-46.

Article 321-48

When a client proposes to carry out a transaction that differs from those in which he customarily engages, either in nature or in terms of the instruments or amounts involved, the authorised provider asks him to explain the objectives of the transaction.

In the light of such explanation, the authorised provider supplies the client with information useful to understanding the contemplated transaction and its attendant risks.

The authorised provider adapts this information according to its assessment of the client's professional skills, as referred in Article 321-46. In particular, it takes into account whether the client is one of the persons referred to in Article L. 531-2 of the Financial and Monetary Code, or a qualified investor within the meaning of Article L. 411-2 of the same Code, or a non-resident person or entity of equivalent status or characteristics.

The authorised provider supplies the required information before completing the transaction. At the same time, it asks the client to take appropriate measures to ensure that the positions resulting from the transaction can be monitored appropriately.

Article 321-49

An account-keeping authorised provider informs its clients of all transactions affecting their accounts, including trades resulting from orders issued or transmitted by a third party. The time allowed for providing information on completed transactions is stipulated in the new-account agreement referred to in Article 321-69.

The authorised provider informs the client if it has acted, in so far as allowed under existing regulations, as counterparty to the client's order in a financial instrument admitted to trading on a regulated market.

Article 321-50

When an authorised provider executes a trade with or on behalf of a client in a derivative financial instrument outside a regulated market, it offers to send the client a valuation of the transaction, in a form agreed with the client and at intervals no longer than one year.

This provision does not apply where the client is one of the institutions mentioned in the third paragraph of Article 321-68.

SUB-PARAGRAPH 2 - SPECIAL PROVISIONS GOVERNING RECEPTION AND TRANSMISSION OF ORDERS FOR THE ACCOUNT OF THIRD PARTIES

a) Common provisions

Article 321-51

When an authorised provider is requested to transmit an order to another authorised provider, it must be able to :

1° warrant that the order transmitted was issued by the client ;

2° provide evidence of the time at which the order was received and the time at which it was transmitted.

The same obligations apply to the agent referred to in Article 312-1.

Article 321-52

When a client gives an authorised provider with whom he maintains an account an order for transmission to another authorised provider or to a non-resident institution with comparable status, the authorised provider is prohibited from being remunerated in the form of a hard commission (commission rebate) by the institution to which the order has been transmitted.

When a non-account-keeping authorised provider proposes to receive orders from a client for transmission to another institution and be remunerated for its services, as may be allowed under existing regulations, in the form of a hard commission from the institution to which the order is transmitted, the authorised provider informs the client of the arrangements pertaining to such remuneration as soon as they enter into contact with one another, in keeping with point 4 of Article 321-44.

When a non-account-keeping authorised provider receives orders from a client for transmission to another institution, it informs the client periodically (at least once a year) of the total amount of hard commissions received in respect of that client's orders.

Article 321-53

An authorised provider may not enter into a soft commission agreement with another authorised provider with which it does business unless the following conditions are met :

1° the goods or services offered as remuneration contribute directly to the business relationship and are used purely for professional purposes ;

2° the authorised provider itself, not its managers or staff, is the direct beneficiary of the goods and services concerned.

b) Provisions relating to reception-transmission or executing of securities market orders involving reception of orders via the Internet

Article 321-54

An authorised provider who sends a message offering an order reception-transmission or execution service involving reception of orders via the Internet must be clearly identified in the message. Such message must mention the provider's authorised status and the investment services it is authorised to provide.

If the authorised provider is not a custody account keeper or a cash-account keeper, the message must clearly identify the providers that perform these functions.

If an order receiver-transmitter acting as agent of an investment service provider does not itself have the status of investment service provider, the identity of its principal must be mentioned.

Article 321-55

When an authorised provider's offer is clearly intended for residents of a foreign country, the provider ensures that its offer complies with the regulations of the country in question.

Article 321-56

For the purpose of meeting the requirement to verify, pursuant to Article 321-43, the identity and legal capacity of the client, an authorised provider wishing to establish a business relationship with a new client solely via the Internet must first receive :

1° a photocopy of a current identity document (passport, identity card, driving licence) ;

2° a bank identification form or a cancelled cheque ;

3° documentary evidence of the client's place of residence.

The provider acknowledges receipt of the aforementioned documents by sending the new client a registered letter with return receipt, thereby verifying the place of residence declared by him.

Article 321-57

The service agreement provided for in Article 321-68 expressly stipulates the forms of proof specific to order reception via the Internet.

Article 321-58

The authorised provider clearly informs the client that no transaction can be initiated until the following have been received :

1° the documents listed in Article 321-56, in the case of a new client ;

2° the agreement referred to in Article 321-57 on forms of proof specific to the use of the Internet, duly signed by the client ;

3° funds or financial instruments in the client's account, when such account is on the books of the authorised provider.

Article 321-59

The authorised provider ensures that the client systematically receives the information specified in Article 321-46, in screen-readable or downloadable form, before the client is able to place his first Internet order.

This information must be that furnished pursuant to Article 321-46 to a client having neither professional skills nor special experience in the field of financial investment.

A period of seven days, as specified in Article 518-6, occurs between supplying clients with documentation about regulated markets in derivative financial instruments and receiving their first orders for such instruments. This seven-day period begins on the date that the client read the notices on screen or downloaded them. The authorised provider records this date.

Article 321-60

In the account-opening and service agreement, the authorised provider may offer the client the choice of receiving trade confirmations and portfolio statements by postal mail or via the Internet.

When the provider intends to send trade confirmations and portfolio statements to the client exclusively via the Internet, this sole method of transmission must have been stipulated in the account-opening and service agreement.

Article 321-61

The authorised provider ensures that, before a client is able to place an order via the Internet for a transaction in financial instruments which differs, in nature or in terms of the instruments or amounts involved, from those in which he generally engages, that client receives the information called for in Article 321-48.

Article 321-62

When the authorised provider maintains the client's cash and financial instrument accounts, the provider must have an automated account verification system. In the event of insufficient funds or margin, the system must block order entry. The client is informed on screen of the reasons for such blocking and is requested to remedy the situation.

When the provider does not maintain the client's cash and financial instrument accounts, the provider implements the foregoing provisions in cooperation with the account-keeping provider, except in special cases that the provider must be able to justify upon request of the AMF.

Article 321-63

Except in special cases that the authorised provider can justify to the AMF, the provider uses a system that automatically verifies whether an order, in particular a limit order, is compatible with market conditions, so that an automatic order-blocking mechanism is triggered when the system identifies an incompatibility. The client is informed on screen of the reasons for the blocking.

Article 321-64

Acknowledgement that the authorised provider has registered the client's order is displayed on screen. The provider then invites the client to confirm the order.

The service agreement stipulates that the provider assumes responsibility for proper execution of the order once acknowledgement of registration thereof has been sent to the client and as soon as the client has confirmed the order.

Article 321-65

In the event of a malfunction of the order reception system, the authorised provider makes every effort to inform users of the nature and foreseeable duration of such malfunction.

The provider describes in the service agreement the alternative equipment made available to clients in the event of a prolonged interruption of the service.

Article 321-66

The authorised provider ensures that, considering the size of its client base and its growth prospects, it has sufficient capacity on a permanent basis in the following areas :

1° the computerised order reception system, including the back-up system ;

2° the alternative equipment (telephone and/or facsimile) to be offered to clients in the event of an IT system failure ;

3° manpower availability, particularly in the event of an IT system failure.

Article 321-67

The authorised provider ensures that, by the standard of industry-wide IT security practices, its computerised order reception system is properly secure.

In particular, the system must ensure integrity of data, authentication of data origin, and protection of confidential messages.

SUB-PARAGRAPH 3 - CLIENT AGREEMENTS

Article 321-68

Authorised providers must establish a written agreement with each client for whom they provide the services of receiving and transmitting orders for third parties, executing orders for third parties or clearing.

The foregoing does not apply, except as concerns clearing, when the provider provides the services on behalf of credit institutions, investment firms, institutions referred to in Article L. 531-2 of the Financial and Monetary Code, or non-resident institutions of comparable status.

Article 321-69

The account keepers referred to in Article 312-6 must record the financial instruments and cash received on behalf of a client in accounts opened in that client's name.

Before recording financial instruments in its books, the account keeper must establish a new-account agreement with each client.

Article 321-70

The obligatory clauses that must appear in the service agreement referred to in Article 321-68 and the new-account agreement referred to in Article 321-69 may, where appropriate, be aggregated in a single agreement, on the terms and conditions specified in an AMF instruction.

Article 321-71

Every service agreement or new-account agreement must contain the following clauses :

1° The identity of the person(s) with whom the service agreement is being made :

a) In the case of a legal entity, how the service provider is to ascertain the name of the person(s) authorised to act in the name of said legal entity, and, where appropriate, their status as qualified investor within the meaning of Articles D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the Financial and Monetary Code ;

b) In the case of a natural person, proof that he or she is a French resident, a resident of a State that is party to the EEA agreement, or a resident of a third country ; and, where, appropriate the identity of the person(s) authorised to act on behalf of said natural person.

2° The investment services and other services mentioned in point 2° of section I of Article 311-1 covered by the agreement, and the categories of financial instrument for which the services are provided.

3° The authorised service provider's scale of charges.

4° The period of validity of the agreement.

5° The obligations of confidentiality incumbent on the authorised service provider under the laws and regulations governing professional secrecy.

6° Where appropriate and pursuant to Article 321-20, a declaration that the service provider is not acting as a del credere agent.

Article 321-72

Where the agreement concerns the execution of orders for third parties, it must specify :

1° The characteristics of orders that may be passed to the authorised provider. These characteristics take account, as appropriate, the rules of the market where the orders are to be executed.

2° How orders are to be transmitted ;

3° The content of the confirmation notice for the transaction and the means by which it will be sent to the client. The agreement must provide that the client is informed of the following, at minimum :

a) the financial instrument(s) involved and, where appropriate, the market on which the order was executed ;

b) the date and price of execution ;

c) the amount of the transaction, with the gross amount broken down into its component parts ;

d) the time period stipulated in the agreement for sending the above information, which cannot exceed twenty-four hours.

4° The time period for the client to challenge the terms of execution of which he has been informed.

5° The name of the institution responsible for keeping the client's account, if the account keeper is not the service provider executing the order.

Article 321-73

Where the agreement concerns the reception and transmission of orders for third parties, it specifies :

1° The characteristics of orders that may be passed to the authorised provider. These characteristics take into account, as appropriate, the rules of the market where the orders are to be executed.

2° How the orders are to be transmitted ;

3° The procedures for informing the client in cases where the order has not been successfully transmitted.

4° The name of the institution responsible for keeping the client's account, if the account keeper is not the provider handling the order reception and transmission service.

Where the authorised provider acts as a broker or agent, the agreement shall also specify procedures for informing the client after the order has been executed, as provided for in Article 321-72. The time period stipulated in the agreement for supplying this information on order execution may not exceed twenty-four hours from the time that the provider responsible for transmitting the order has been notified of the terms on which it was executed.

Article 321-74

When the agreement covers clearing services or account-keeping, it specifies the terms and conditions for depositing margin and the procedures for calling initial margin and maintenance margin for transactions in derivative financial instruments. The agreement also specifies the situations and conditions in which the service provider can liquidate positions and sell financial instruments deposited as margin by the client.

Article 321-75

When the agreement relates to account-keeping service, it specifies :

1° The procedures for supplying information on movements in financial instruments and cash on his account.

2° The information referred to in Article 321-74, if this is not the responsibility of an authorised provider in charge of clearing to whom the account-holder is contractually bound.

3° The information provided to the account-holder about the authorised provider's obligations in terms of preventing money laundering and terrorist financing.

Paragraph 5 - Relations with market.

Sub-paragraph 1 - General provisions

Article 321-76

Authorised providers conduct their activities in compliance with all rules pertaining to market organisation and operation, including multilateral trading facilities.

Article 321-77

If a member of an authorised provider's staff makes a trade at a price other than a market price available at the time, the provider must be able to explain the reasons therefore upon request of the AMF.

Article 321-78

Subject to the provisions of Article 321-86 and in compliance with the prevailing laws and regulations, authorised providers arrange for the recording of telephone conversations of :

1° staff acting as traders in financial instruments ;

2° staff who do not act as traders but who participate in the commercial relationship with clients, whenever the Investment Services Compliance Officer deems it necessary to record their telephone conversations in view of the amounts or risks involved.

Article 321-79

The purpose of recording telephone conversations is to facilitate supervision so as to ensure that transactions are proper and comply with clients' instructions.

The Investment Services Compliance Officer may listen to the recordings of telephone conversations made pursuant to Article 321-78. If the Investment Services Compliance Officer does not himself listen to the recording, it may not be listened to without his agreement or the agreement of a person designated by him.

A staff member whose telephone conversations are subject to being recorded is informed of the conditions under which he may listen to such recordings.

The required retention period for recordings of telephone conversations of persons trading financial instruments, including conversations about transactions in financial instruments not admitted to trading on a regulated market, is governed by Articles 321-81 and 321-84.

The required retention period for such recordings may not exceed five years.

Article 321-80

The provisions of Articles 321-81 to 321-84 apply to all transactions in a financial instrument admitted to trading on a regulated market, including instances when such transactions take place outside a regulated market.

Those provisions specify the minimum length of time that the authorised provider must keep the information available to the authorities on request, without prejudice to the legal and regulatory requirements for retention of the documents in question.

An AMF instruction specifies the transaction-related data that authorised providers or providers operating in France under the right of establishment must retain.

Article 321-81

An authorised provider that receives an order to be executed or to be transmitted to another authorised provider for execution must retain a recording or copy thereof for six months.

Article 321-82

An authorised provider that transmits to another authorised provider an order for its own or a client's account, or that executes such order outside a regulated market, must retain a recording or copy thereof in accordance with the provisions of Article 321-81.

An authorised provider that is a member of a regulated market and that presents an order on the market must retain the information pertaining to such order in accordance with the market operator's operating rules or implementing provisions, for at least six months.

Article 321-83

An authorised provider that executes an order for its own or a client's account must retain all information relating to the transaction (price, quantity, side of market, beneficiary of the order, time of the transaction) for the following periods) :

1° orders executed on a regulated market : five years (or longer, if market rules or implementing provisions so require) ;

2° orders executed outside a regulated market : five years.

Article 321-84

An authorised provider that is called upon to report the terms of execution of an order to a client or to another authorised provider must retain a copy of such written report for five years. Until such report has been issued, the recording of the report transmitted by telephone or e-mail must be retained for up to five years.

Article 321-85

An authorised provider records orders sequentially as they are received, transmitted and executed. Client orders are recorded when received ; own-account orders are recorded when issued. These provisions apply to all types of orders, including those made in response to a tender offer, as specified in point 2° of Article 321-98.

Article 321-86

An authorised provider gives specific authorization to traders who may have occasion to make transactions in financial instruments either outside the usual hours of the department to which they report or in a different location. The authorised provider establishes procedures to ensure that any such transactions are carried out with the requisite degree of security.

Article 321-87

When an authorised provider is requested to transmit an order to another authorised provider, it must be able to :

1° warrant that the order transmitted was issued by the person identified as the initiator ;

2° provide evidence of the time of reception and time of transmission of the order.

The same obligations apply to the agent referred to in Article 312-1.

Sub-paragraph 2 - Provisions applicable to regulated markets

Article 321-88

On a regulated market, authorised providers are prohibited from using customary techniques or procedures to mislead other market members or clients.

Article 321-89

An authorised provider refrains from :

1° transmitting to the market, prior to any transaction to which it is a party, orders relating to that transaction that are not consistent with the aims of the person initiating the transaction ;

2° participating in any unlawful agreement between service providers aimed at influencing market prices.

Article 321-90

An authorised provider alerts its client if it believes that execution of the client's instructions on a regulated market in financial instruments could cause a sharp movement in prices.

Article 321-91

An authorised provider may not intentionally cause price discrepancies for its own benefit.

In particular, it refrains from creating any such discrepancy when closing prices are being determined.

Article 321-92

An authorised provider that has made a commitment to ensure a minimum level of liquidity on the market in a given financial instrument may not use the rights and responsibilities ensuing from its commitment for any other purpose.

Article 321-93

Before transmitting an aggregated order on behalf of several beneficiaries, an authorised provider establishes rules for allocating the trade(s) in question.

Article 321-94

When a client transmits an order to an authorised provider concerning a financial instrument in which trading has been halted on a regulated market, for execution outside such regulated market, the authorised provider so informs the client, provided such off-market execution is allowed.

Sub-paragraph 3 - Provisions applicable to trading outside regulated markets

Article 321-95

An authorised provider that contemplates providing investment services involving execution of transactions outside a regulated market familiarises itself with the prevailing customs and practices applicable to such transactions.

The customs and practices in question are, inter alia, those contained in the codes of conduct referred to in Article 321-25.

If the authorised provider believes it is not required to comply with any of the decisions taken by the AMF pursuant to Article 321-25, it must be able to explain its reason at the request of the AMF.

Sub-paragraph 4 - Provisions applicable to foreign markets

Article 321-96

Investment service providers authorised in France, credit institutions and investment firms operating in France under the right of establishment, and members of regulated markets that are not investment service providers must inform the AMF if they have facilities in France that give direct access to the electronic trading system of a foreign market. They must specify the foreign market(s) concerned.

This information, drawn up as at 31 December each year, is transmitted to the AMF not later than 31 January of the following year.

Article 321-97

The persons and entities referred to in Article 321-96 that intend to obtain direct access from France to a foreign market to which they did not previously have access must so inform the AMF.

Paragraph 6 - Rules of conduct applicable to primary market issues, secondary offerings and tender offers

Sub-paragraph 1 - General provisions

Article 321-98

Authorised providers establish ethical rules for organising and carrying out transactions in the financial instruments mentioned in points 1° and 2° of section I of Article L. 211-1 of the Financial and Monetary Code when they act as :

1° lead manager or member of an underwriting or placing group for primary market issues or secondary offerings ;

2° adviser on or sponsor of public offers to acquire securities ("tender offers"), as referred to in Articles L. 433-1, L. 433-3 and L. 433-4 of the Financial and Monetary Code and in Chapter 8 of Title III of Book II of these General Regulations.

Public offers to sell are treated as primary market issues for the purposes of this Paragraph.

Article 321-99

The ethical rules called for in Article 321-98 set forth :

1° procedures for informing the Investment Services Compliance Officer of transactions or prospective transactions ;

2° restrictions on trading by the authorised provider in any of the financial instruments directly or indirectly concerned by such transactions ;

3° procedures for verifying that the authorised provider complies with the aforementioned restrictions.

The ethical rules specify conditions under which a department that is in contact with a client with a view to making a primary market issue, secondary offering or tender offer must inform the Investment Services Compliance Officer of such contacts.

The Investment Services Compliance Officer is informed as soon as the department in question considers that the transaction is sufficiently likely to go forward that it warrants special surveillance of the financial instruments involved in order to forestall any risk of conflict of interest or misuse of privileged information as defined in Article 621-1.

If the Investment Services Compliance Officer deems it necessary, the financial instruments in question are placed on the surveillance list referred to in Article 321-23-4.

Article 321-100

The financial instruments concerned by a primary market issue are placed on the prohibited list referred to in Article 321-23-4 as soon as the principal characteristics of the transaction, in particular the price, have been set.

In the case of tender offers, the Investment Services Compliance Officer is responsible for deciding when to place one or more financial instruments on the prohibited list, but this must be done not later than the time at which the pricing is set.

However, the Investment Services Compliance Officer may decide not to place the relevant instruments on the prohibited list as contemplated in the two preceding sentences if he deems that doing so would have the effect of revealing that a tender offer is in preparation.

Article 321-101

The financial instruments placed on the prohibited list are :

1° equity securities and securities giving access to the equity or voting rights of companies that are involved in a primary market issue or tender offer, including securities offered in exchange ;

2° derivative financial instruments related to any of these securities ;

3° Debt securities not giving access to equity, when the object of a tender offer.

Article 321-102

The trading prohibition lapses as follows :

1° In the case of primary market issues, when the terms of the issue are made public or the issue is postponed.

2° In the case of tender offers, when the AMF publishes the notice that the proposed offer has been filed, without prejudice to the provisions of Title III of Book II of these General Regulations.

Article 321-103

The following are not subject to the trading prohibition, provided they are consistent with the authorised provider's usual business practices and the personnel, resources, objectives and responsibilities pertaining to these transactions are separate from those involved in a primary market issue or tender offer :

1° trades intended to hedge the authorised provider's position risks, other than risks related to its participation in a primary market issue ;

2. market-making trades.

Article 321-104

During the tender offer period, the authorised provider acting as sponsor or adviser to the offeror or target company is subject to the restrictions specified in Articles 232-19 and 232-20.

However, the authorised provider is permitted to :

1° trade in the financial instruments concerned by the offer for the purposes of arbitrage, market making and position hedging, provided such trading is consistent with the authorised provider's usual business practices and the personnel, resources, objectives and responsibilities pertaining to these trades are separate from those involved in the tender offer ;

2° trade on the market if the offeror has given the institution a mandate to hedge a risk it has taken in connection with the offer.

Article 321-105

For primary market issues, the authorised provider makes available to the AMF a record of any trades it has made for its own account under the derogations referred to in Article 321-103.

Article 321-106

For tender offers, the authorised provider makes available to the AMF a record of any trades it has made for its own account in financial instruments concerned by the offer :

1° throughout the period that the instruments are on the prohibited list ;

2° under the derogations specified in Article 321-103 ;

3° in connection with the trades permitted under Article 321-104.

Article 321-107

When an authorised provider intends to survey market demand in preparation for a primary market issue or secondary offering, it seeks the prior agreement of the persons it intends to question. It informs them that if they agree to be questioned, they will receive privileged information within the meaning of Article 621-1.

The authorised provider keeps a list of persons that agreed to be questioned and records the date and times at which they were contacted.

Article 321-108

In the conditions mentioned in the third sentence of Article 321-23-5 and the third sentence of Article 321-23-6, the Investment Services Compliance Officer may permit the authorised provider's investment analysts to publish and disseminate research on the issuer, the offeror or the target company (as the case may be) before the transaction is publicly announced when the provider is acting either as lead manager or member of an underwriting or placing group for a primary market issue, or as adviser or sponsor for a tender offer.

After the transaction has been publicly announced, and in connection with that announcement, all publications concerning the companies concerned must identify the authorised provider's role in the transaction.

Article 321-109

If the Investment Services Compliance Officer of an authorised provider is aware that another authorised provider in the same corporate group is participating in a primary market issue, secondary offering or tender offer, he is responsible for assessing the extent to which the surveillance and prohibition provisions of this paragraph are to be applied.

Sub-paragraph 2 - Information relating to initial public offerings of company securities on a market in financial instruments

Article 321-110

The authorised provider advising a company on an initial listing and proposing a contract to provide services in this respect (hereinafter "lead manager") ensures that, prior to the signing of such contract, the senior managers of said company have received information describing the listing process and the legal and regulatory obligations of the company being listed.

To properly inform and prepare the company's managers, the lead manager ensures that there is sufficient time between the signing of the contract and the date the listing actually takes place. This period shall not be less than three months.

Article 321-111

The lead manager must establish a written agreement with the company on the nature and cost of the services the lead manager proposes to provide in preparing and carrying out the initial listing and monitoring the market in the securities once listed. The authorised provider specifies the tasks that are incumbent on the company in connection with its initial listing.

Article 321-112

The authorised provider must make a valuation of the company in accordance with the principles set forth in the third sentence of Article 321-24. To this end, the authorised provider must use recognised valuation methods and must base its valuation on objective data pertaining to the company itself, the markets in which it does business, and the competition that it faces.

Article 321-113

The lead manager must ensure that it has no conflict of interest with respect to the company being listed. In situations where a conflict of interest is likely to arise, in particular when the authorised provider is a shareholder in the company, the authorised provider must ensure that effective measures are taken to mitigate this risk, notably that "Chinese walls", mentioned in article 321-23-3 are put in place within the authorised provider's organisational structure or within the group to which it belongs.

Except in special circumstances that the provider is prepared to justify to the AMF on request, remuneration for the lead manager's services shall not take the form of securities of the company being listed.

Article 321-114

The lead manager is responsible for reaching a detailed agreement with the company or the seller of the shares put on the market regarding any over-allotment ("greenshoe") clause for increasing the size of the offering beyond that initially planned, in accordance with the requirements of Article L. 225-135-1 of the Commercial Code. The terms and conditions of such clause must be described in the prospectus.

The use of such clause by the authorised provider for any purpose other than to cover an over-allotment is incompatible with the principle of honesty mentioned in the third sentence of Article 321-24.

Article 321-115

In allotting the securities, the lead manager, in cooperation with the company concerned, ensures that the various categories of investors, other than those referred to in Article 321-117, are treated fairly. When several allotment procedures intended by design for individual investors are applied concurrently, the lead manager ensures that the allotment ratios resulting therefrom are substantially equivalent.

The lead manager makes its best efforts to satisfy the demand for the securities from individual investors to a meaningful extent. This objective is deemed to have been met when there is a procedure, centralised by the market operator and characterised by an allotment proportional to applications submitted, under which at least 10 % of the overall transaction amount is put on the market and made accessible to individual investors.

The lead manager endeavours to avoid any manifest imbalance, to the detriment of individual investors, between the allotment for such investors and the allotment for institutional investors. Thus, when a Placing procedure intended by design for institutional investors coexists with one or more procedures intended by design for individual investors, the lead manager endeavours to provide for a transfer mechanism to avoid an imbalance of the kind mentioned above.

Article 321-116

Any authorised provider that receives and transmits orders from clients that do not have direct access to the book-building procedure but seek to participate in the Placing must inform such clients of the conditions under which the authorised provider's allotment will be apportioned among such clients.

Article 321-117

In a Placing, the lead manager ensures that for any tranche reserved for a specified category of investors connected with the company (e. g. suppliers or clients), the characteristics of such tranche, in particular the number of securities reserved, the investors concerned, and the allotment conditions, are indicated in the prospectus, and that the public is informed as quickly as possible of any modification of those characteristics.

If natural persons connected with the company (shareholders, senior managers, employees or third parties whom such persons are authorised to represent) are allowed to submit orders to the Placing, the lead manager ensures that information equivalent to that referred to in the preceding sentence is disclosed.

Article 321-118

The handbook of ethical rules referred to in point 2° of Article 321-22, must indicate which rules apply to staff members who, in connection with a Placing in which that provider is participating, wish to submit orders to subscribe or purchase shares of the company(ies) being listed for their own account or for third parties they are authorised to represent.

All staff members whose functions could give them access to the state of the order book during the Placing are deemed to occupy sensitive positions within the meaning of Article 321-37. For this reason, the Investment Services Compliance Officer prohibits them from participating in the Placing, except in special cases that the compliance officer must be prepared to justify to the AMF on request.

Article 321-119

Staff members of an authorised provider that participates in a Placing must be reminded of the confidentiality requirements referred to in Article 321-33. These requirements apply in particular to any information concerning the state of the order book that has not been made public.

Article 321-120

The lead manager must include in the handbook of ethical rules referred to in Article 321-22 a "Chinese wall" procedure as referred to in Article 321-23-3, to ensure separation between the department receiving the orders and the department centralising the orders taken by all authorised providers participating in book-building.

Article 321-121

Staff members of an authorised provider participating in a Placing who receive orders for book-building must be reminded that, pursuant to Article 321-88, they must not act in any way that would mislead the initiators of such orders.

Paragraph 7 - Rules of conduct applicable to the production or dissemination of investment research

Article 321-122

Investment research is to be prepared with probity, fairness and impartiality and presented with clarity and precision. Research reports are to be disseminated with diligence in order to preserve their topical relevance.

Article 321-123

Authorised providers that produce and disseminate investment research must designate a person to perform the function of investment research supervisor.

The function of investment research supervisor is performed by the natural person having authority over the production and, if applicable, the dissemination of investment research.

Where the investment research supervision function is not located in France, the investment services provider shall adopt a procedure establishing how this function is to be performed. In this case, the provider is not required to issue the supervisor with an investment analyst's professional licence.

Sub-paragraph 1 - Remuneration of investment analysts

Article 321-124

An investment analyst may not receive any separate, special remuneration for a transaction in which he or she participates as part of the authorised provider's activity in :

1° underwriting ;

2° placing ;

3° advising on capital structure, industrial strategy and related matters, and services related to mergers and acquisitions.

Sub-paragraph 2 - Identification of producers of investment research and general standard for fair presentation of research reports released for dissemination

Article 321-125

Any research report released for dissemination indicates clearly and prominently :

1° the identity of the investment service provider responsible for producing it and the name and position of the individual who prepared it ;

2° the identity of the regulatory authority with jurisdiction over the investment service provider.

Article 321-126

Investment service providers and investment analysts make their best efforts to ensure that :

1° Facts mentioned in the analysis are clearly distinguished from interpretations, estimates, opinions and other kinds of non-factual information.

2° All sources are reliable. If this is not the case, the analysis clearly so states.

3° All projections, forecasts and price targets are clearly indicated as such, and the principal assumptions made in order to produce and use them are indicated.

4° All important sources for the analysis are disclosed, including the issuer concerned and, where applicable, the fact that the analysis was communicated to that issuer and its conclusions were modified as a consequence of such communication.

5° Any basis or method used to value a financial instrument or an issuer of a financial instrument, or to establish a target for the price of a financial instrument, is summarised in an appropriate manner.

6° The meaning of any recommendation made, such as "buy", "sell" or "hold", as well as any time horizon associated with such recommendation, is adequately explained, and any appropriate risk warning (including a sensitivity analysis of the assumptions used) is indicated.

7° The expected frequency of updates to the analysis is disclosed, as is any important change in the provider's investment research policy.

8° The date on which the research was first released for distribution is clearly and prominently indicated, as is the date and time of day of any actual price mentioned for a financial instrument.

9° When a recommendation in a research report differs from a recommendation issued during the previous twelve months regarding the same financial instrument or the same issuer, this change and the date of the earlier recommendation are indicated clearly and prominently.

Article 321-127

Investment service providers and investment analysts make their best efforts to be able to demonstrate, at the request of the AMF, that their analyses were reasonable at the time they were produced.

Sub-paragraph 3 - Preparation of investment research : analyst independence and handling of conflicts of interest

Article 321-128

I. - Investment service providers must implement procedures and resources in order to :

1° detect possible conflicts of interest involving investment research ;

2° handle breaches of the "Chinese walls" referred to in Article 321-23-3.

II. - Investment service providers must in all cases ensure that :

1° The analyst may not exchange information with other staff members about a given transaction, impending or in preparation, without the consent of the investment research supervisor referred to in Article 321-123.

The staff members in question are all those who, on behalf of the authorised provider and other providers in the group to which the authorised provider belongs, are in charge of the business of placing and underwriting or the business of advising on capital structure, industrial strategy and related matters, and services related to mergers and acquisitions.

2° When an analyst has breached the "Chinese wall", he may not resume his previous functions except with the consent of the compliance officer and the investment research supervisor.

Article 321-129

Disseminated research reports disclose any relations and circumstances concerning the investment analyst or investment service provider that one can reasonably believe likely to impair the objectivity of the analysis. In particular, when the provider, analyst or any person who participated in the preparation of the analysis has a significant financial interest in one or more of the financial instruments analysed, or a significant conflict of interest with the issuer analysed, this fact is disclosed.

Article 321-130

The information to be disclosed in compliance with Article 321-129 includes, at least, regarding the investment service provider or related entities :

1° Any interests held by them or conflicts of interest involving them, knowledge of which was accessible or reasonably expected to be accessible to persons who took part in preparing the analysis.

2° Any interests held by them or conflicts of interest involving them that were known to persons that did not take part in preparing the analysis but had access, or can reasonably be expected to have had access, to the research report before it was disseminated to clients or to the public.

When natural or legal persons working under the authority or on behalf of the provider take part in preparing the analysis, the information to be disclosed includes, in particular and where applicable, the disclosure that their remuneration is tied to the investment services mentioned in points 3°, 5° and 6° of Article L. 321-1 of the Financial and Monetary Code, or to the related services mentioned in points 4° and 5° of Article L. 321-2 of the same Code, provided by the investment service provider or a related entity.

Article 321-131

Disseminated research reports disclose clearly and prominently the following information on interests and conflicts of interest of the investment service provider :

1° Major shareholdings between the investment service provider and any related entity, or between the provider and the issuer, in at least the following cases :

a) The investment service provider or any related entity holds more than 5 % of the issued share capital of the issuer ;

b) The issuer holds more than 5 % of the issued share capital of the investment service provider or any related entity.

2° The investment service provider, alone or with other entities, is linked to the issuer through significant other financial interests.

3° The investment service provider or any related entity is a market maker in the issuer's financial instruments or a liquidity provider under contract with the issuer to provide liquidity is such instruments.

4° The investment service provider or any related entity has, during the previous twelve months, been lead manager or co-lead manager in a public offering of the issuer's financial instruments.

5° The investment service provider or any related entity is party to any other agreement with the issuer concerning provision of the investment services mentioned in 5° and 6° of Article L. 321-1 of the Financial and Monetary Code or the related services mentioned in points 4° and 5° of Article L. 321-2 of the same Code, provided such mention would not entail divulging confidential commercial information and provided such agreement has been in effect during the previous twelve months or has given rise during the same period to the payment of a compensation or to the promise to get a compensation paid.

6° The investment service provider and the issuer have agreed that the provider will produce and disseminate investment research on the said issuer as a service to the issuer.

Article 321-132

Disseminated research reports disclose, in general terms, the effective administrative organisational arrangements, including "Chinese walls", that have been set up within the investment service provider for the prevention and avoidance of conflicts of interest with respect to investment analysts.

Article 321-133

On a quarterly basis, the investment service provider publishes a breakdown of the recommendations it has disseminated. This breakdown shows the proportion of recommendations that are "Buy", "Hold", "Sell" or equivalent terms, separately for all recommendations and for recommendations pertaining to issuers to which the provider has furnished the investment services mentioned in points 3°, 5° and 6° of Article L. 321-1 of the Financial and Monetary Code, or the related services mentioned in points 4° and 5° of Article L. 321-2 of the same Code, to a significant extent during the previous twelve months.

As a minimum requirement, the publication referred to in the first paragraph shall be made in a dedicated, readily accessible and clearly identified section of the investment research area of the provider's website. The information shall be dated and the frequency of publication shall be specified.

Sub-paragraph 4 - Adaptation of disclaimer provisions

Article 321-134

The investment service provider establishes a procedure adapting the provisions of Articles 321-126, 321-129 and 321-131 so that they are not disproportionate when applied to non-written investment research.

Article 321-135

Where the provisions of Article 321-125, points 4°, 5° and 6° of Article 321-126, and Articles 321-129 to 321-133 are disproportionate in relation to the length of a disseminated investment research report, the investment services provider may make clear and prominent reference within the report to the place where such disclosures can be directly and easily accessed by the public, in accordance with the second paragraph of Article 321-133.

Sub-paragraph 5 - Dissemination of investment research

Article 321-136

The investment service provider establishes a procedure to determine the sequence and procedures for disseminating analysts' investment research and recommendations to :

1° the provider's internal departments and its external clients ;

2° the various categories of external clients.

The provider's internal departments may not enjoy priority.

Article 321-137

An investment service provider that publishes an analysis of an issuer for the first time when that issuer's securities are admitted to trading on a regulated market continues to publish investment research on that issuer for a reasonable period following the initial listing.

However, this obligation does not apply when the obligation to publish arises from a contract with the issuer and the issuer chooses to terminate the contract.

Article 321-138

When an investment service provider that regularly follows an issuer ceases to communicate on the usual schedule adopted for that issuer, the provider makes public such interruption via the same medium that it used previously for its investment research on that issuer.

Article 321-139

When an investment service provider disseminates investment research produced by a third party, the provider is bound by the following obligations :

1° The provider indicates clearly and prominently its own identity and the name of the competent regulatory authority with jurisdiction over the provider.

2° The provider meets the requirements imposed on the producer in the fourth sentence of Article 321-130 and in Articles 321-131 to 321-135 if the producer of the investment research has not previously disseminated it via a channel to which a large number of persons have access.

Article 321-140

The provisions of Section 2 of Chapter 7 of Title III of this Book also apply to investment service providers that disseminate research not produced by themselves.

Article 321-141

The Investment Services Compliance Officer takes part in establishing implementing procedures for these provisions.

In particular, jointly with the investment research supervisor, the compliance officer has a say in measures to implement Articles 321-126 to 321-135.

Paragraph 8 - Obligation to report suspicious transactions

Article 321-142

The declaration provided for in Articles L. 621-17-2 to L. 621-17-7 of the Financial and Monetary Code may be made by e-mail, letter, facsimile or telephone. In the latter case, the declaration shall be confirmed in writing.

The written declaration shall comply with the standard model described in an AMF instruction.

Article 321-143

The transactions to be notified under Article L. 621-17-2 shall also include securities market orders.

Article 321-144

The persons referred to in Article L. 621-17-2 of the Financial and Monetary Code shall adopt an organisational structure and procedures to meet the requirements of Articles L. 621-17-2 to L. 621-17-7 of the Financial and Monetary Code and of Articles 321-142 and 321-143 herein.

Having regard to the recommendations of the Committee of European Securities Regulators, the purpose of this organisational structure and these procedures is to establish and update a typology of suspicious transactions in order to identify those that should be reported.

This Article shall take effect as of 1 July 2006.

CHAPTER II - INVESTMENT SERVICE PROVIDERS PERFORMING ASSET MANAGEMENT FOR THIRD PARTIES

Section 1 - Portfolio management companies

Article 322-1

The principal activity of the portfolio management companies referred to in Article L. 532-9 of the Financial and Monetary Code is the business defined in Article 312-3 under the conditions set forth in an AMF instruction.

Whenever a portfolio management company manages at least one collective investment scheme as defined in Directive 85/611/EEC of 20 December 1985, that company may not provide the service of advising on financial investments, including the activities mentioned in *a* and *b* of part II of Article 311-1, as an ancillary business.

Article 322-2

A portfolio management company may hold equity interests in credit institutions, investment firms, management companies of collective investment schemes, insurance companies, companies formed to manage retirement savings, and undertakings in the business of providing one or more of the services listed in Article L. 321-2 of the Financial and Monetary Code. It may also hold equity interests in companies set up for purposes that represent an extension of its own activities.

SUB-SECTION 1 - AUTHORIZATION AND PROGRAMME OF OPERATIONS

Paragraph 1 - Authorization

Article 322-3

To receive authorisation, a portfolio management company must file with the AMF an application specifying the scope of the authorisation, together with a file that complies with the model provided for in Article R. 532-10 of the Financial and Monetary Code. The AMF issues an acknowledgement of receipt when it receives this file.

The procedure and the terms and conditions of authorization are set forth in an AMF instruction.

Article 322-4

In deciding whether to issue an authorization to a portfolio management company, the AMF reviews the elements set forth in Articles 322-6 to 322-22. It may ask the applicant to supply any additional information that it needs to take a decision. The AMF outlines the scope of the authorization.

The AMF rules on the application within three months from receipt of the filing. If need be, this deadline is suspended until any additional information requested has been received.

Article 322-5

In deciding whether to issue the authorization referred to in Article L. 214-35-6 of the Financial and Monetary Code, the AMF also ensures that :

1° The applicant's programme of operations specifies, *inter alia* :

a) The procedures for forming each of the contractual collective investment schemes established by the portfolio management company ;

b) The procedures for defining and verifying the contractual rules of each such collective investment scheme and overseeing the enforcement of those rules ;

c) The human and technical resources required to monitor and supervise the formation and operation of these collective investment schemes.

2° The portfolio management company has a programme of operations as referred to in Article R. 214-34 of the Financial and Monetary Code, whenever said company seeks to manage contractual collective investment schemes whose liabilities within the meaning of Article R. 214-12 of the Financial and Monetary Code exceed the value of their assets.

Article 322-6

The AMF seeks the opinion of the competent authorities of another State party to the European Economic Area (EEA) agreement in the cases mentioned in Article R. 532-15 of the Financial and Monetary Code and whenever the portfolio management company is:

1° A subsidiary of a portfolio management company meeting the requirements of Directive 85/611/EEC of 20 December 1985, or of an insurance company authorised in another State party to the EEA agreement ;

2° A subsidiary of the parent company of a portfolio management company meeting the requirements of Directive 85/611/EEC of 20 December 1985, or of an insurance company authorised in another State party to the EEA agreement ;

3° Controlled by the same natural or legal persons as another portfolio management company meeting the requirements of Directive 85/611/EEC of 20 December 1985, or an insurance company authorised in another State party to the EEA agreement.

Article 322-7

The portfolio management company has its registered office in France. It may be established in the form of a public limited company (société anonyme), a limited partnership with share capital (société en commandite par actions) or a general partnership (société en nom collectif).

Subject to special review of its articles and bylaws, it may also be established as a limited partnership (société en commandite simple) or simplified joint-stock company (société par actions simplifiée). Similarly, it may be established at the initiative of insurance companies, credit institutions or investment firms in the form of an economic interest grouping doing business exclusively for its members.

Article 322-8

The share capital of a portfolio management company must be at least EUR 125,000 and must be fully paid in cash at least to this minimum amount.

When authorization is granted and in subsequent financial years, the portfolio management company must be able to prove at any time that its capital is at least equal to the higher of the two amounts specified in 1° and 2° below :

1° EUR 125,000 plus an amount equal to 0.02 per cent of assets under management by the portfolio management company in excess of EUR 250 million.

The total capital requirement will not exceed EUR 10 million.

The assets included in the calculation of the additional capital requirement mentioned in the third paragraph are :

a) Assets of open-ended investment companies (sociétés d'investissement à capital variable, SICAVs) that have delegated the management of their portfolio to the portfolio management company.

b) Assets of common funds (fonds communs de placement, FCPs) managed by the portfolio management company, including portfolios for which it has delegated management to another, but excluding portfolios that it manages on a delegated basis.

c) Investment funds managed by the portfolio management company, including portfolios for which it has delegated management to another entity, but excluding portfolios that it manages on a delegated basis.

Up to 50 per cent of the additional capital requirement mentioned in point 1° above may be met by a guarantee given by a credit institution or insurance undertaking having its registered office in another State party to the EEA agreement, or in another State, provided the guarantor is subject to prudential rules that the AMF deems equivalent to those applicable to credit institutions and insurance undertakings based in States party to the EEA agreement.

2° One-quarter of general expenses during the preceding financial year.

The initial capital requirement at the time of authorization is calculated on the basis of forecast data.

For subsequent years, the amount of general expenses and the total value of portfolio assets used to determine the capital requirement are calculated on the basis of the most recent of the portfolio management company's documents of the following kinds : financial statements for the preceding financial year, interim statement of financial position certified by the statutory auditor, or the data sheet referred to in Article 322-73.

The accounting items that make up the general expenses, capital and portfolios of a portfolio management company are specified in an AMF instruction.

Article 322-9

The portfolio management company discloses the identities of its direct or indirect shareholders as well as the amounts of their holdings. The AMF assesses the quality of the company's shareholders having regard to the need for sound, prudent management and proper exercise of its own supervisory responsibilities. It makes the same assessment having regard to partners and members of an economic interest grouping.

The nature of ownership links or direct or indirect control between the portfolio management company and other natural or legal persons that could hinder the company's supervisory responsibilities is specified in an AMF instruction.

Article 322-10

The portfolio management company is effectively managed and its policies are determined by at least two persons of integrity with the necessary skills and appropriate experience to carry out their duties.

At least one of these two persons must be a company officer authorised to represent the company in its relations with third parties.

The other person may be the chairman of the board of directors or a person specifically authorised by the company's governing bodies or bylaws to direct the company and determine its policy orientation.

Paragraph 2 - Programme of operations

Article 322-11

The portfolio management company draws up a programme of operations for each of the services that it intends to provide, specifying the conditions on which it expects to provide those services and indicating the type of transactions envisaged and the organisational structure therefor.

The presentation of this programme complies with the model provided for in Article R. 532-10 of the Financial and Monetary Code. Its content is specified in an AMF instruction.

Article 322-12

The asset management company must at all times have the resources, an organisational structure and procedures for supervision and monitoring that are suitable for the activities in which it engages and that comply with ethical rules. The supervision and monitoring procedures must enable the company to oversee its own activities and those of its managers and employees, individuals acting on its behalf, intermediaries and depositories.

The asset management company must have the following facilities, adapted to suit the nature, volume and risk exposure of all its businesses, regardless of where they are carried on, as well as its organisational structure :

1° An accounting and data processing organisational structure that ensures the quality and security of information and communication systems and that includes appropriate IT backup procedures and business continuity plans ;

2° A system for measuring the performance of the portfolios managed for third parties and a system for measuring, supervising and controlling the risks incurred by said portfolios. Such systems must meet the requirements of Article 322-15 ;

3° A system for measuring the results achieved by the asset management company and a system for measuring, supervising and controlling the risks it incurs, especially operational risk resulting from unsuitability or shortcomings attributable to internal procedures, staff or systems or to external events ;

4° A documentation and information system with procedural handbooks appropriate to the company's businesses ;

5° An assistance and prior approval system, described in Article 322-22-2 ;

6° A system for supervising internal operations and procedures, described in Article 322-22-1 and applicable to all the compliance and internal control procedures referred to in points 1° to 5°.

Article 322-13

The portfolio management company must have appropriate and sufficient financial resources.

Article 322-14

The portfolio management company must at all times have staff members with skills appropriate to the company's activities.

Exceptionally, when staff members are seconded or taken on assignment from an entity belonging to the same group as the portfolio management company, that company ensures that the terms and conditions of the contract under which the staff member is seconded or taken on assignment do not impair the proper operation or independence of the company.

The portfolio management company verifies that the secondment or assignment contract stipulates the job duties of the staff members concerned, the existence of an exclusive reporting relationship to the senior managers of the company for performance of the specified job duties, and the terms and conditions on which costs relating to seconded staff members are borne by the company.

Article 322-15

The portfolio management company must have dedicated material and technical resources that are sufficient and appropriate to the instruments to be used and the type of management to be offered. It must also have suitable oversight and security arrangements, in particular in the area of information technology.

The portfolio management company must be capable of monitoring developments in the markets and in the financial instruments in which the portfolios it manages are invested. It must be able to record and retain transaction data with satisfactory security so as to ensure traceability.

It must at all times be able to measure the risks associated with its positions and the contribution of those positions to the general overall risk profile of the portfolio of the collective investment scheme or the asset management client. In compliance with Section II of Article R. 214-12 of the Financial and Monetary Code, the portfolio management company calculates the liabilities of said scheme at any time according to the procedures specified in an AMF instruction.

When information on prices and supply of a financial instrument is unavailable, the portfolio management company must be able to make its own valuation of the instrument before acquiring or subscribing for it.

Article 322-16

When the asset management company delegates the management of a collective investment scheme or individual portfolios, it is bound by the following conditions :

1° The asset management company may not delegate all its activities.

2° The delegation must not impede proper oversight by the AMF of the delegating company.

3° The asset management company has implemented measures enabling it to monitor the activity of the entity to which management is delegated, effectively and at all times.

4° The asset management company must be able to take action to ensure that the delegatee complies with applicable asset management regulations.

5° The delegation agreement is established in writing and its clauses are set forth in an AMF instruction. The delegating asset management company must be able terminate the agreement at any time. If the agreement is terminated at the initiative of the delegatee, such termination must occur on terms and conditions that ensure the continuity of the delegated activity.

6° The delegating asset management company remains responsible for the delegated activities.

7° The delegation must not lead to possible conflicts of interest.

8° When the delegatee is established in a State not party to the EEA agreement, cooperation between the AMF and the supervisory authorities of that State must be assured.

Article 322-17

Financial management may be delegated only to a person authorised by a public authority to manage portfolios or collective investment schemes, or to a person that has received such delegation from a public authority. Such person must comply with the conduct of business rules applicable to the service of asset management for third parties.

Delegation of the financial, administrative or accounting management of a collective investment scheme is subject to the approval of the AMF.

Delegation of the management of individual portfolios is subject to the express prior agreement of the asset management client. The delegation agreement is kept available for inspection by the AMF.

Article 322-18

The delegation or provision of the resources referred to in Articles 322-13 to 322-15 must not deprive the portfolio management company of its means of exercise or its responsibilities and must not compromise its autonomy.

Article 322-19

The portfolio management company must have an internal organisational structure that will enable it to produce detailed evidence of the origin, transmission and execution of orders, notably by producing details of individual transactions.

If the company provides both portfolio management and order transmission services for the same customer, separate accounts are opened in the books of the custody account keeper.

Article 322-20

The portfolio management company must implement resources and procedures to enable it to supervise its activities and the activities of its intermediaries and custodians. Internal supervision consists *inter alia* in ensuring compliance with the rules of conduct in all aspects of customer relations.

Article 322-21

The asset management company draws up a set of internal rules governing own-account trading by persons assigned to the business of asset management for third parties. These internal rules stipulate :

1° The conditions under which such persons may make transactions in financial instruments for their own account in compliance with the first, second and third paragraphs of Article 322-31 and Articles 322-33 and 322-47 to 322-52.

2° The transaction monitoring arrangements that the company has put in place to ensure transparency, regardless of where the securities account is domiciled.

3° The obligations of such persons to avoid undue circulation or misuse of confidential information.

Article 322-22

The asset management company informs the AMF, following procedures set forth in an AMF instruction, of any changes in key items in the initial application for authorization, notably concerning direct or indirect share ownership, management, organisation and the items mentioned in points 1° to 6° of Article 322-12. The AMF informs the company in writing of any consequences for its authorization.

Paragraph 3 - Internal control and compliance system

Sub-paragraph 1 - General characteristics of the internal control and compliance system

Article 322-22-1

The system for controlling transactions and internal procedures, referred to in point 6° of Article 322-12, operates on a continuous and periodic basis.

1° Continuous monitoring relates to :

a) Compliance of the asset management company's transactions, organisation and internal procedures with the professional obligations defined in the laws, regulations and professional rules applicable to the conduct of its businesses, with the decisions taken by the managers referred to in the first paragraph of Article 322-10, and with the contractual commitments relating to third-party asset management activities ;

b) The security and validation of the transactions undertaken ;

c) Compliance with the other customary diligence measures related to the supervision of any kind of transaction-related risk.

Continuous monitoring cannot be delegated to an external provider, except as provided in Article 322-22-7 or occasionally if warranted by special circumstances.

2° Periodic monitoring relates to the continuous monitoring referred to in point 1° and to all the provisions on internal control and compliance referred to in points 1° to 5° of Article 322-12.

Article 322-22-2

The assistance and prior approval system referred to in point 5° of Article 322-12 comprises :

1° Advice, training and regulatory watch for the managers of the asset management company, its employees and individuals acting on its behalf in order to ensure compliance with all the obligations referred to in point 1° of Article 322-22-1 ;

2° A prior compliance review procedure for new products or services and material changes to existing products or services. The Compliance and Internal Control Officer issues a written opinion on the review.

Sub-paragraph 2 - Compliance and internal control tasks

Article 322-22-3

The tasks relating to compliance and internal control consist, *inter alia*, in :

1° Identifying the procedures necessary for compliance with the requirements set forth in point 1° of Article 322-22-1 ;

2° Monitoring implementation of a handbook of such procedures ;

3° Disseminating some or all of the procedures to the asset management company's managers, employees, and individuals acting on its behalf ;

4° Implementing the assistance and prior approval system referred to in Article 322-22-2 ;

5° Conducting formal inspections in order to ensure that the asset management company, its managers, employees and individuals acting on its behalf comply with all the procedures referred to in point 1°, formulating proposals for rectifying any shortcomings observed, and monitoring the measures put in place by its managers to that end.

The continuous monitoring referred to in point 1° of Article 322-22-1 is effected, on the one hand, through close monitoring of transactions (first-level control) that involves persons carrying out operational activities and, on the other hand, through second-level controls that involve dedicated personnel only, subject to the provisions of Article 322-22-7, and that seek to ensure that first-level controls are properly executed.

The periodic monitoring referred to in point 2° of Article 322-22-1 is effected through audits or inspections.

Article 322-22-4

The asset management company establishes a procedure whereby any employee or individual acting on its behalf who has queries about shortcomings observed in the proper fulfilment of compliance obligations can convey such queries to the Compliance and Internal Control Officer.

Sub-paragraph 3 - Organising the duties of the Compliance and Internal Control Officer

Article 322-22-5

The asset management company shall appoint a Compliance and Internal Control Officer, who is responsible for compliance, continuous monitoring and periodic monitoring.

The asset management company may assign responsibility for continuous monitoring, excluding compliance, and responsibility for compliance to two separate persons :

1° A person responsible for the second-level ongoing controls referred to in b and c of point 1° of Article 322-22-1 ;

2° A person responsible for the second-level ongoing controls referred to in a of point 1° of Article 322-22-1, and the tasks referred to in Article 322-22-2.

The board of directors, the supervisory board or, failing this, the body responsible for administration or supervision of the asset management company shall be informed by the managers referred to in the first paragraph of Article 322-10 of the appointment of the responsible persons referred to in this article.

Article 322-22-6

When warranted by the size of the asset management company or the group to which it belongs, within the meaning of Article 321-21, by the nature and risk exposure of its business and by its organisational structure, the duties of the Compliance and Internal Control Officer are shared between, at least, a head of compliance and continuous monitoring and a head of periodic monitoring.

Article 322-22-7

Where, because of its size or the size of the group to which it belongs, the asset management company is unable to assign the function of Compliance and Internal Control Officer to a dedicated member of its own staff or the staff of an entity in the group to which it belongs, one of the managers referred to in the first paragraph of Article 322-10 shall be designated as Compliance and Internal Control Officer. In this case, some or all of the continuous monitoring tasks provided for in point 1° of Article 322-22-1 may be delegated to an individual or a legal entity external to the asset management company.

Where the AMF considers that the manager cannot personally undertake some or all of the continuous monitoring tasks referred to in the first paragraph, especially if there is a conflict of interest, these tasks must be delegated to an individual or a legal entity external to the asset management company.

In any case, the asset management company ensures that the delegatee undertakes to carry out the task in accordance with the provisions of this paragraph and to give the AMF access, including on-site access, to all the information it needs to carry out its mission. The delegation agreement is subject to the prior approval of the AMF, which may seek the opinion of the jury referred to in the first paragraph of Article 322-22-12.

Article 322-22-8

The responsible persons referred to in Article 322-22-5 may delegate some of their tasks to one or more employees of the asset management company or to one of more individuals acting on its behalf.

In this case, the asset management company establishes precisely in writing establishes precisely the tasks and accountabilities of each of the persons referred to in the first paragraph.

Article 322-22-9

Where an asset management company belongs to a group within the meaning of Article 321-21 or depends on a central body within the meaning of Article 321-23-8, it may delegate the head of compliance function or the head of continuous monitoring function to an employee or an entity belonging to the same group or dependent on the same central body based in France. This right of delegation also applies to the head of periodic monitoring function.

Use of the above right is subject to the prior approval of the boards of directors or the supervisory boards or, failing this, the bodies responsible for administration or supervision, of the entity concerned and of the asset management company as well as the AMF, which ensures that implementation of the right is not likely to create conflicts of interest. None of the responsible persons of an asset management company referred to in Article 322-22-5 is permitted to carry out the function of head of depository control for a collective investment scheme or an investment company managed by said asset management company.

Sub-paragraph 4 - Conditions for carrying out the duties of Compliance and Internal Control Officer

Article 322-22-10

The asset management company shall ensure that the Compliance and Internal Control Officer has the independence, the staff, the technical resources and the informational access needed to carry out his task. All these resources must be adapted to suit the nature, volume and risk exposure of the business carried on by the asset management company, as well as the firm's organisational structure.

The asset management company shall ensure that the Compliance and Internal Control Officer acts independently and does not receive any compensation that might affect his independent judgment.

Except where the Compliance and Internal Control Officer is a manager, the asset management company shall make sure that he does not carry out any commercial, financial or accounting operations on its behalf.

Article 322-22-11

The Compliance and Internal Control Officer reports on the performance of his tasks to the managers referred to in the first paragraph of Article 322-10, who in turn report to the board of directors or the supervisory board or, failing this, to the body responsible for administration or supervision. However, if the managers or one of these bodies considers it necessary, the Compliance and Internal Control Officer reports directly to the board of directors or the supervisory board or, failing this, to the body responsible for administration or supervision.

The Compliance and Internal Control Officer draws up a yearly report on the conditions in which he has carried out his tasks or duties. The report is submitted to the abovementioned managers of the asset management company and to the AMF no later than 30 April following the end of the calendar year to which it relates. The managers pass the report on to the board of directors or the supervisory board or, failing this, to the body responsible for administration or supervision unless the Compliance and Internal Control Officer reports directly to one of these bodies.

The report includes :

1° a description of how the duties of the Compliance and Internal Control Officer are organised ;

2° a description of the tasks performed in carrying out those duties ;

3° any observations made by the Compliance and Internal Control Officer ;

4° measures taken as a result of such observations.

The handbook referred to in point 2° of Article 322-22-3 is brought to the attention of the abovementioned managers of the asset management company, who make it available to the board of directors, the supervisory board, or, failing this, the body responsible for administration or supervision. The handbook is made available to the AMF upon request. Any changes to the handbook are described in the report provided for in the second paragraph.

Sub-paragraph 5 - Professional licence for the Compliance and Internal Control Officer

Article 322-22-12

The AMF issues the Compliance and Internal Control Officer licence to the person performing that function. To that end, it organises a professional examination, wherein a jury interviews the licence applicant put forward by the asset management company for which he is going to carry out his duties.

Where appropriate, the following persons must also hold the professional licence :

1° The person responsible for compliance and continuous monitoring, referred to in Article 322-22-6 ;

2° The person responsible for continuous monitoring excluding compliance, referred to in point 1° of Article 322-22-5, and the person responsible for compliance, referred to in point 2° of said article, where the two functions are separate ;

3° The employee referred to in the first paragraph of Article 322-22-9.

The employees of the asset management company or the individuals acting on its behalf referred to in Article 322-22-8 may also hold a professional licence if the company has entered them in the examination. The AMF verifies that the number of professional-licence holders is commensurate with the nature and risk exposure of the asset management company's businesses, as well as its size and organisational structure.

Where several persons hold a professional licence, the asset management company establishes precisely in writing the tasks and accountabilities of each one.

Article 322-22-13

Where the function of Compliance and Internal Control Officer has been entrusted to a manager, as provided in Article 322-22-7, the appointed manager is not required to take the examination referred to in Article 322-22-14.

Likewise, the head of periodic monitoring referred to in Article 322-22-6 is not required to take this exam.

Article 322-22-14

For the purpose of issuing the professional licence, the AMF assesses the integrity of the individual concerned, his knowledge of the professional obligations set forth in the laws, regulations and professional rules applicable to the business of asset management companies, and his ability to carry out the duties of Compliance and Internal Control Officer. The AMF also ensures that the asset management company grants the person the appropriate independence as well as the staff and technical resources necessary to perform his task.

The AMF can waive the examination requirement in the case of a person who has carried out the duties of Compliance and Internal Control Officer at another asset management company that has a comparable business and organisational structure, provided that such person has already passed this examination and that the asset management company, which intends to entrust the function to him, has already successfully entered a candidate for the examination.

The AMF organises at least two examination sessions each year and decides upon the composition of the jury, the examination dates and the enrolment fees. Asset management companies are informed of these matters.

Enrolment fees are collected by the AMF from the asset management companies that enter the applicants.

An AMF instruction sets forth the examination syllabus and procedures.

Article 322-22-15

The jury referred to in the first paragraph of Article 322-22-12 is chaired by an incumbent head of compliance or head of internal control at an asset management company, aided by a person in charge of an operational department at an asset management company and by a member of the AMF's services. Where an applicant considers that a jury member has a conflict of interests in relation to him, he can ask the AMF to be assigned to another jury.

The jury recommends that the AMF should issue a professional licence if it considers that the conditions referred to in the first paragraph of Article 322-22-14 are satisfied. Notwithstanding the last paragraph, the jury recommends that a professional licence should not be issued if it considers that the conditions for performing the function of Compliance and Internal Control Officer are not satisfied.

If the jury considers that the applicant has the qualities needed to perform the function of Compliance and Internal Control Officer but that the asset management company is not giving him the appropriate independence or is not

providing him with suitable resources, it can recommend that issuance of the licence be conditional upon the asset management company's rectifying the situation and informing the AMF of the measures taken to that end.

Article 322-22-16

Subject to prior approval by the AMF, a natural person may perform the function of Compliance and Internal Control Officer at the asset management company on a trial basis or temporarily without holding the required professional licence, for a period not exceeding six months, renewable once.

Article 322-22-17

Where a person ceases temporarily to carry out the duties that warranted the issuance of a Compliance and Internal Control Officer licence, such interruption does not result in withdrawal of the licence.

Where activity ceases for more than twelve months, the interruption is considered final and the licence is withdrawn unless the AMF grants an exception. The asset management company informs the AMF as soon as the licence holder ceases finally to carry out the duties that warranted the issuance of the licence.

Article 322-22-18

The AMF keeps a register of licences issued to Compliance and Internal Control Officers at asset management companies.

The information in the register is retained for ten years after the licence has been withdrawn.

Article 322-22-19

Persons declared to the AMF as head of internal control or head of compliance at the asset management company at the date this article comes into effect shall automatically be granted a Compliance and Internal Control Officer licence.

Article 322-22-20

Where an asset management company has had to take disciplinary action against an individual who holds a Compliance and Internal Control Officer licence, acting on his behalf and under his authority, because of a breach of his professional obligations, specified in Article L. 621-15 of the Financial and Monetary Code, it informs the AMF thereof within one month.

Paragraph 4 - Withdrawal of authorization and deregistration

Article 322-23

Except in cases where the company requests withdrawal, the AMF, whenever it envisages withdrawing a management company's authorization pursuant to Article L. 532-10 of the Financial and Monetary Code, so informs the company, specifying the reasons for which such decision is envisaged. The company has a period of one month from receipt of such notification to submit any observations it may have.

Article 322-24

When the AMF decides to withdraw an authorization, the company concerned is notified of the AMF's decision by registered letter with acknowledgement of receipt. The AMF informs the public of the withdrawal by notices in newspapers or other publications of its choosing.

The decision specifies the timetable and method for implementing the withdrawal. Pending final withdrawal, the company is put under the supervision of an administrator designated by the AMF from among current or former officers of companies authorised to manage portfolios for third parties.

The agent is bound by professional secrecy. If he or she is currently an officer of another company, that company may not directly or indirectly acquire the customer base of the company being deregistered.

During this period, the company may make only such transactions as are strictly necessary to protect its customers' interests. The company informs its customers and its custodian(s). It asks them in writing either to request transfer of their accounts to another authorised provider, or to request liquidation of their portfolios, or to assume the management thereof themselves. For common funds (FCPs), the AMF invites the custodian to appoint another manager. For employee investment funds (FCPEs), the custodian's appointment of another manager is subject to ratification by the supervisory board of each fund.

Article 322-25

When the AMF deregisters the company pursuant to Article L. 532-12 of the Financial and Monetary Code, it notifies the company in the same manner. It informs the public by notices in newspapers or other publications of its choosing.

SUB-SECTION 2 - PASSPORT

Article 322-26

A portfolio management company that seeks to do business under the freedom to provide services, or to open a branch office under the right of establishment, in another State party to the EEA agreement notifies the AMF of its intention to do so in accordance with subparagraph 2 of paragraph 3 and subparagraph 2 of paragraph 2, subsection 3, section 2 of Chapter II, Title III, Book V of the regulatory part of the Financial and Monetary Code, Articles R. 735-6, R. 745-6, R. 755-6 and R. 765-6 of that Code, and an AMF instruction.

Article 322-27

An investment service provider or management company based in another State party to the EEA agreement that engages in a portfolio management business in France for third parties makes available to the AMF all information needed by the AMF to carry out its supervisory responsibilities.

A French branch office of an investment undertaking based in another State party to the EEA agreement that performs portfolio management for third parties as its main business is in addition subject to the provisions of Articles 322-10 to 322-12, 322-16, 322-68, 322-69 and 322-73.

Article 322-28

Foreign investment firms that carry on portfolio management as their main business may establish information, liaison and representation offices in France after they have provided the following information to the AMF : registered name of the establishment represented, name of competent foreign regulatory authority, date of authorization by that authority, office address, number of employees.

The AMF may ask to see the information documents distributed by the undertaking and may require changes of presentation or substance in those documents.

SUB-SECTION 3 - RULES OF CONDUCT AND OTHER PROFESSIONAL OBLIGATIONS

Article 322-29

Where a professional organisation draws up a code of conduct applicable to portfolio management for third parties, it shall submit a draft to the AMF, which shall verify whether the code's provisions comply with this General Regulation.

The professional organisation may ask the AMF to approve all or part of the code as professional standards.

If, having sought the opinion of the Association Française des Etablissements de Crédit et des Entreprises d'Investissement (AFECEI), the AMF considers that some or all of the provisions of such code should be recommended to all authorised providers, the AMF publishes such recommendation in the official gazette (BALO) and on its website.

Article 322-30

Articles 322-31 to 322-44, 322-46 to 322-65, 322-67, 322-70, 322-71 and 322-74 to 322-79 apply to the executives and staff of the portfolio management company as well as to natural persons acting on its behalf.

Paragraph 1 - Management autonomy

Article 322-31

The portfolio management company must act in the interests of the holders of the collective investment scheme or the clients of its asset management service. To this end, it must conduct its activities in conformity with the principles of market integrity, transparency and security.

The nature and the frequency of transactions made in connection with the management of the portfolio must be motivated solely by the interests of the holders or clients. An AMF instruction specifies the requirements for informing holders or clients about portfolio transactions and transaction frequency.

The portfolio management company must refrain from taking any action intended to favour its own interests, or those of its partners, shareholders or member companies, to the detriment of the interests of its holders or clients.

Investments made for purposes of managing the company's capital must not be such as to call into question its compliance with the minimum capital requirement set forth in Article 322-8. Regarding the portion covered by the minimum capital requirement, investments must be prudent and may not include speculative positions, in accordance with an AMF instruction.

Article 322-32

The portfolio management company puts in place resources and procedures to ensure that its delegatees comply with the provisions of this sub-section.

The portfolio management company also ensures that any affiliated companies that act on behalf of a collective investment scheme, or as counterparty to a trade by that scheme, and have not been selected according to the procedure set forth in the first paragraph of Article 322-50, comply with the provisions of the first, second and third paragraphs of Article 322-31, Articles 322-38 to 322-44, 322-49, the third, fourth and fifth paragraphs of Article 322-50, and Article 322-51.

Article 322-33

The portfolio management company must seek to prevent conflicts of interests and, if any arise, resolve them fairly in the interests of holders or clients. If the company finds itself in a conflict-of-interest situation, it must inform the holders or clients in the most appropriate way.

The company must take all necessary measures to ensure the independence of the portfolio management function, notably by segregating lines of business and job duties.

Article 322-34

The portfolio management company must ensure equal treatment across portfolios under management or across holders. The terms and conditions under which certain rights are reserved for certain categories of units or shares are specified in Title I of Book IV of these General Regulations.

Article 322-35

The portfolio management company must refrain from exploiting, directly or indirectly, for its own account or for the benefit of another, the privileged information within the meaning of Article 621-1 that it holds by virtue of its functions.

Article 322-36

The choice of investments must be made independently in the interests of holders and clients, as must the choice of intermediaries. In particular, except in the cases provided for in the third and fourth paragraphs of Article 322-50, the second paragraph of Article 322-32 and in Article 322-45, such choice may not depend on :

1° Links are defined in Article R. 214-46 of the Financial and Monetary Code between the intermediaries and counterparties and the portfolio management company ;

2° Agreements that would block or restrict the portfolio management company's ability to implement the procedures called for in Articles 322-49 to 322-51, such as a volume-of-business requirement.

Article 322-37

The portfolio management company must be capable of freely exercising the rights attached to shares held by a collective investment scheme that it manages : the right to participate in general meetings, the right to exercise voting rights, the right to participate in associations defending the interests of minority shareholders, the right to go to court.

These shareholder rights are exercised in the interest of holders of units in a collective investment scheme.

Article 322-38

The arrangements for compensating the portfolio management company must not be such as to create a conflict of interests between the company and the holders or clients.

Article 322-39

The portfolio management company is remunerated for its management of the portfolio by a management fee and, if applicable, a proportionate share of subscription and redemption fees or by incidental fees, under the conditions

and within the limits set by Articles 322-40 to 322-44 and 411-53-1. These conditions and limits apply whether the fees are charged directly or indirectly.

Article 322-40

The management fee may include a variable portion tied to the outperformance of portfolio relative to the investment objective, provided that :

1° The investment mandate or the simplified prospectus of the collective investment scheme expressly provides for such variable fee. As regards discretionary management, the express consent of the client is required if the variable fee is to be earned starting from the first euro earned.

2° The fee is consistent with the investment management objective as set forth in the mandate or prospectus.

3° The share of outperformance allocated to the management company must not induce that company to take excessive risk with regard to the investment strategy, investment objective and risk profile set forth in the prospectus of the collective investment scheme.

Article 322-41

All fees and charges borne by clients or by the collective investment scheme for transactions in the portfolio under management, with the exception of subscription and redemption transactions relating to the scheme or investment funds, are trading costs. They include :

1° Intermediation costs, taxes and duties included, charged by the party responsible for order execution or the counterparty to the order, such as brokerage commissions.

2° If applicable, a turnover commission shared exclusively between the portfolio management company and the custodian of the scheme or the custody account keeper for the portfolio under management. Such turnover commission may also benefit :

a) a company to which the financial management of the portfolio has been delegated ;

b) persons to which the scheme custodian or custody account keeper has delegated all or part of the responsibility for safekeeping of portfolio assets ;

c) an affiliated company providing only the services of asset management and order reception, transmission and execution services, principally for portfolios managed by the portfolio management company or by an affiliated company as part of its asset management activity.

These provisions do not apply to fees and commissions incurred in connection with advising and arranging services, financial engineering, advising on industrial strategy, mergers and acquisitions, or initial public offerings of unlisted securities in which a venture capital fund (fonds commun de placement à risques, FCPR) has invested.

The sharing of any of the fees or commissions mentioned in point 1° is prohibited unless it would be exclusively and directly of benefit to the client or the collective investment scheme. Such compensation-sharing includes agreements under which the broker or the counterparty in a financial instrument transaction pays over part of the intermediation fees.

Article 322-42

Without prejudice to Article 322-40, the income, compensation and capital gains generated by management of the portfolio, along with any rights attached thereto, belong to the holder. The collective investment scheme is the sole beneficiary of the sharing of management fees and subscription and redemption commissions arising from its investments in other schemes or investment funds.

The portfolio management company, its delegated financial manager, the custodian, the custodian's delegatee, the account keeper, and the affiliated company mentioned in *c* of point 2° of Article 322-41 may receive a share of the income from temporary acquisitions and disposals of securities belonging to the portfolio under management, under the conditions set forth in the mandate or in the full prospectus of the collective investment scheme.

The full prospectus of the collective investment scheme may provide that a portion of the income be paid to one or more associations or foundations having a purpose in the public interest.

Article 322-43

(Deleted by the Order of 15 April 2005)

Article 322-44

Soft commissions may be received from the intermediaries or counterparties of the asset management company, provided that :

1° Such commissions do not contravene the best-execution obligation or the obligation to ensure competition among intermediaries.

2° Such commissions are of direct interest for clients or holders.

3° Such commissions are not paid in cash, nor by assuming the cost of goods or services corresponding to essential resources of the management company, such as administrative or accounting management, staff compensation, or offices.

4° Such commissions are covered by a written agreement disclosed to the Compliance and Internal Control Officer.

5° The value of such commissions has been assessed by the management company and is specified in its annual financial statements.

Where the total value of soft commissions received by the management company on its asset management activity exceeds 1 per cent of its annual revenue, the implementing arrangements for these commissions are described in the company's management report. In particular, the report shall indicate the nature of the commissions, the agreements that govern them, the way they are valued, the way they are used, and the measures taken to prevent or deal with conflicts of interest in the choice of intermediaries.

Article 322-45

When collective investment schemes or investment funds managed by the portfolio management company or an affiliated company are purchased or subscribed on behalf of the portfolio under management, the mandate or full prospectus of the scheme must provide for this possibility.

Where collective investment schemes or investment funds are purchased or subscribed by another scheme, subscription and redemption commissions are prohibited, except for the portion retained by the scheme in which the investment has been made.

Paragraph 2 - Management resources and organisation

Article 322-46

The organisational structure of the portfolio management company must enable it to conduct its activities with honesty, diligence, neutrality and impartiality, for the exclusive benefit of the clients or holders, and having regard for market integrity and transparency.

Article 322-47

The portfolio management company must adopt an organisational structure designed to reduce the risks of conflicts of interest. Functions likely to entail conflicts of interest must be strictly segregated.

The company's third-party asset management activity must be kept independent from its other activities, in particular portfolio management for its own account.

Article 322-48

A manager in charge of a collective investment scheme must never be entrusted with managing the proprietary portfolio of the promoter or custodian of that scheme.

An individual who is an officer or employee of a portfolio management company, or a staff member assigned thereto, may not, in such capacity and on behalf of the company, provide for-fee-advisory services to companies whose securities are held or planned to be held in the portfolios under management, irrespective of whether the fees for such services are to be paid by the company concerned or to be charged to the portfolio.

Article 322-49

The portfolio management company must obtain the best possible execution of orders.

It seeks best execution by selecting intermediaries and counterparties and by adopting an internal organisational structure and procedures for the placing of orders that will enable it to produce detailed evidence of the origin, transmission and execution of orders, notably by producing details of individual transactions.

Article 322-50

The portfolio management company must implement a formal, auditable procedure for selecting and evaluating intermediaries and counterparties, taking into account objective criteria such as cost of intermediation and quality of execution, research and transaction processing.

It discusses the implementation of this procedure in the management report of the collective investment scheme. It discusses this procedure in its report on management of the portfolio under mandate.

By way of derogation, the investment mandate may provide for orders to be routed to one or more intermediaries or to one or more counterparties.

By way of derogation, the full prospectus of a dedicated collective investment scheme, within the meaning of the third paragraph of Article 411-12, or a scheme governed by Article L. 214-40 of the Financial and Monetary Code may designate one or more intermediaries or counterparties.

Whenever the intermediary or the counterparty is not selected in accordance with the principles of the first paragraph of this Article, the compensation of that intermediary or counterparty may not increase the costs borne by the collective investment scheme or the client.

Article 322-51

For order placement, the asset management company must :

1° Implement a formal placing procedure that allows orders to be traced. This procedure is subject to the system for monitoring transactions and internal procedures referred to in Article 322-22-1.

2° Ensure it has the necessary means, *inter alia*, to process order flows and obtain access to information and markets.

3° Implement an order time-stamping procedure, and ensure also that intermediaries and custodians have implemented a time-stamping procedure.

4° Take steps to shorten total order-execution time as much as possible, from the initial recording of orders to their recognition in the accounting system.

5° Transmit precise order allocation instructions to the custodian of the collective investment scheme or to the custody account keeper once it is aware that the order has been executed, at the latest.

6° Establish order allocation rules beforehand for grouped orders.

7° Refrain from reallocating completed transactions *ex post*.

For investments in securities not traded on the regulated markets referred to in Article L. 422-1 of the Financial and Monetary Code, or on regularly operating regulated markets of a State that is neither a member of the European Community nor party to the EEA agreement, provided such markets have not been ruled ineligible by the AMF, the asset management company must implement suitable procedures that are specific to the securities concerned.

Article 322-52

The portfolio management company may not effect transactions between a portfolio under management and its own account. Nor may it effect direct transactions between portfolios under management.

Paragraph 3 - Obligations relating to the prevention of money laundering and terrorist financing

Article 322-53

All the activities of portfolio management companies are subject to the provisions of this Paragraph.

Article 322-54

For the purposes of this Paragraph,

1° "Investor" means, as the case may be :

a) The client and principal, for investment mandates on individual portfolios,

b) The holder of units or shares of the collective investment scheme or other investment fund,

c) The person to whom a portfolio management company provides the investment service of order reception and transmission,

d) The person solicited by a portfolio management company as a prospective client,

e) The person who receives advice from a portfolio management company as part of the company's activities.

2° "Equivalent foreign institution" means :

a) A foreign institution that, under the law of its country of registration and under its own articles and bylaws, is authorised to engage in the banking or banking-related transactions referred to in Articles L. 311-1 and L. 311-2 of the Financial and Monetary Code, and is based in a Member State of the European Community or a state that is a member of the international body for cooperation and coordination for the prevention of money laundering ;

b) A subsidiary or branch office of a foreign institution as defined in *a* above, or a foreign subsidiary of the portfolio management company that meets the following two criteria :

- Its registered office is not located in, or the subsidiary or branch office does not operate in, states or territories whose laws have been recognised as inadequate, or whose practices are considered as a hindrance to the prevention of money laundering and terrorist financing, by the international body for cooperation and coordination for the prevention of money laundering.
- It has taken measures to prevent money laundering and terrorist financing, as specified in Article L. 563-3 of the Financial and Monetary Code.

3° "Investment fund" means an undertaking under foreign law that is managed on behalf of third parties and whose assets are invested in financial instruments.

Article 322-55

The portfolio management company must demonstrate constant vigilance and implement an appropriate organisation and internal procedures to ensure compliance with the provisions of Title VI of Book V of the Financial and Monetary Code and its implementing regulations. It adopts written internal rules describing the procedures to be followed and the measures to be taken in order to, *inter alia* :

1° Obtain and verify the identity of the investor before entering into any contractual relation.

2° Examine any unusually complex transaction that appears to have no economic justification.

3° Report suspicions concerning amounts or transactions to the authority established by Article L. 562-2 of the Financial and Monetary Code to the authority instituted by Article L. 562-4 of said code.

4° Retain written records of the control measures it has put in place.

Article 322-56

The methods and procedures for the measures described in the internal rules referred to in Article 322-55 shall be adapted to the service provided, to the means of providing it, to the nature of the proposed transaction, to the nature and corporate form of the investor, to the status of the investor and, where applicable, to the status of persons acting for their own account or on behalf of others, as well as to the way in which the service is marketed. In particular, whenever :

1° The portfolio management company receives subscription or redemption orders directly from an investor, or contracts directly with the investor for asset management or order reception-transmission service, it makes the verifications called for in Title VI of Book V of the Financial and Monetary Code and its implementing regulations.

2° The portfolio management company has no direct relation with the investor and has entrusted the marketing of the collective investment scheme or investment fund to a third party that is a financial institution within the meaning of Article L. 562-1 of the Financial and Monetary Code or equivalent foreign institution, the portfolio management company obtains conclusive evidence of the identity and status of that institution and the existence therein of procedures to prevent money laundering and terrorist financing. The portfolio management company takes the measures called for in Title VI of Book V of the Financial and Monetary Code and its implementing regulations on subscription and redemption orders sent to it by that institution.

3° The portfolio management company has no direct relation with the investor and has entrusted the marketing of the collective investment scheme or investment fund to a third party that is not a financial institution within the meaning of Article L. 562-1 of the Financial and Monetary Code or equivalent foreign institution, but whose registered office is not located in a state or territory whose laws have been recognised as inadequate, or whose practices are considered as a hindrance to the prevention of money laundering and terrorist financing, by the international body for cooperation and coordination for the prevention of money laundering, the portfolio management company obtains conclusive evidence of the identity and status of that institution and the existence therein of procedures to prevent money laundering and terrorist financing. The portfolio management company enters into an agreement with the third party under which the third party is bound :

a) pursuant to the law of the party's own country, to perform all the investor identity checks called for in the recommendations of the international body for cooperation and coordination for the prevention of money laundering ;

b) to meet any additional obligations to prevent money laundering and terrorist financing that the management company may request after conducting its own checks.

The third party undertakes to produce, upon request of the portfolio management company, all items that the company requires in order to verify that the procedures and controls implemented by the third party are in conformity with its contractual obligations under the aforementioned agreement.

The portfolio management company takes the measures called for in Title VI of Book V of the Financial and Monetary Code and its implementing regulations on subscription and redemption orders transmitted to it by the third party.

4° The portfolio management company has no direct relation with the investor and has entrusted the marketing of the collective investment scheme or investment fund to a third party that is not a financial institution within the meaning of Article L. 562-1 of the Financial and Monetary Code or equivalent foreign institution, and whose registered office is located in a state or territory whose laws have been recognised as inadequate, or whose practices are considered or whose practices are considered as a hindrance to the prevention of money laundering and terrorist financing, by the international body for cooperation and coordination for the prevention of money laundering, the third party undertakes to transmit to the portfolio management company all the information that the company requires in order to take the measures called for in Title VI of Book V of the Financial and Monetary Code and its implementing regulations.

5° The portfolio management company has no direct relation with the investor and has not entrusted the marketing of the collective investment scheme or investment fund to a third party, it ensures that the subscription or redemption order is taken by a financial institution within the meaning of Article L. 562-1 of the Financial and Monetary Code or an equivalent foreign institution. The portfolio management company then takes the measures called for in Title VI of Book V of the Financial and Monetary Code and its implementing regulations.

6° The portfolio management company has no direct relation with the investor, has not entrusted the marketing of the collective investment scheme or investment fund to a third party, and the subscription or redemption order is not taken by a financial institution within the meaning of Article L. 562-1 of the Financial and Monetary Code or an equivalent foreign institution, the portfolio company itself takes the measures called for in Title VI of Book V of the Financial and Monetary Code and its implementing regulations.

In every case, the portfolio management company is responsible for compliance with the obligations resulting from Title VI of Book V of the Financial and Monetary Code and its implementing regulations.

Article 322-57

When a third party keeps the issuer account of the collective investment scheme or investment fund, or performs custody account-keeping for the assets thereof, or centralises subscription and redemption orders for units or shares thereof, the portfolio management company enters into an agreement with the third party calling for the latter to implement the measures to prevent money laundering and terrorist financing within its organisation, but only after it has verified the identity and status of the third party and established that the latter is a financial institution within the meaning of Article L. 562-1 of the Financial and Monetary Code or an equivalent foreign institution. If the portfolio management company entrusts one or more of these functions to a third party without such status, the third party undertakes to provide the portfolio management company with all the information that the company requires to make the verifications called for in Title VI of Book V of the Financial and Monetary Code and its implementing regulations.

Article 322-58

The portfolio management company implements a monitoring system to verify compliance with legal and regulatory requirements relating to the prevention of money laundering and terrorist financing.

Article 322-59

Pursuant to Articles L. 563-1 and L. 563-1-1 of the Financial and Monetary Code and its implementing regulations, the internal rules referred to in Article 322-55 describe the procedures and measures to be implemented regarding identification of the investor or the third party that receives subscription and redemption requests, in particular verification of that person's identity and situation before providing the service and before proceeding with requests to subscribe or redeem units or shares of collective investment schemes or other investment funds.

Information gathered on the identity and situation of the investor or the third party receiving subscription and redemption requests is kept up to date.

The portfolio management company pays particular attention to the identity of persons resident in states or territories whose laws have been recognised as inadequate, or whose practices are considered as a hindrance to the prevention of money laundering and terrorist financing, by the international body for cooperation and coordination for the prevention of money laundering.

Article 322-60

The internal rules describe how the portfolio management company ensures that its branches or subsidiaries abroad meet the obligations to prevent money laundering and terrorist financing set forth in Article L. 563-3 of the Financial and Monetary Code, unless local law bars them from doing so, in which case the portfolio management company so informs the body established by Article L. 562-4 of the Financial and Monetary Code.

Article 322-61

When it implements its investment policy for its own account or for third parties, the portfolio management company assesses the risk of money laundering and terrorist financing and establishes procedures to oversee the investment selections made by its employees.

In particular, it identifies any financial instrument issued by entities acting in the form or on behalf of trusts or any other asset management structure in which the identity of the constituents or beneficiaries is not known.

Article 322-62

The portfolio management company must adopt staff recruitment procedures that enable it to meet the provisions of Title VI of Book V of the Financial and Monetary Code and its implementing regulations.

At the time of hiring, and regularly thereafter, its staff must be given information on and training in the obligations relating to the prevention of money laundering and terrorist financing, in particular on applicable regulations and rule amendments, on techniques in use for money laundering, on preventive and detection measures, and on the methods and procedures referred to in Article 322-55.

Persons acting on behalf of the portfolio management company must be made aware of the steps to be taken to ensure compliance with Title VI of Book V of the Financial and Monetary Code and its implementing regulations.

Paragraph 4 - Relations with the investor

Sub-paragraph 1 - Obligation to inform, obligation to advise and commercial documents

Article 322-63

The portfolio management company inquires about the objectives, investment experience and situation of the client for asset management services.

Services offered under an investment mandate must be appropriate to the client's situation.

All relevant information is provided so that the client can entrust the management of his assets, or make a decision to invest or disinvest, with full knowledge of the facts.

Article 322-64

The duty to inform and advise includes warning the client about the risks incurred.

Article 322-65

The fees and commissions that may be charged for managing the portfolio must be fully disclosed to the client or fund investors.

Article 322-66

Advertisements and documentation intended for investors must be consistent with the service to be offered and, where applicable, must mention the less favourable provisions and inherent risks of investment transactions that may be the quid pro quo of the advantages described.

The AMF may require portfolio management companies to submit to it, prior to publication, distribution, delivery or dissemination, the documents that they mean to provide to their clients and the public. The AMF may require changes of presentation or substance in those documents.

Information on past performance must :

1° Be accompanied by a prominent disclaimer stating that performance varies over time and past performance is no guarantee of future performance.

2° Not use data that would mislead the investor, in particular performance figures that have been reconstructed, or for figures for inadequate periods of time, or figures on a collective investment scheme whose investment approach has changed during the period shown.

3° Be accompanied by the information needed for proper understanding by the investor, such as indications of the risks inherent in the proposed investment approach, emphasis on any unusual factor that may have had a material effect and, where applicable, comparison with one or more objective, quantified indicators. Procedures for implementation of these principles by collective investment schemes are specified in Title I of Book IV of these General Regulations.

Sub-paragraph 2 - Investment mandates

Article 322-67

A prior written agreement (investment mandate) is required for any individual portfolio management arrangement.

Article 322-68

The investment mandate mentions, at minimum :

1° The investment objectives.

2° The classes of financial instruments in which the portfolio may be invested. Unless otherwise agreed, the allowed instruments are :

a) Financial instruments traded on a regulated market referred to in Article L. 422-1 of the Financial and Monetary Code, or on a regularly operating regulated market of a State that is neither a member of the European Community nor party to the EEA agreement, provided such market has not been ruled ineligible by the AMF.

b) European UCITS compliant with Directive 85/611/EEC of 20 December 1985 and UCITS under French law compliant with the rules of that directive.

c) Derivative financial instruments traded on a market appearing on the list established by ministerial order.

3° The arrangements for informing the client about the management of his portfolio.

4° The term of the mandate and the conditions for renewing or terminating it.

5° The method of compensation of the management company ;

6° where applicable, if the client does not have qualified investor status, the option of engaging in transactions, subscriptions or acquisitions involving financial instruments reserved for qualified investors.

When the mandate allows transactions in securities other than those mentioned in 2°, or leveraged transactions, in particular involving derivative financial instruments, the express consent of the client must be given in a special agreement that clearly indicates which instruments and which kinds of transactions are authorised and how the client is to be informed of them.

The management company may not delegate any part of the management of the portfolio without first obtaining the express written consent of the client.

An AMF instruction specifies how these provisions are to be applied.

Article 322-69

The investment mandate may be terminated at any time by the client or by the management company. Notice of termination is given by registered letter with return receipt.

Termination initiated by the client takes effect upon receipt of the registered letter by the management company, which is then no longer entitled to initiate new transactions.

Termination by the management company takes effect five trading days after the client receives the registered letter.

Not later than the effective date of termination, the management company draws up an account statement and issues a management report indicating the investment results since the last periodic statement and providing the client with all necessary clarifications on the nature of open positions.

Article 322-69-1

Investment services providers must inform their client in an individual letter before engaging for the first time in the transactions, subscriptions or acquisitions mentioned in Point 6 of Article 322-68, in the context of an investment mandate in existence as at 28 September 2006.

Sub-paragraph 3 - Information on management

Article 322-70

Fees and commissions effectively charged in connection with portfolio management must be fully disclosed to the client or the holders.

Article 322-71

The portfolio management company must provide the client or the holders with all necessary information about how the portfolio has been managed.

For individual discretionary management, such information includes, at minimum, a quarterly portfolio statement and a half-yearly management report retracing the investment policy followed for that portfolio and showing changes in assets under management and the results achieved during the past period. When the investment mandate authorises leveraged transactions and the portfolio holds open positions (not covered by offsetting positions or holdings of underlying assets), account information must be provided at least monthly and must include an assessment of the risks represented by the open positions.

The portfolio management company must make available to the client the prospectus and periodic information documents of any collective investment scheme in which it has invested on the client's behalf.

The annual report of the collective investment scheme, or the management report to the asset management client, must contain a disclosure on any financial instruments held in the portfolio that are issued by the management company or entities of its group. Where applicable, the report also mentions any collective investment schemes or investment funds managed by the portfolio management company or entities of its group.

When a turnover commission as defined in Article 322-41 is charged, the basis for apportioning the transaction costs among the various participants must be disclosed to the client in the annual management report. The value of the allocator, stated as a percentage, must be calculated across all the assets (including collective investment schemes) managed by the portfolio management company.

Article 322-72

The annual financial statements of the portfolio management company must be certified by a statutory auditor. Within six months of the end of the financial year, the company must send the AMF copies of the balance sheet, income statement and notes, the annual management report and notes, and the general and special reports of the statutory auditor. If applicable, the company also produces consolidated financial statements.

Article 322-73

Within four months of the end of the financial year, the portfolio management company sends the AMF the information specified on a data sheet described in an AMF instruction.

Article 322-74

The portfolio management company makes its annual financial statements and, if applicable, consolidated financial statements available to its clients.

Sub-paragraph 4 - Information on exercise of voting rights

Article 322-75

The portfolio management company draws up a document titled "voting policy", updated as needed, which sets forth the terms and conditions on which it intends to exercise the voting rights attaching to securities held by the collective investment schemes under its management.

This document describes, *inter alia* :

1° The organisation within the portfolio management company that enables it to exercise such voting rights. It specifies which bodies within the portfolio management company are responsible for keeping track of and analysing the resolutions that have been submitted, and which bodies are responsible for deciding how the votes will be cast.

2° The principles to which the portfolio management company intends to refer in determining the cases in which it will exercise the voting rights. These principles may include holding thresholds that the portfolio management company may have set for voting on resolutions submitted at general meetings. In such case, the portfolio management company gives reasons for its choice of threshold. These principles may also concern the nationality of the issuing companies whose securities are held by collective investment schemes managed by the portfolio management company, the investment policy of the schemes, and the use of temporary exchanges of securities by the portfolio management company.

3° The principles to which the portfolio management company intends to refer when it has chosen to exercise the voting rights. The portfolio management company's document presents its voting policy, heading by heading, corresponding to the types of resolution submitted at general meetings. These headings cover, *inter alia* :

a) Decisions requiring an amendment of the articles or bylaws,

b) Approval of the financial statements and appropriation of profit or loss,

c) Election and dismissal of governing bodies,

d) Regulated agreements,

e) Equity security issuance and buyback programmes,

f) Appointment of statutory auditors,

and any other specific type of resolution that the portfolio management company wishes to identify.

4° The procedures it has implemented to detect, prevent and manage conflict-of-interest situations that could affect the portfolio management company's free exercise of the voting rights.

5° The way in which it customarily exercises voting rights, such as by physically attending general meetings, using proxies without indicating a specific person, or voting by mail.

This document must be drawn up at the latest by 31 March 2005. It is made available to the AMF. It may be viewed on the portfolio management company's website or at its registered office under the terms and conditions specified in the simplified prospectus.

Article 322-76

In a report drawn up within four months of the end of its financial year, appended to the management report of the board of directors or executive board, as the case may be, the portfolio management company reports on how it has exercised voting rights in the past year.

This report specifies, *inter alia* :

1° The number of companies in which the portfolio management company exercised voting rights, compared with the total number of companies in which it had voting rights.

2° The cases in which the portfolio management company considered that it could not adhere to the principles set forth in its voting policy document.

3° The conflict-of-interest situations that the portfolio management company had to deal with in exercising voting rights attaching to securities held by the collective investment scheme that it manages.

This report must be drawn up at the latest for the first financial year ending after 1 December 2005. It is made available to the AMF. It must be available for viewing on the portfolio management company's website or at its registered office under the terms and conditions specified in the simplified prospectus.

Article 322-77

At the request of the AMF, the portfolio management company discloses to the AMF how it voted, or whether it abstained from voting, on each resolution and the reasons for those votes or abstentions.

To any holder of scheme units or shares who so requests, the portfolio management company makes available the disclosures relating to the exercise of voting rights on each resolution submitted to the general meeting of an issuer, whenever the number of that issuer's securities held by the scheme managed by the portfolio management company reaches or exceeds the holding threshold specified in the voting policy document referred to in Article 322-75.

These disclosures must be available for viewing at the registered office of the portfolio management company and on its website.

Article 322-78

In the annual report of a venture capital fund (FCPR), the portfolio management company reports on its practice for the use of voting rights attaching to securities held in the fund.

The measures referred to in Articles 322-75 to 322-77 apply for securities held by the FCPR that are traded on a regulated market of a State party to the EEA agreement or on a recognised foreign market.

Article 322-79

For an employee investment fund (FCPE), the measures referred to in Articles 322-75 to 322-77 apply whenever the portfolio management company has been delegated the power to exercise the voting rights attaching to securities held by the fund.

Paragraph 5 - Rules of conduct applicable to portfolio management companies that produce or disseminate investment research

Article 322-80

The portfolio management company prohibits its staff members from placing orders for their own account on a financial instrument whenever they perform the function of investment analyst as defined in Article 321-5 and may be called upon to produce a report on the issuer of that financial instrument. The same prohibition applies to all financial instruments of companies operating in the same sector as the issuer that may be covered by the report.

Article 322-81

The asset management company implements appropriate procedures and resources to :

1° Detect possible conflict-of-interest situations involving investment research.

2° Manage breaches of the "Chinese wall" referred to in Article 321-23-3.

Article 322-82

The provisions of Articles 321-122, 321-125 to 321-127, 321-129 to 321-132, 321-134 and 321-135 apply to portfolio management companies and staff members that disseminate, to persons other than portfolio managers of the company or its group, an opinion that they have produced on the likely prospects for publicly held entities and, if applicable, on likely changes in the prices of financial instruments issued by those entities.

Article 322-83

The provisions of Section 2 of Chapter 7 of Title III of this Book also apply to portfolio management companies and staff members disseminating investment research produced by third parties.

Article 322-84

The Compliance and Internal Control Officer of the asset management company takes part in preparing the implementing measures for these provisions and in establishing the resulting procedures.

An AMF instruction specifies how the applicable provisions of this Paragraph are to be interpreted, depending on how the investment research is disseminated and on where it is produced or disseminated from.

Paragraph 6 - Obligation to report suspicious transactions

Article 322-84-1

The provisions of paragraph 8, sub-section 4, Section 3 of Chapter I shall apply.

Section 2 - Investment service providers performing asset management for third parties as a non-core business

Sub-section 1 - Approval of the programme of operations

Article 322-85

This section specifies the conditions of approval for programmes of operations of investment service providers other than portfolio management companies when they engage in the business of asset management for third parties.

Article 322-86

The programme of operations is presented in accordance with the requirements set forth in Article 322-11, which stipulates that the Investment Services Compliance Officer ensures compliance with the provisions of point 2° of Article 322-12.

The AMF gives its approval of the programme of operations within three months of referral by the Comité des Établissements de Crédit et des Entreprises d'Investissement (CECEI). The AMF notifies the applicant of its decision by registered letter with return receipt and gives the reasons for the decision it has taken.

Article 322-87

Within four months of the end of the financial year, the investment service provider concerned provides the AMF with the information called for on the data sheet referred to in Article 322-73.

Article 322-88

Any changes that the investment service provider proposes to make to elements considered in deciding whether to approve the programme of operations are brought to the attention of the CECEI, which immediately transmits them to the AMF.

The AMF notifies the applicant, by registered letter with return receipt, of any consequences that the approval may have.

Article 322-89

Whenever the AMF finds that an investment service provider no longer meets the conditions of approval of its programme of operations or is no longer engaging in the business of asset management, it so informs the CECEI.

SUB-SECTION 2 - PASSPORT

Article 322-90

The provisions of Section 2 of Chapter I and Sub-section 2 of Section 1 of this Chapter apply.

SUB-SECTION 3 - RULES OF CONDUCT AND OTHER PROFESSIONAL OBLIGATIONS

Article 322-91

The provisions of Section 3 of Chapter I and Sub-section 3 of Section 1 of this Chapter apply.

Section 3 - Transitional provisions

Article 322-92

The transitional provisions of Chapter 7 of Title I of Book IV shall apply to portfolio management companies.

Where fees or subscription and redemption commissions are rebated, pursuant to an agreement entered into before 24 November 2004, to any other person or fund mentioned in the first paragraph of Article 411-53-1, the rules set forth in that Article shall apply only from 1 July 2005.

The provisions of the first paragraph of Article 322-45 and the last four paragraphs of Article 322-66 shall apply once the content of the prospectus of the collective investment scheme has been brought into conformity with the full prospectus as required by the instruction provided for in the Article 411-45.

The prohibition of the second paragraph of Article 322-45 shall apply from 1 July 2005.

For investment mandates entered into before 23 November 2003, the notices called for in Article 322-45 and the third paragraph of Article 322-50 must appear in a disclosure before 1 January 2006. This disclosure may appear in the quarterly statement or the half-yearly management report called for in Article 322-71, if issued before 1 January 2006.

The disclosure obligations called for in the second sentence of the second paragraph of Article 322-50 shall apply from 1 January 2005.

The obligations to inform clients about the frequency of transactions made in connection with the management of their portfolio, as specified in the second paragraph of Article 322-31, shall apply from 1 January 2005.

TITLE III - OTHER SERVICE PROVIDERS

CHAPTER I - COMPANIES OTHER THAN PORTFOLIO MANAGEMENT COMPANIES THAT MANAGE COLLECTIVE INVESTMENT UNDERTAKINGS

Section 1 - Securitisation fund management companies

SUB-SECTION 1 - AUTHORISATION

Paragraph 1 - Procedure

Article 331-1

To receive the authorisation provided for in Article L. 214-47 of the Financial and Monetary Code, the management company shall file with the AMF an application specifying the scope of the authorisation, together with a file containing the elements specified in an AMF instruction. The AMF shall issue an acknowledgement of receipt when it receives this file.

The procedure and the terms and conditions of authorisation are set forth in an AMF instruction.

In deciding whether to issue an authorisation, the AMF shall review the elements set forth in Articles 331-4 to 331-12. It may ask the applicant to supply any additional information that it needs to take a decision.

The AMF rules on the application within three months of receiving the filing. If need be, this time limit shall be suspended until any additional information requested has been received.

The management company may not conduct any business until the AMF authorises it to do so.

Article 331-2

A reference to the authorisation number shall be included in the documents that the management company distributes to the public but such reference cannot be presented as an endorsement of the quality of management operations.

Article 331-3

The management company shall inform the AMF, using the procedures set forth in an AMF instruction, of any changes in key items in the initial application for authorisation, notably concerning direct or indirect share ownership, senior management, organisation or supervision. The AMF shall inform the company in writing of any consequences that such changes may have on the authorisation.

Paragraph 2 - Capital

Article 331-4

The management company shall demonstrate that it has sufficient financial resources to properly conduct its business and meet its responsibilities.

Article 331-5

The management company shall have share capital of at least EUR 225,000, plus 0.5 % of the assets of the securitisation funds which it manages or for which it has delegated the management function.

Whatever the total under management, however, the minimum capital requirement shall not exceed EUR 760,000.

Whatever the total under management, however, the share capital can remain at EUR 225,000 in one of the following cases :

1° at least half the capital is held by one or more credit institutions or insurance companies having their registered office in a State party to the European Economic Area (EEA) agreement or in a third State provided such State is subject to prudential rules that the AMF deems equivalent to those applicable to credit institutions or insurance companies incorporated in States party to the EEA agreement ;

2° One or more of the persons mentioned in 1° shall stand jointly liable as guarantors for the acts of the management company, up to the minimum capital requirement.

Article 331-6

The share capital may consist of contributions in cash and, to a secondary extent, in kind.

Shares issued for cash or in-kind contributions shall be fully paid-in.

The capital shall be evidenced at all times by shares or other securities.

Paragraph 3 - Organisation

Article 331-7

The management company shall give sufficient warranties as regards its organisation, its technical and human resources, and the fitness and properness of its senior managers ;

The management company shall have the independent capacity to implement the management strategies of the securitisation funds that it manages ;

The management company shall have permanent staffing and appropriate material resources for the intended management strategies so that it can continue to perform its work ;

However, to perform its work, the management company may :

1° use staff and equipment of outside organisations, seconded to it on a contractual basis by a person or an entity in the same corporate group or by a shareholder with at least 20 % of the capital, provided such resources are assigned to its activity on a lasting basis ;

2° delegate financial management of the securitisation funds in accordance with Articles 331-10 to 331-12 ;

3° rely on external service providers to perform some of its administrative, accounting and other ancillary functions, provided it has the resources to assume responsibility for overseeing their performance.

The management company shall verify that the secondment agreement stipulates, *inter alia*, the job duties of the staff members concerned, the existence of an exclusive reporting relationship to the senior managers of the company for performance of the duties specified in the contract, and the terms and conditions on which costs relating to seconded staff are borne by the company.

The senior managers of the management company shall undertake to comply with conduct of business rules and to ensure that persons working under their responsibility comply with and enforce these rules.

Article 331-8

The management company shall *seek to* prevent conflicts of interests and, if any arise, resolve them fairly in the interests of the unitholders of the securitisation funds. If the company finds itself in a conflict-of-interest situation, it shall inform the unitholders in the most appropriate way.

The company shall take all necessary measures to ensure the independence of the portfolio management function, notably by segregating lines of business and job duties.

Article 331-9

I. - In accordance with Article R. 214-108 of the Financial and Monetary Code, where a management company uses derivative financial instruments to manage securitisation funds, as set forth in Articles R. 214-104 and R. 214-105 of the Code or disposes of debt claims as provided for in points 5° and 6° of Article R. 214-107 of the Code, it shall have appropriate management systems and an organisational structure to control the risks arising from its management strategies and the commitments of the securitisation funds.

II. - Where the management company makes passive use of derivative financial instruments to manage securitisation funds, i. e. where the terms of the contracts on such instruments are defined when the fund is formed and cannot be amended before they are settled, and where the company does not dispose of debt claims within the meaning of points 5° and 6° of Article R. 214-107 of the Financial and Monetary Code, the management systems and organisational structure mentioned in paragraph I shall make it possible to :

1° identify financial risks ;

2° manage the legal risks related to the derivative financial instruments used.

III. - Where the management company makes active use of derivative financial instruments to manage securitisation funds, i. e. it can take and change positions by means of contracts on such instruments during the life of the fund, or where it disposes of debt claims within the meaning of points 5° and 6° of Article 16 of the aforementioned decree,

the management systems and organisational structure mentioned in paragraph I shall be compliant with II and shall make it possible to :

1° manage the intended management strategies ;

2° enable a unit independent of the commercial and operational units to perform a risk assessment and submit it to the board of directors of the management company every six months at least ;

3° monitor continuously the maximum net loss to the fund arising from all contracts constituting derivative financial instruments on credit risk, including hedging contracts. Maximum loss means the total net loss that could result from such contracts. The maximum loss may not exceed the value of the assets defined in Article R. 214-93 of the Financial and Monetary Code. The management company shall measure its assets at their likely realisable value or any other value consistent with the nature of the securitisation fund's commitments.

Article 331-10

I. - The management company may delegate all or part of the financial management function for one or more of its securitisation funds to :

1° another securitisation fund management company authorised by the AMF, provided this company has the resources appropriate to the type of management envisaged ;

2° a portfolio management company that has received AMF approval for a programme of operations specific to credit derivatives ;

3° a credit institution authorised in France for asset management ;

4° a French-based branch of a credit institution having its registered office in a State party to the EEA agreement, on condition that the branch is authorised for asset management ;

5° a person referred to in point 1° of Article R. 214-97 of the Financial and Monetary Code that is authorised or approved for that activity under the standards of the State in which its registered office is located ;

6° a person approved by, or having been granted a delegation from, a public authority for the management of portfolios or collective investment schemes.

The delegatee shall abide by the conduct of business rules applicable to securitisation fund management companies. The delegatee may not subdelegate the management of a fund that it has been entrusted to manage.

II. - In all cases, the delegation shall not create possible conflicts of interest. In particular, should the circumstances require, the delegatee shall comply with Article 321-31.

The management company shall remain responsible for the activities it delegates.

Article 331-11

Where the management company delegates the financial management of a securitisation fund, the delegatee shall have an organisational structure that complies with Article 331-9 and shall abide by the conduct of business rules and other professional obligations mentioned in sub-section 2 of this section.

The delegation shall not prevent the AMF from properly overseeing the delegating management company.

The delegating management company shall send the AMF a declaration to the effect that the delegatee is authorised to carry on an asset management business. Absent an agreement on mutual recognition or on the exchange of confidential information between the AMF and the authority that issued the delegatee's authorisation, the delegation agreement shall contain a clause agreeing to an audit by or on behalf of the AMF, without the authorisation of the management company.

If need be, the delegation authorisation application can be suspended pending receipt of information from the delegatee's authorising authority.

Article 331-12

Where it does not meet the organisational requirements set forth in Article 331-9, the delegating management company shall put in place a programme for supervising the delegatee. The programme shall include :

1° a description of the management strategy of the fund for which the management function has been delegated ;

2° the standard agreement for delegating financial management. This agreement shall include the following information *inter alia* :

a) the investment criteria adopted, and in particular the level of the selected risk and return indicators and the admissible or prohibited strategies ;

b) the scope of the delegation ;

c) the quantitative and qualitative resources available to the delegatee ;

d) the method of remunerating the delegatee ;

e) the ways in which the delegatee will inform the delegating company about the fund management activity ;

f) the procedures for supervising the delegating company ;

g) the term of the agreement and the conditions in which it can be cancelled. The agreement shall be cancelled in such a way as to permit the delegated activity to continue ;

h) the governing law ;

3° the arrangements for supervising the delegated management function and the controls carried out within the delegating company to ensure compliance with the delegation agreement, with details about the technical resources used and the persons in charge of monitoring and supervising the delegation.

Paragraph 4 - Supervision, cessation of activity and revocation of authorisation

Article 331-13

The AMF conducts documentary audits and on-site inspections to monitor compliance with the representations and commitments made in the authorisation application.

Article 331-14

Management of a securitisation fund cannot be transferred from one management company to another without the approval of the AMF.

Article 331-15

The AMF shall be informed if the management company permanently ceases operations.

Article 331-16

Before the authorisation referred to in Article L. 214-47 of the Financial and Monetary Code is revoked, the management company is asked to explain itself or is given formal notice to remedy the situation at issue.

The AMF shall inform the management company and the custodians concerned of its decision by letter, stating the grounds for such decision.

If the authorisation is revoked, the management company may not pursue its activities, other than those needed to ensure continuity of day-to-day management of the securitisation fund for which it is responsible, until such activities are transferred to another fund management company, as provided for in the last paragraph of this Article.

Within two months after authorisation has been revoked, the custodian(s) of the securitisation funds shall choose one or more management companies that accept(s) to continue managing the funds.

Article 331-17

The transfer of management functions subsequent to a revocation of authorisation, or in the case referred to in Article 331-14, shall be disclosed to the public in accordance with Article 421-12.

SUB-SECTION 2 - CONDUCT OF BUSINESS RULES AND OTHER PROFESSIONAL OBLIGATIONS

Article 331-18

Within six months of the end of its financial year, the management company shall send the AMF its audited annual financial statements, the management report on those statements and, where such is the case, the report of the statutory auditors.

Paragraph 1 - Management autonomy

Article 331-19

The management company shall act in the interests of the unitholders of the securitisation funds which it manages or for which it has delegated the management function. To this end, it shall conduct its activities in conformity with the principles of market integrity, transparency and security.

The nature and the frequency of transactions made in connection with the management of the fund shall be motivated solely by the interests of the unitholders and shall be brought to their attention.

The management company shall refrain from taking any action intended to favour its own interests, or those of its partners, shareholders or cooperative members, to the detriment of the interests of unitholders.

Investments made for purposes of managing the company's capital shall not be such as to call into question its compliance with Article 331-5.

Article 331-20

The management company shall put in place resources and procedures to ensure that its delegatees comply with the provisions of this sub-section.

The management company shall also ensure that any affiliates which act on behalf of a securitisation fund or as counterparty to a trade by that fund and which have not been selected according to the procedure set forth in Article 331-27, are in compliance with Articles 331-21 to 331-23 and Articles 331-27 to 331-35.

Within the meaning of this Article, an "affiliate" shall be deemed to be :

1° any company controlled exclusively or jointly by the securitisation fund management company within the meaning of Article L. 233-16 of the Commercial Code ;

2° any company that controls the securitisation fund management company exclusively or jointly within the meaning of Article L 233-16 ibid ;

3° any subsidiary of the same parent company and any company with which the management company shares corporate officers or senior managers.

Article 331-21

The management company shall ensure that holders of units or debt securities carrying identical rights are treated equally.

Article 331-22

The choice of investments and intermediaries shall be made independently in the interests of holders. In particular, except in the cases provided for in the second paragraph of Article 331-20 and Article 331-27, such choice may not depend on :

1° control, within the meaning of Article L. 233-3 of the Commercial Code ;

2° agreements that would block or would restrict the management company's ability to implement the procedures provided for in Articles 331-27 to 331-29.

Article 331-23

The management company shall ensure that the rights attaching to the securities held by a securitisation fund under its management are exercised in the interests of holders, namely the right to attend general meetings, to exercise voting rights and the right to go to court.

Article 331-24

The arrangements for compensating the management company shall not be such as to create a conflict of interests between the company and the holders.

Paragraph 2 - Management resources and organisation

Article 331-25

The management company shall be organised in such a way that it conducts its activities fairly, diligently, neutrally and impartially, for the exclusive benefit of holders and having regard for market integrity and transparency.

Article 331-26

The management company shall adopt an organisational structure that reduces the risks of conflicts of interest. Functions likely to cause conflicts of interest shall be strictly segregated.

The company shall keep the business of managing securitisation funds separate from its asset management business.

Article 331-27

The management company shall implement a formal, auditable procedure for selecting and evaluating intermediaries and counterparties, taking into account objective criteria such as cost of intermediation and quality of execution, research and trade administration.

It shall discuss the implementation of this procedure in the fund's management report.

Whenever the counterparty or intermediary is not selected in accordance with the principles of the first paragraph of this article, the compensation of that counterparty or intermediary may not increase the costs borne by the fund.

Article 331-28

For order placement, the management company shall :

1° implement a formal placing procedure that allows orders to be traced. This procedure is subject to the system for monitoring transactions and internal procedures referred to in Article 322-22-1 ;

2° ensure it has the necessary means, *inter alia*, to process order flows and obtain access to information and markets ;

3° implement an order time-stamping procedure, and ensure also that intermediaries and custodians have implemented a time-stamping procedure ;

4° take steps to shorten total order-execution time as much as possible, from the initial recording of orders to their recognition in the accounting system ;

5° send precise order allocation instructions to the custodian of the securitisation fund once it is aware that the order has been executed, at the latest ;

6° establish order allocation rules beforehand for aggregated orders ;

7° refrain from reallocating completed transactions ex post.

For investments in securities not traded on the regulated markets referred to in Article L. 422-1 of the Financial and Monetary Code or on regularly operating regulated markets of a State that is neither a member of the European Community nor party to the EEA agreement, provided such markets have not been ruled ineligible by the AMF, the management company shall implement suitable procedures that are specific to the securities concerned.

Article 331-29

The management company may not effect transactions between its own account and a securitisation fund under its management.

Nor may it effect transactions directly between securitisation funds under its management where such transactions involve the assets of these funds.

Article 331-30

The management company shall ensure that the disposal agreement(s) or the management and servicing agreement(s) enable it to fulfil its disclosure requirements.

Paragraph 3 - Obligations relating to anti-money laundering and combating the financing of terrorism

Article 331-31

All the activities of fund management companies shall be subject to the provisions of this paragraph.

Article 331-32

For the purposes of this paragraph,

1° "equivalent foreign institution" means :

a) a foreign institution that, under the law of its country of registration, is authorised to engage in the banking or banking-related transactions referred to in Articles L. 311-1 and L. 311-2 of the Financial and Monetary Code and is based in a state whose laws are recognised as adequate and whose practices are considered to be consistent with the provisions against money laundering and terrorist financing of the international body for concertation and coordination of the prevention of money laundering ;

b) a subsidiary or branch of a foreign institution as defined in a) above, or a foreign subsidiary of the portfolio management company that meets the following two criteria :

- Its registered office is not located in, or the subsidiary or branch office does not operate in, states or territories whose legislation is recognised as being inadequate, or whose practices are considered a hindrance to combating the laundering of capital and the financing of terrorism, by the international body for concertation and coordination of the fight against money laundering ;

- It has taken measures to prevent money laundering and combat terrorist financing, as specified in Article L. 563-3 of the Financial and Monetary Code.

2° "marketer" means any person or entity that places units of securitisation funds with investors.

Article 331-33

The management company shall exercise constant vigilance and shall have an appropriate organisational structure and internal procedures to comply with Title VI of Book V of the Financial and Monetary Code and its implementing regulations. It shall adopt written internal rules describing the procedures to be followed and the steps to be taken in order to, *inter alia* :

1° identify and verify the identity of the investor and the beneficial owner before entering into a contractual relationship ;

2° examine any unusually complex transaction that appears to have no economic justification ;

3° report suspicions concerning amounts or transactions as required by Article L. 562-2 of the Financial and Monetary Code to the authority stipulated in Article L. 562-4 of the same Code ;

4° keep written records of the due diligence measures it has put in place.

Article 331-34

The methods and procedures for the measures described in the internal rules referred to in Article 331-33 shall be appropriate to the service provided, to the means of providing it, to the nature of the proposed transaction, to the nature and corporate form of the investor, to the status of the investor and, where applicable, to the status of persons acting for their own account or on behalf of others, as well as to the way in which the service is marketed ; in particular :

1° when the portfolio management company receives subscription orders directly from an investor for units or debt securities of a securitisation fund, it shall perform the verifications required under Title VI of Book V of the Financial and Monetary Code and its implementing regulations ;

2° when the management company has no direct relationship with the investor and has entrusted the marketing of the fund to a third party that is a financial institution within the meaning of Article L. 562-1 of the Financial and Monetary Code or an equivalent foreign institution, the management company shall obtain conclusive written evidence of the identity and status of that institution and the existence therein of procedures to prevent money laundering and combat terrorist financing. The management company shall perform the verifications called for in Title VI of Book V of the Financial and Monetary Code and its implementing regulations on subscription and redemption orders received from the third party ;

3° where the management company has no direct relationship with the investor and has entrusted the marketing of the fund to a third party that is not a financial institution within the meaning of Article L. 562-1 of the Financial and Monetary Code or an equivalent foreign institution, but whose registered office is not located in a state or territory whose legislation is recognised as being inadequate, or whose practices are considered a hindrance to combating the laundering of capital and the financing of terrorism, by the international body for concertation and coordination of the fight against money laundering, the management company shall obtain conclusive written evidence of the identity and status of that institution and the existence therein of procedures to prevent money laundering and combat terrorist financing.

The management company shall enter into an agreement with the third party under which the third party is bound to :

a) perform investor due diligence, pursuant to the law of the party's own country, in accordance with the recommendations of the international body for concertation and coordination of the fight against money laundering ;

b) meet any additional obligations to prevent money laundering and combat terrorist financing that the management company may request after conducting its own due diligence.

The third party shall undertake to produce, at the management company's request, all items that the company requires in order to check that the procedures and verifications implemented by the third party are in conformity with its contractual obligations under the aforementioned agreement.

The management company shall perform the verifications called for in Title VI of Book V of the Financial and Monetary Code and its implementing regulations on subscription and redemption orders received from the third party ;

4° when the management company has no direct relationship with the investor and has entrusted the marketing of the fund to a third party that is not a financial institution within the meaning of Article L. 562-1 of the Financial and Monetary Code or an equivalent foreign institution, and whose registered office is located in a state or territory whose legislation is recognised as being inadequate, or whose practices are considered a hindrance to combating the laundering of capital and the financing of terrorism, by the international body for concertation and coordination of the fight against money laundering, the third party shall undertake to send the management company all the information it needs to perform the due diligence called for in Title VI of Book V of the Financial and Monetary Code and its implementing regulations.

In every case, the management company is responsible for compliance with the obligations resulting from Title VI of Book V of the Financial and Monetary Code and its implementing regulations.

Article 331-35

Where a third party is the keeper of the securitisation fund's issuer account or the custody account of the fund's liabilities, or where it centralises subscription orders for units or debt securities of the fund, the management company shall enter into an agreement with this third party calling for it to implement due diligence measures relating to prevention of money laundering and terrorist financing, but only after the management company has verified the identity and status of the third party and ascertained that it is a financial institution within the meaning of Article L. 562-1 of the Financial and Monetary Code or an equivalent foreign institution. If the management company entrusts one or more of these functions to a third party without such status, the third party shall undertake to provide the management company with all the information that the company requires to perform the due diligence called for in Title VI of Book V of the Financial and Monetary Code and its implementing regulations.

Article 331-36

Pursuant to Articles L. 563-1 and L. 563-1-1 of the Financial and Monetary Code and its implementing regulations, the internal rules referred to in Article 331-33 shall describe the procedures and measures to be implemented regarding identification of the investor or the third party that receives subscription requests, in particular verification of that person's identity and financial situation before any units or debt securities of the securitisation fund are subscribed for.

Information gathered on the identity and financial situation of the investor or the third party receiving subscription requests shall be kept up to date.

The management company shall pay particular attention to the identity of persons resident in states or territories whose legislation is recognised as being inadequate, or whose practices are considered a hindrance to combating the laundering of capital and the financing of terrorism, by the international body for concertation and coordination of the fight against money laundering.

Article 331-37

The internal rules shall describe how the management company ensures that its foreign branches or subsidiaries meet the obligations to prevent money laundering and combat terrorist financing set forth in Article L. 563-3 of the Financial and Monetary Code, unless local law bars them from doing so, in which case the management company so informs the body established under Article L. 562-4 of the Financial and Monetary Code.

The management company shall adopt procedures enabling it to meet the provisions of Title VI of Book V of the Financial and Monetary Code and its implementing regulations when the company applies its management strategy.

Article 331-38

The management company shall implement a monitoring system to verify compliance with legal and regulatory requirements relating to the prevention of money laundering and terrorist financing.

Article 331-39

I. - When the management company implements its investment policy or management strategy by acquiring debt claims, it shall perform the verifications required by the provisions of Title VI of Book V of the Financial and Monetary Code and its implementing regulations as regards the party disposing of the claims.

The management company may enter into an agreement with a third party having the status of a financial institution or equivalent foreign institution under which the third party, under the responsibility of the management company, is charged with applying all the due diligence measures required by Title VI of Book V of the Financial and Monetary Code and its implementing regulations as regards the party disposing of the claims.

The third party shall undertake to produce, at the management company's request, all items that the company requires in order to check that the procedures and verifications implemented by the third party are in conformity with its contractual obligations under the aforementioned agreement.

II. - Where the management company implements its investment policy or management strategy for the securitisation fund by entering into contracts constituting derivative financial instruments, it shall assess the risk of money laundering and terrorist financing entailed by such instruments.

In particular, it shall identify any financial instrument issued by entities acting in the form or on behalf of trust funds or other instruments for administering special purpose funds, of which the identity of the settlors or beneficiaries is unknown.

If, in accordance with Articles 331-10 to 331-12, management of a securitisation fund is delegated, the delegation agreement shall provide that the delegatee is bound to apply the due diligence measures specified in the two preceding paragraphs.

Article 331-40

The management company shall adopt staff recruitment procedures enabling it to meet the provisions of Title VI of Book V of the Financial and Monetary Code and its implementing regulations.

At the time of hiring, and regularly thereafter, its staff shall be given information on and training in the obligations relating to the prevention of money laundering and terrorist financing, in particular on applicable regulations and rule amendments, on money laundering techniques, on prevention and detection measures, and on the methods and procedures referred to in Article 331-34.

Persons acting on behalf of the management company shall be made aware of the measures to be taken to ensure compliance with Title VI of Book V of the Financial and Monetary Code and its implementing regulations.

When staff members are seconded, the secondment agreement shall stipulate how the aforementioned obligations are to be met.

Section 2 - Management companies of real estate investment companies

SOUS-SECTION 1 - AUTHORISATIONS

Paragraph 1 - Procedure

Article 331-41

Authorisation of a management company, which is provided for in Article L. 214-67 of the Financial and Monetary Code, shall be subject to prior filing of an application with the AMF containing the elements stipulated in an AMF instruction ;

In the light of this filing and the criteria set forth in Article L. 214-68 of the Financial and Monetary Code, the AMF assesses the organisation and technical and human resources of the management company, the skill, fitness and properness of its senior managers, and the provisions for ensuring transaction security.

The AMF may require the applicant to supply any additional information that it needs to take a decision.

The management company may not conduct any business until the AMF authorises it to do so.

Article 331-42

After authorisation has been issued, the management company informs the AMF immediately of any changes affecting the key elements of its initial filing.

The AMF assesses whether the changes could affect the issued authorisation.

Paragraph 2 - Organisation

Article 331-43

The management company must give sufficient warranties as regards its organisation, its technical and human resources, and the skill, fitness and properness of its senior managers. It must act solely in the interest of investors and must not engage in any activity that could lead to a conflict of interest.

Paragraph 3 - Delegation of powers

Article 331-44

Delegations that have been given are referred to in the documents submitted to the AMF.

1° The following responsibilities may not be delegated :

a) Setting objectives for inflows, the terms and conditions for capital increases, and the terms and conditions for marketing the units ;

b) Selecting property assets for investment and divestment ;

c) Determining the amount of interim dividends ;

d) Setting the issue price for units and establishing the execution price ;

e) Taking decisions on building work, except for routine property management work.

2° The following responsibilities may be delegated solely to management companies of real estate investment companies :

a) Handling legal and administrative aspects of capital increases ;

b) Preparing news bulletins for partners ;

c) Preparing the annual report ;

d) Determining the tax assessment base for partners (tax balance sheet) ;

e) Deciding to undertake maintenance work ;

f) Managing free cash ;

g) Monitoring receipts and dealing with disputes, if any.

Paragraph 4 - Supervision and revocation of authorisation

Article 331-45

The AMF conducts documentary audits and on-site inspections to monitor compliance with the commitments made in the authorisation application.

Article 331-46

Before the authorisation referred to in Article L. 214-47 of the Financial and Monetary Code is revoked, the management company is asked to explain itself or is given formal notice to remedy the situation at issue.

The AMF shall inform the management company of its decision by letter, stating the grounds for such decision.

If authorisation is revoked, the management company may not pursue its activities, other than those necessary to ensure continuity of day-to-day management of the real estate investment companies for which it is responsible, until such activities are transferred to another management company, as provided in this Article.

The revocation of authorisation of a management company of a real estate investment company takes effect two months after notification thereof.

Where authorisation is revoked, a general meeting is called at each of the real estate investment companies concerned within two months of the revocation decision in order to choose another management company.

SUB-SECTION 2 - CONDUCT OF BUSINESS RULES AND OTHER PROFESSIONAL OBLIGATIONS

Article 331-47

Within six months of the end of its financial year, the management company must send the AMF a copy of its annual financial statements and management report.

Article 331-48

The management company must have an organisational structure and procedures to meet the vigilance and reporting requirements for the prevention of money laundering and terrorist financing, as set forth in Title VI of Book V of the Financial and Monetary Code and its implementing regulations.

Section 3 - Management companies of forestry investment companies

SUB-SECTION 1 - AUTHORISATION

Paragraph 1 - Authorisation

Article 331-49

Authorisation of a management company, which is provided for in Article L. 214-67 of the Financial and Monetary Code, shall be subject to prior filing of an application with the AMF containing the elements stipulated in an AMF instruction.

In the light of this filing and the criteria set forth in Article L. 214-68 of the Financial and Monetary Code, the AMF assesses the organisation and technical and human resources of the management company, the skill, fitness and properness of its senior managers, and the provisions for ensuring transaction security.

The AMF may ask the applicant to supply any additional information that it needs to take a decision.

The management company may not conduct any business until the AMF authorises it to do so.

Article 331-50

Before issuing such authorisation, the AMF seeks the opinion of the Centre National Professionnel de la Propriété Forestière.

Article 331-51

After authorisation has been issued, the management company informs the AMF immediately of any changes affecting the key elements of its initial filing.

The AMF assesses whether the changes could affect the issued authorisation.

Paragraph 2 - Organisation

Article 331-52

The management company must give sufficient warranties as regards its organisation, its technical and human resources, and the skill, fitness and properness of its senior managers.

It must act solely in the interest of investors and must not engage in any activity that could lead to a conflict of interest.

Paragraph 3 - Delegation of powers

Article 331-53

I. - Delegations that have been given are referred to in the documents submitted to the AMF.

The following responsibilities may not be delegated :

1° Setting objectives for inflows, the terms and conditions for capital increases, and the terms and conditions for marketing the units ;

2° Selecting forestry assets for investment, divestment or exchange, such assets being held directly or in the form of ownership units of forest cooperatives or companies formed for the sole purpose of holding woodlands and forests ;

3° Determining the investment strategy for cash or equivalent assets ;

4° Determining management policies and presenting basic management plans, or amendments thereto, for approval by regional forest property centres ;

5° Determining the amount of dividends ;

6° Setting the issue price for units and establishing the execution price ;

7° Taking decisions concerning logging and other work not falling within the scope of approved basic forest management plans.

II. - The following responsibilities may be delegated solely to management companies of forestry investment companies :

1° Handling the legal and administrative aspects of capital increases ;

2° Preparing news bulletins for partners ;

3° Preparing the annual information report for partners ;

4° Determining the tax assessment basis for partners (tax balance sheet) ;

5° Validating the yearly programme of logging and other work falling within the scope of the basic forest management plans ;

6° Monitoring receipts and handling disputes, if any ;

7° Monitoring logging and other work and sales of wood.

III. - Investment management of cash and equivalent assets may be delegated solely to management companies of forestry investment company or to portfolio management companies.

Paragraph 4 - Supervision and revocation of authorisation

Article 331-54

The AMF may at any time conduct documentary audits and on-site inspections to monitor compliance with the commitments made in the authorisation application.

Article 331-55

Before authorisation is revoked, the management company of a forestry investment company is asked to explain itself or is given formal notice to remedy the situation at issue.

The AMF informs the management company of its decision by letter, stating the grounds for such decision.

If authorisation is revoked, the management company may not pursue its activities, other than those necessary to ensure continuity of day-to-day management of the forestry investment companies for which it is responsible, until such activities are transferred to another management company, as provided in this Article.

The revocation of authorisation of a management company of a forestry investment company takes effect two months after notification thereof.

Where authorisation is revoked, a general meeting is called at each of the forestry investment companies concerned within two months of the revocation decision in order to choose another management company.

SUB-SECTION 2 - CONDUCT OF BUSINESS RULES AND OTHER PROFESSIONAL OBLIGATIONS

Article 331-56

A forestry investment company may not place more than 10 % of its liquid assets in the interest-bearing notes (*bons de caisse*) and debt securities of any single issuer.

Article 331-57

The management company must have an organisational structure and procedures to meet the vigilance and reporting requirements for the prevention of money laundering and terrorist financing, as set forth in Title VI of Book V of the Financial and Monetary Code and its implementing regulations.

CHAPTER II - CUSTODY ACCOUNT-KEEPERS

Single section - Rules of conduct and other professional obligations : performance requirements of custody account-keepers

SUB-SECTION 1 - GENERAL PROVISIONS

Paragraph 1 - Obligations relating to the fight against money laundering and financing of terrorism

Article 332-1

A custody account-keeper must have an organisational structure and procedures to meet the vigilance and reporting requirements for the prevention of money laundering and terrorist financing, as set forth in Title VI of Book V of the Financial and Monetary Code and its implementing regulations.

Paragraph 2 - Relations with customers

Article 332-2

The operating principles for customer accounts in financial instruments are set forth in the agreement required by Article 321-69 between the custody account-keeper and the account holder.

This agreement identifies the respective rights and obligations of the parties. It specifies the manner in which the account-holder is provided with statements showing the nature and number of financial instruments held in the account.

Article 332-3

Before a financial instrument account is opened in the name of a natural person, the custody account-keeper verifies that person's identity as well as, if applicable, the identity of the person on whose behalf the customer is acting.

The authorised provider verifies that the customer has the requisite capacity and authority to open such account.

If the customer is a legal person, the provider verifies that the representative of the said legal person is duly empowered to act, either by virtue of being a legal representative of the customer or under a mandate or delegation of powers to the representative. To this end, the provider requests the production of any documents enabling it to verify that the said representative has been duly empowered.

The custody account-keeper may require natural and legal persons subject to the law of another State to present an affidavit of foreign law attesting that the contemplated transactions are lawful under the legislation of that State.

The financial instrument account must mention the items of identification provided by the persons in whose name it is opened and any special provisions or situations affecting the exercise of their rights.

Article 332-4

The custody account-keeper must in all circumstances meet the following obligations :

1° The custody account-keeper does its utmost to safeguard the financial instruments in its custody and, to this end, ensures that all financial instruments and movements affecting them are booked in strict accordance with applicable rules and procedures. The custody account-keeper also does its utmost to facilitate the exercise of rights attached to financial instruments in its custody.

2° The custody account-keeper may not make any use of the financial instruments and attached rights in its custody, nor transfer title thereto, without the express consent of the holder. The custody account-keeper organises its internal procedures to ensure that any movement affecting the financial instruments it holds in custody on behalf of third parties is justified by a properly recorded transaction in a third-party account.

3° The custody account-keeper has an obligation to return any financial instruments entrusted to it.

If such instruments exist only in book-entry form, the custody account-keeper responsible for making those entries transfers the instruments to the custody account-keeper that the account holder designates. Such transfer is carried out as quickly as possible provided the account holder has fulfilled his own obligations.

Subject to the accounting provisions set forth in Article 332-17, the custody account-keeper ensures that the assets of its customers, including those of any collective investment scheme for which it is custodian, are segregated from its own assets on the books of any central securities depositories of which it is a member.

When the custody account-keeper uses the services of an agent, as provided for in Article 332-39, it ensures that the same segregation is made on the books of the agent.

Article 332-5

The custody account-keeper must inform each holder of a financial instrument account as quickly as possible of :

1° Corporate actions requiring a response from the holder ;

2° Items needed for preparing the account holder's tax return ;

3° Events affecting the account holder's rights in respect of the financial instruments in custody, whenever the account-keeper has reason to believe the account holder is unaware of them ;

4° Executed trades or other movements in the financial instruments or cash held in the account holder's name.

However, when the account holder is enrolled in a retirement savings plan and has elected to have certain transactions made repeatedly and systematically on his account, the custody account-keeper may inform the holder of the execution of those transactions once every six months.

The custody account-keeper issues to any account holder that so requests an attestation specifying the nature and number of financial instruments held in the holder's account as well as any particulars thereon. A statement of this kind is sent periodically, at least once a year.

Article 332-6

The custody account-keeper ensures that, barring any legal or regulatory provision to the contrary, any movement of financial instruments affecting the account of an account holder is carried out only on the instruction of that account holder, his representative, or, in certain cases such as inheritances, an authorised third party.

If the holder has entrusted the management of his portfolio to an agent under an investment mandate, the custody account-keeper obtains an attestation signed by both the account holder and the agent, drawn up in accordance with a model specified in an AMF instruction.

Any transaction or event creating new rights or altering the existing rights of an account holder gives rise to a record entry as soon as such rights arise or are modified.

When the transaction consists of a movement of cash or rights and a corresponding movement of financial instruments, both movements are booked at the same time.

Article 332-7

The provisions of Articles 517-4 to 517-15 apply to custody account-keepers.

Paragraph 3 - Resources and procedures

Article 332-8

The custody account-keeper must have resources and procedures that comply with the requirements of this Section. These requirements relate to matters such as human resources, information systems, accounting, customer protection and the compliance and internal control system.

The custody account-keeper must at all times be able to show that these requirements are being met.

Sub-paragraph 1 - Human resources

Article 332-9

A description of the various functions and job positions is drawn up, specifying the skills and qualifications needed for each function or position.

A detailed organisation chart of the custody account-keeping departments is drawn up. It is accompanied by a document describing the role and responsibilities of each of the units identified on the chart.

The custody account-keeper ensures that staff assigned to manage the information system have the skills called for by the quality standards of the information technology (IT) profession.

Article 332-10

An annual training plan is established for staff. It must be suited to their training needs and to the specific function of custody account-keeping of financial instruments.

Pursuant to this plan, all means of training required for proper conduct of the custody account-keeping activities are implemented and evaluated on a regular basis.

Article 332-11

The custody account-keeper aquires adequate human resources to respond to changes in the capital markets and the technological environment as well as to a durable or temporary increase in the volume of business.

Sub-paragraph 2 - Information system resources

Article 332-12

The custody account-keeper has an information processing system suited to its size, its specific characteristics and the volume of transactions that it processes. It has the hardware and software needed to provide the requisite level of performance and security.

Article 332-13

The custody account-keeper has a list of the persons allowed access to its information systems and ensures that all such access is monitored.

All instances of access to the custody account-keeper’s information systems are logged, and a record is kept of the changes to data processing routines resulting from each access.

Article 332-14

The general architecture of the information processing system used for custody account-keeping activities is documented. A list of hardware and software used in the system is drawn up and kept up to date.

Article 332-15

The custody account-keeper checks the quality of information processing on a regular basis. Such quality assessment is based on the criteria specified in the contracts or service agreements between the users and the IT live-production unit. Indicators are developed to measure and monitor the frequency of information processing incidents.

Article 332-16

Both physical and logical security is ensured for all information processing and data exchange systems.

In particular, the custody account-keeper ensures that data centres are physically protected and that access to the information processing systems is rigorously monitored using the means referred to in Article 332-13. A back-up plan is drawn up and appropriate procedures are put in place to ensure business continuity.

Sub-paragraph 3 - Accounting procedures

Article 332-17

The custody account-keeper describes its accounting organisation in an appropriate document.

For the purpose of ascertaining and monitoring the rights of account holders, financial instrument accounts are kept according to the rules of double-entry book-keeping.

The terminology of these accounts and the operating rules applicable to them are specified in an AMF instruction. For purposes of control, this terminology classifies financial instruments belonging to collective investment schemes, to other clients and to the custody account-keeper itself into distinct categories.

Article 332-18

An ordinary individual financial instrument account shall not be in debit on the settlement date of any instrument sold therefrom.

The custody account-keeper shall establish procedures to :

1° identify any trade or disposal that could lead to a debit balance on the financial instrument account at the settlement date ;

2° preventing the occurrence of such debit balance.

Article 332-19

Transactions are recorded on the books of account as soon as the custody account-keeper has knowledge of them.

Article 332-20

When transactions remain to be confirmed between the custody account-keeper and its counterparties, the corresponding commitments are recorded in off-book entries if they do not give rise to entries on the books of account.

Article 332-21

The accounting department provides all information needed to manage the settlement of transactions.

Article 332-22

Every book entry is justified either by

1° a written document, or by

2° unalterable electronic data.

Article 332-23

In respect of holders of accounts in administered registered financial instruments, the authorised intermediary serving as custody account-keeper is at all times able to show that the book entries for such holdings correspond exactly to those on the books of the issuing entity.

A daily record is kept of changes in registered owner that have not been transmitted to the central depository within the required time limit and are still to be transmitted.

Article 332-24

Processing procedures are organised in such a way as to ensure complete entry, reliability and safeguarding of basic data, in particular data relating to account holders, financial instruments held in custody, counterparties and corporate actions and events affecting such instruments.

Article 332-25

The processing system is able to produce the following documents for each of the financial instruments held in custody :

1° record of movements in the financial instruments ;

2° record of financial instrument accounts opened under all classes of the chart of accounts.

These records are retained for the period required by applicable regulations.

Article 332-26

Data relating to customers and the transactions they make is treated and safeguarded in accordance with the obligation of professional secrecy set forth in Article 321-33.

Article 332-27

The custody account-keeper establishes an audit trail linking the cash and securities entries corresponding to a given transaction, by means of either common references or rules of administration.

Article 332-28

The accounting system for financial instruments is designed to provide evidence of the overall balance in each financial instrument on the basis of the balances in each holder's account and the balances on transactions in progress (balance audit trail) and to allow reconstruction of each balance from the detailed transactions that gave rise to it (book entry audit trail).

Such justifications may be performed on a daily basis.

Article 332-29

The accounting system for financial instruments is organised to enable verification of the accuracy of the processing procedures.

For each financial instrument, the following are checked daily :

1° Equality between the total of all credit entries to accounts and the total of all debit entries ;

2° Balance between accounts with credit balances and accounts with debit balances.

The accounting system for financial instruments is also organised to enable verification of the data by means of appropriate procedures.

Article 332-30

The accounting system for financial instruments implements procedures for ongoing verification of the accuracy of available asset account balances, with the aid of documentation of the corresponding assets provided by the central depository, the custody account-keepers having custody of the financial instruments, and the legal persons that issued them by means of a public offer of securities. Any discrepancy is substantiated.

Article 332-31

The date on which receipt or delivery of financial instruments is normally expected is recorded. The recorded date takes into account the specific characteristics of cross-border transactions.

For all of the financial instruments concerned, a report on net fails in financial instruments and in cash is provided daily to the department with operating responsibility for counterparty payment and settlement transactions.

For the purposes of this Article, net fails include :

1° Transactions that have not been agreed within the scheduled time period.

2° Pending deliveries and payments relating to transactions that have been "agreed" with the counterparties but have not been completed within the scheduled time period.

The report on net fails is broken down by counterparty, and each line of the report shows the originally scheduled settlement date.

Confirmation by the counterparties of identified net fails in financial instruments or in cash is sought on a regular basis.

Sub-paragraph 4 - Customer services and investor protection

Article 332-32

Delivery of financial instruments subsequent to a transaction made by an authorised service provider for its own account, whether or not in relation to transactions made by its customers, is subject to systematic checking of availability from the service provider’s own account so that no use is made of financial instruments recorded in the name of third parties. If sufficient financial instruments are not available in that account, the custody account-keeper must resort to borrowing the instruments in question.

Article 332-33

Whenever the custody account-keeper resorts to borrowing financial instruments as provided for in Article 332-32, it ensures that the financial instruments in question are received not later than the day on which those instruments are to be withdrawn from the available asset account for the purpose of making the delivery mentioned in that Article.

When the borrowed financial instruments are to be returned, the custody account-keeper ensures that it holds a sufficient quantity of financial instruments in its own account before doing so.

Article 332-34

Any movement of financial instruments in custody that is not completed within the time limits set by the market rules or the rules of payment and settlement systems is detected immediately by the information system and brought to the attention of the relevant department in order to bring the situation into compliance with requirements.

Article 332-35

Where an expected delivery of financial instruments is not received by the scheduled date, the custody account-keeper contacts the counterparty as soon as possible to claim the financial instruments in question.

Concomitantly, the missing quantity of financial instruments in custody is reconstituted either by borrowing or, if need be, by purchase, according to the terms and conditions set forth in the market rules or the rules of the payment and settlement system in question or according to the contract provisions agreed with the account holder.

Article 332-36

Whenever a customer is notified of the terms on which his stock market order has been executed, the notice shall include details of fees or commissions charged by the service providers involved including the account-keeper.

For transactions in foreign currencies, the price at which the foreign currency order was executed, the amount of fees charged in foreign currency, and the exchange rate at which the transaction was booked are indicated.

Article 332-37

The authorised provider entrusted with centralising payment of dividends reinvestable in shares ensures, in concert with the issuing entity, ensures that defined procedures for payment of coupons are in place when the operation begins and are communicated to those shareholders that :

1° Do not wish to reinvest in shares (indicate whether immediate payment is an option, as opposed to payment at a later date) ;

2° Have not sent in their response during the option period (official payment date).

Amounts corresponding to payments received by the service provider for the account of a customer, in particular dividends without a reinvestment option, interest on debt securities and repayments of principal, are credited to the customer’s cash account as soon as the funds in question have become available to the custody account-keeper.

Article 332-38

The custody account-keeper transmits shareholders’ requests for preparatory documents in advance of a general meeting to the issuer, or itself makes such documents available to the shareholders, provided that the issuer has met its contractual obligations in this regard to the custody account-keeper.

Sub-paragraph 5 - Relations with other service providers

Article 332-39

The custody account-keeper may appoint another entity as its agent for performing all or part of the tasks related to its custodial activity. When the custody account-keeper appointing an agent is not an issuing entity, such agent must be another custody account-keeper.

A custodial agency agreement is drawn up between the two parties (principal and agent). This agency agreement specifies, *inter alia* :

1° The tasks entrusted to the agent ;

2° The respective responsibilities of the principal and the agent ;

3° The procedures to be implemented by the principal to ensure oversight of the operations carried out by the agent.

Where an agent is responsible for keeping the client accounts of the principal on an individual basis, that agent shall ensure that the principal is following the procedures established pursuant to the second sub-paragraph of Article 332-18. If the agent finds that these procedures have not been implemented, it shall not proceed with settlement.

However, if the agent is unable to prevent completion of settlement because of technical factors relating to the operation of the settlement system, it shall ensure that no financial instrument belonging to clients is used for such purpose without the express agreement of those clients as called for in point 2° of Article 332-4.

Article 332-40

The custody account-keeper may, simultaneously with a custodial agency agreement or independently of such agreement, engage a third party to provide it with technical resources.

Article 332-41

When the custody account-keeper appoints an agent or engages a third party as described in Articles 332-39 and 332-40, it conducts an assessment of the resources and procedures employed and the risks incurred. This assessment is available for review by the AMF.

The liability of the custody account-keeper to the holder of a financial-instrument account is not affected by the appointment of another custody account-keeper as agent or by the engagement of a third party to provide technical resources.

However, when a custody account-keeper holds financial instruments issued under foreign law in custody for the account of a qualified investor as defined by applicable law and regulations, the custody account-keeper may agree to share liability with that investor.

Article 332-42

Relations between the custody account-keeper and the service providers assuming the functions of broker-dealer or clearer for the same investor are governed by conventions or contracts that specify the obligations of each party, so that any disputes over settlement or adjustment of securities transactions can be resolved as efficiently as possible.

Article 332-43

Risks relating to the implementation of payment and settlement processes for financial instruments must be assessed.

Article 332-44

When, on the instruction of an account holder, the custody account-keeper is to transfer a portfolio of financial instruments to another custody account-keeper, under the terms set forth in point 3° of Article 332-4, it provides as quickly as possible to the new custody account-keeper all the information needed by the latter, in particular information relating to the precise identification of the account holders concerned and the figures needed to fill out tax returns.

Article 332-45

The security of financial instruments held in custody outside France, for the account of customers and through the medium of an agent as referred to in Article 332-39, is ensured by a signed agreement between the custody account-keeper and the agent. This agreement specifies or provides for, *inter alia* :

1° The terms and conditions under which account(s) will be kept in the name of the custody account-keeper on the books of the agent ;

2° The obligation of the agent to provide as quickly as possible all information relating to movements on the account(s) of the custody account-keeper, as well as periodic reports on the financial instruments on deposit ;

3° Implementation of the requirement mentioned in the seventh paragraph of Article 332-4 (segregation) ;

4° Observance of local practices.

Sub-paragraph 6 - Control of the custody account-keeping activity

Article 332-46

The investment services supervisor ensures that the custody account-keeper complies with applicable regulations.

The supervisor ensures the quality of procedures specific to custody account-keeping and the reliability of the tools used for monitoring and managing that activity.

The supervisor has regularly updated documentation describing the departmental organisation, operating procedures and all risks incurred by carrying on the account-keeping activity.

The supervisor is able to view the main internal management reports and is a recipient of anomaly reports and complaints lodged by customers or trade partners, in particular those relating to malfunctions and possible breaches of professional ethics.

Article 332-47

The investment services supervisor organises the control of the custody account-keeping activity so as to distinguish between :

1° Measures that ensure day-to-day control of operations ;

2° Measures that, by means of recurring or unannounced inspections and detailed audits of operating procedures, ensure the consistency and effectiveness of the operating controls.

Article 332-48

The investment services supervisor is associated with the validation of any new accounting framework and reviews the updating of the chart of accounts.

Article 332-49

The investment services supervisor ensures that there is ongoing monitoring of counterparty risks, both credit risks and transaction risks. The supervisor verifies that secure relations with counterparties are underpinned if necessary by the signed conventions or contracts referred to in Article 332-42.

Article 332-50

The investment services supervisor establishes rules for supervision of positions deemed sensitive in regard to the continuity and integrity of processing or the confidentiality of transactions.

Article 332-51

The investment services supervisor ensures that procedures exist to guarantee that customer instructions are followed and that corporate actions in financial instruments are carried out properly as regards both timely execution and updating of financial-instrument and cash accounts.

Article 332-52

The investment services supervisor ensures the effectiveness of forward-looking procedures intended to manage flows in financial instruments and cash and thereby prevent net fails and violations of the requirements of point 2° of Article 332-4.

In the event that net fails nevertheless occur, the investment services supervisor monitors the status of such net fails and the time required to clear them.

Sub-paragraph 7 - Provisions relating to sale and redemption of financial instruments

Article 332-53

The custody account-keeper shall see to it that the following provision is implemented: if any French shares sold are not credited to the seller's account on the order execution date, the seller shall be liable to the buyer for compensation equal to the amount of any dividends paid on the shares during the period from the order execution date to the settlement date.

Article 332-54

Service providers that hold, in the name of their customers, financial instruments issued by a French entity that are redeemable by random draw, must communicate to each depositor, before the drawing, the certificate, series, or tranche numbers of the instruments held in the depositor's account.

Service providers retain, in the name of each customer, copies of the statements called for in the preceding sentence and the notices informing the depositor that financial instruments held in the depositor's account have been redeemed by random draw.

SUB-SECTION 2 - PROVISIONS GOVERNING DOMICILIATION OF NEGOTIABLE DEBT SECURITIES AND TREASURY BILLS

Article 332-55

Before any issue of negotiable debt securities *(titres de créances négociables)*, a written agreement is concluded between the issuer and a domiciling institution responsible for ensuring the regularity of the conditions of issue.

Authorised domiciling institutions are those indicated in the ministerial order implementing Decree 92-137 of 13 February 1992 and the implementing regulations therefor.

The domiciling institution is responsible for, *inter alia*, ensuring that the amount of the issue corresponds exactly to the instructions received from the issuer. It must report the characteristics of the issue to the issuer in the manner specified by the aforementioned agreement.

The domiciling institution acts as transfer and paying agent for the issue and must fulfil the requirements for statistical reporting to the Banque de France set forth in the aforementioned ministerial order and implementing regulations.

Article 332-56

When an issuer decides to have the issuance account for an issue of negotiable debt securities kept at a central depository, the issuer informs the central depository as to which domiciling institution the issuer has appointed to transmit its instructions. The central depository opens a separate account for each issue. The central depository is responsible for ensuring that the number of securities issued is equal to the number of securities recorded on its books in the names of the custody account-keepers.

Article 332-57

When an issuer decides not to have the issuance account for an issue of negotiable debt securities kept at a central depository, its domiciling institution is responsible for ensuring that the number of securities issued is equal to the number of securities recorded on its books in the names of the other custody account-keepers.

Article 332-58

Only the provisions set forth in Articles 332-55 and 332-56 apply to Treasury bills.

SUB-SECTION 3 - PROVISIONS GOVERNING ADMINISTRATION OF REGISTERED FINANCIAL INSTRUMENTS

Paragraph 1 - General provisions

Article 332-59

In accordance with point 1° of Article L. 542-1 of the Financial and Monetary Code, legal entities that issue financial instruments by means of a public offer are authorised to engage in the activity of custody account-keeping for those financial instruments.

The term "pure registered financial instrument" *(instrument financier nominatif pur)* means a registered financial instrument that is administered by the issuer.

The term "administered registered financial instrument" *(instrument financier nominatif administré)* means a registered financial instrument that is administered by a custody account-keeper other than the issuer. This intermediary records the assets corresponding to the financial instruments recorded on the issuer's books in individual accounts identical to those kept by the issuer.

Article 332-60

When a holder of registered financial instruments elects to entrust the administration of those instruments to an authorised intermediary, as allowed by Article 4 of Decree 83-359 of 2 May 1983, the holder enters into an agency agreement with the intermediary that conforms to a model specified in an AMF instruction. The authorised intermediary notifies the issuer of such agency agreement.

When an agency agreement for administration by an authorised intermediary is terminated, that intermediary duly informs the issuer of such termination.

Article 332-61

Issuing entities keep separate books of account for each class of securities they have issued.

These books of account record pure registered financial instruments so as to distinguish them from administered registered financial instruments, as defined in Article 332-59.

A general ledger with entries made in chronological order records all transactions involving each class of financial instruments issued.

A general account opened for each issue under the heading "Issue of Registered Financial Instruments" records, on the debit side, all registered financial instruments issued by the issuer.

The corresponding credits appear in the individual accounts of holders of pure and administered registered financial instruments as well as the various accounts of registered financial instruments awaiting transfer.

Article 332-62

Recognition for the benefit of holders of rights detached from registered financial instruments is made exclusively by the custody account-keepers of administered registered financial instruments when the relevant instruments are of the administered registered type, and exclusively by the issuing entities when the relevant instruments are of the pure registered type.

Such rights are in "bearer" form if they arise from administered registered financial instruments and in "pure registered" form if they arise from pure registered financial instruments.

Regardless of the form in which they are recorded, such rights circulate in bearer form.

Article 332-63

The current accounts of issuers at the central depository for the issue record holdings of the issuer's instruments in the form of pure registered financial instruments.

The current accounts of authorised intermediaries at the central depository for the issue record separately the assets of holders of financial instruments held in bearer form and in administered registered form.

Current accounts at the central depository for the issue in financial instruments that exist exclusively in registered form, available only to investment service providers authorised to execute orders for third parties or to trade for their own account, record movements in financial instruments resulting from transactions carried out by those intermediaries on a regulated market.

Article 332-64

In the event of a change in ownership of administered registered financial instruments, a change in mode of account administration, or any other change affecting an entry in the account of a holder of an administered registered financial instrument, each custody account-keeper concerned by such change prepares the registered instrument message in the holder's name mentioned in the first paragraph of Article L. 431-1 of the Financial and Monetary Code and, if applicable, proceeds with the agreed payment and delivery of financial instruments.

When a holder of registered financial instruments instructs a custody account-keeper to manage the account he has opened with an issuer whose financial instruments are admitted to the operations of a central depository, that issuer prepares a registered instrument message. When it keeps an administration account, the custody account-keeper alone is authorised to receive orders from the holder for the instrument in question ; accordingly, it draws up the registered instrument messages as specified in the preceding sentence.

A registered instrument message is evidenced by a set of computerized data, prepared in conformity with the standards set by an AMF instruction and intended for electronic transmission.

Article 332-65

In the event of a change in ownership of an administered registered financial instrument following execution of a stock market order from the holder, the custody account-keeper concerned sends the registered instrument message to the central depository not later than the second trading day following the order execution date. The central depository in turn sends the registered instrument message to the issuer not later than the following trading day, specifying the date on which it recorded the message.

Not later than the trading day following receipt of the registered instrument message, the issuer updates its accounting records. Not later than the second trading day following receipt of the registered instrument message, the issuer sends the message back to the central depository. The depository sends the registered instrument message to the intermediary concerned not later than the trading day after it received it.

The date of the movements recorded by the issuer in its accounts is the date specified by the central depository and mentioned in the first paragraph above.

Article 332-66

The custody account-keeper responsible for preparing a registered instrument message subsequent to a change in mode of administration of the account of a financial instrument holder sends the registered instrument message to the central depository not later than the second trading day following the date on which it recorded the change in the holder's account on its books. The central depository sends the registered instrument message to the custody account-keeper concerned not later than the trading day after it received it.

Article 332-67

Registered instrument messages circulate via central depositories.

The operating rules and implementing instructions of central depositories establish the technical standards that determine the data content of registered instrument messages and organise the circulation thereof.

Article 332-68

The operating rules establish the penalties to which custody account-keepers and issuers are subject if registered instrument messages are not prepared within the required time limits. The rules consequently specify the time limits and the amounts of the penalties for failing to meet them. Depending on the specific technical constraints associated with delivery and settlement procedures and future changes thereto, the rules may provide for time limits longer than those referred to in Article 332-65, up to the maximum time limits set in Articles 332-69 and 332-70.

Article 332-69

When there has been a change of holder of an administered registered financial instrument following execution of a stock market order by that holder, and the intermediary custody account-keeper concerned has received the order and transmitted it to a trader or executed the order itself, the time limit for the custody account-keeper to avoid the penalty may not exceed three trading days following the order execution date.

When there has been a change of holder of an administered registered financial instrument following execution of a stock market order by that holder, and the intermediary custody account-keeper concerned has provided neither reception-transmission nor execution service for that order, the time limit for the custody account-keeper to avoid the penalty may not exceed three trading days following the theoretical date for closing the transaction on its books.

Article 332-70

For the issuing entity that receives the registered instrument message referred to in Article 332-64, the time limit for avoiding the penalty may not exceed three trading days following the record date mentioned in the first paragraph of Article 332-65.

Article 332-71

If a registered instrument message is rejected by an issuing entity and the intermediary custody account-keeper must send a corrected message, the time limit for the custody account-keeper to avoid the penalty for late sending of the corrected message may not exceed seven trading days following the record date of the rejection at the central depository.

Article 332-72

For any registered instrument message not referred to in Articles 332-65 and 332-66 for which the sending deadline is not dictated by the terms and conditions of a collective transaction in financial instruments, the time limit for the intermediary custody account-keeper to avoid the late sending penalty may not exceed three trading days following the date of the event giving rise to the message as indicated on the message itself.

The time limit for the issuing entity receiving the message to avoid the penalty may not exceed three trading days following the record date mentioned in the first paragraph of Article 332-65.

Paragraph 2 - Provisions of these performance requirements applicable to entities making public offers of financial instruments and recording such instruments in pure registered accounts

Article 332-73

The line reporting relationship of the departments responsible for the custody account-keeping function is shown on the general organisation chart of an issuer of financial instruments offered to the public in pure registered form.

Article 332-74

In compliance with Article 332-18, procedures must be established to identify transactions that result in a debit balance in the account of a holder of pure registered financial instruments and could not be prevented prior to accounting treatment.

If the account of a holder of pure registered financial instruments shows a debit balance, a procedure to rectify the situation is implemented as soon as possible.

Article 332-75

Processing procedures are organised in such a way as to ensure the recording of registered instrument messages by name in chronological order as well as the complete entry, reliability and safeguarding of basic data, in particular data relating to account holders, financial instruments held, intermediaries and corporate actions affecting securities.

Article 332-76

In accordance with Article 332-26, data relating to holders of pure registered financial instruments and the transactions they make is treated and safeguarded in compliance with the obligation of professional secrecy set forth in applicable regulations.

Article 332-77

In accordance with Article 332-28, the accounting system for financial instruments is designed to provide justification of the overall balance in each financial instrument based on the balances of each holder of pure registered financial instruments and the balance of pending transactions (balance audit trail) and to allow reconstruction of each balance from the detailed transactions that gave rise to it (book entry audit trail). Such justifications may be done on a daily basis.

Article 332-78

A report of net fails at the custody account-keeper is provided monthly to the supervisor referred to in Article 332-84.

The net fails referred to in Article 332-31 are transactions rejected by the custody account-keeper and not rectified by the intermediaries. Such transactions include :

1° Trades in a financial instrument that is issuer-registered *(essentiellement nominative)* ;

2° Changes relating to the identity of the holder ;

3° Transfers, disposals, and corrections of account headings ;

4° Miscellaneous transactions in financial instruments ;

5° Portfolio transfers.

The report on net fails is broken down by counterparty, and each line of the report shows the accounting reference for the transaction.

All net fails are rectified as soon as possible.

If need be, the issuer/custody account-keeper and the intermediaries implement a bilateral reconciliation procedure in order to resolve net fails.

Article 332-79

Before making any entry on its books in the name of a new holder of pure registered financial instruments, the custody account-keeper :

1° Verifies the identity of the new holder ;

2° Ensures that the prospective holder is legally entitled and qualified to open the account ;

3° When the prospective holder is a legal person rather than a natural person, verifies that the representative of such legal person has the capacity to act on its behalf, either as its legal representative or under a delegation of authority or power of attorney ; to this effect, the custody account-keeper requests the production of any document enabling it to verify the authorization or designation of the representative.

4° Enters into an account opening agreement with the holder.

Article 332-80

The account opening agreement referred to in Article 321-69 specifies :

1° The identity of the holder of pure registered financial instruments ;

2° If a legal person, the means by which the custody account-keeper is kept informed of the name(s) of the person(s) authorised to act in the name of the said legal person ;

3° If a natural person, an indication of whether such person is a resident of France, a resident of another State party to the European Economic Area agreement, or a resident of a third country ; and, if applicable, the identity of any person(s) authorised to act in the name of the said natural person ;

4° If an order reception and transmission service is to be provided to the holder, the characteristics of orders that may be directed to the custody account-keeper ; the method by which orders will be received and transmitted ; the means by which the holder will be informed when transmission of the order could not be completed ; and upon execution of the order, the content of the notice to the holder and the means by which the notice will be sent ;

5° The means by which the holder will be informed of movements recorded in the holder's account.

Article 332-81

Whenever a stock market order is received from a holder of pure registered financial instruments, the custody account-keeper, before transmitting that order for execution on the market, verifies that the conditions necessary for executing it are effectively fulfilled. In particular, there must be :

1° For a purchase of securities, a sufficient cash balance or, failing that, sufficient overdraft cover ;

2° For a sale of securities, a sufficient balance of the securities to be sold.

Article 332-82

When, on the instruction of an account holder, the custody account-keeper is to transfer a portfolio of pure registered financial instruments to another custody account-keeper, under the conditions set forth in point 3° of Article 332-4, it provides to the new custody account-keeper as quickly as possible all the information needed by the latter, such as information relating to the precise identification of the account holders concerned and the figures required for tax returns, in particular information on the cost basis for tax purposes.

Article 332-83

Whenever an issuer has recourse to an agent, pursuant to Article 332-39, and decides to change agents, the issuer sees to it that the new agent makes arrangements with the agent it replaces for the effective transfer of archived records concerning the issuer.

Article 332-84

The custody account-keeper designates by name a person responsible for ensuring compliance with the rules governing the conduct of custody account-keeping and, if applicable, order reception and transmission service. This supervisor performs the functions provided for in Articles 332-46 to 332-52.

The role of the supervisor includes, *inter alia*, identifying the applicable rules mentioned in the preceding paragraph, compiling a collection of all these rules, disseminating these rules to the staff members involved, monitoring compliance with these rules, and providing assistance in these matters to staff members on an as-needed basis, independently of audit engagements.

The supervisor has appropriate autonomy of decision. The human and technical resources at the supervisor's disposal are sufficient to accomplish his mission and suited to the nature and volume of the activities conducted.

Each year the supervisor prepares a report containing a description of the supervisory organisation, a list of tasks carried out in performance of his mission, any observations he has seen fit to make, and a description of measures adopted to follow up on his remarks. This report is transmitted to the management of the custody account-keeper and to the executive body of the issuer.

The supervisor does everything necessary to establish and implement specific procedures and tools for monitoring and managing the custody account-keeping activity. He satisfies himself that these procedures and tools are effective and reliable.

The supervisor ensures that the departments in charge of processes related to financial instrument delivery receive on a timely basis all the information needed to complete the transactions properly. In the event of net fails, the investment services supervisor monitors the status of such transactions and the time needed to clear them.

SUB-SECTION 4 - PROVISIONS RELATING TO CUSTODY ACCOUNT-KEEPING IN CONNECTION WITH AN EMPLOYEE SAVINGS SCHEME

Article 332-85

This Sub-section concerns custody account-keeping for UCITS units or shares acquired in connection with an employee savings scheme. It also concerns other financial instruments acquired as part of such a scheme.

For the purposes of this Sub-section,

1° "Units" mean units or shares of UCITS offered as part of an employee savings scheme ;

2° "Funds" mean the UCITS whose units or shares are offered as part an employee savings scheme ;

3° "Holders" mean the beneficiaries of an employee savings scheme ;

4° "Management companies" mean portfolio management companies and open-end investment companies that have not delegated the management of their assets.

Paragraph 1 - Account opening agreement

Article 332-86

Before opening a financial instrument account for an employee savings scheme, the custody account-keeper verifies the identity of the employing entity (the "employer") and the validity of the power accorded to its representative.

The account opening agreement referred to in Article 332-2 is drawn up, subject to the provisions of the third paragraph, between the employer that has set up a savings scheme for its employees and other holders and the custody account-keeper specified in the savings plan or participation agreement.

Whenever, in connection with an employee savings scheme, the employer is itself an issuing entity that performs custody account-keeping and keeps accounts on holders of pure registered financial instruments, it is not required to enter into an account opening agreement with such holders or to have its agent enter into such an agreement.

Article 332-87

Before opening the individual accounts referred to in Article 332-89, the custody account-keeper asks the employer or the agent that maintains the employer's register of administrative rights (hereinafter the "registrar") to send it the list of beneficiaries of the employee savings scheme. Failing provision of such list, accounts are not opened.

Article 332-88

The account opening agreement stipulates :

1° The mode of transmission of deposit, redemption and transfer orders as well as orders to change investment choices, and the role of the custody account-keeper as regards order execution.

Orders are transmitted directly to the custody account-keeper when it is the employer's agent for receiving and checking the authenticity of orders, or via the employer's intermediary, in which case the intermediary is responsible for checking order authenticity.

2° The procedures for updating individual information on holders, including holders leaving the employer, and the processing associated with loss of employee status. The agreement provides that a holder who loses employee status remains covered by this agreement or by any other agreement that subsequently takes its place.

3° The role of the custody account-keeper in providing information to the employer and the holders and the manner in which such information is to be provided, without prejudice to the legal and regulatory provisions regarding the employer's responsibilities for disclosure to holders. Such information concerns the investment of savings plan assets and deposits, transactions in financial instruments, changes of custody account-keeper, individual transfers, changes of holders' asset allocations, and other individual transactions by holders.

The custody account-keeper, if it is not also the registrar, reaches agreement with the registrar on procedures for sending holders statements showing the nature and number of financial instruments held in their account, as required in Article R. 443-5 of the Labour Code and in Article 332-5.

4° The amount, frequency and means of payment of fees payable by the employer and the holder.

5° The extent of the custody account-keeper's right of use in regard to holders' personal records on file.

6° The existence of agreements governing the custody account-keeper's relations with the other parties concerned in the employee savings scheme, as provided for in Articles 332-91 to 332-93.

7° The time limits for redemptions by the holder, unless specified by regulation or fund by-laws.

8° The time limits for investment of amounts deposited for the account of holders. These time limits run from receipt of the information on fund allocation and the corresponding cash flow by the custody account-keeper.

Paragraph 2 - Accounts

Article 332-89

The account-keeper keeps an account of fund units in the name of each holder. As required by Article 332-3, this account indicates the items of identification supplied for the holder in whose name it was opened and any specific circumstances affecting the exercise of that holder's rights. These items of identification and specific indications are transmitted by the employer.

Two accounts kept in the name of the same holder may not be merged except upon formal request by the employer.

A holder's account may not be closed unless all of the assets held in it have been liquidated and no further rights are receivable.

The account-keeper also keeps "pending transaction" accounts for the purpose of receiving amounts paid in by the employer or holders and booking amounts payable to holders.

Article 332-90

When, pursuant to Article 332-40, a custody account-keeper engages a third party to provide technical resources, the custody account-keeper ensures that the third party implements the provisions of this Sub-section.

When the custody account-keeper engages a third party to make the accounting entries relating to holders, the custody account-keeper is not required to duplicate those entries in its own information system.

When, pursuant to Article 332-39, an open-end investment company (SICAV), acting as custody account-keeper, keeps accounts on holders of pure registered instruments and appoints an agent for this purpose, the investment company ensures that the agent implements the provisions of this Sub-section.

In accordance with Article 332-41 :

1° The custody account-keeper mentioned in the first paragraph does not shed its responsibilities towards the employer and the holders when a third party provides resources to it.

2° The investment company mentioned in the third paragraph does not shed its responsibilities towards the employer and the holders when it appoints an agent to perform custody account-keeping.

Paragraph 3 - Relations between the custody account-keeper and the other parties concerned in an employee savings scheme

Article 332-91

The custody account-keeper enters into an agreement with the management company and the entity that keeps the account of fund units issued. This agreement stipulates the information exchanges that will permit or enable :

1° The management company to make investments or divestments in the funds ;

2° The custody account-keeper to record the number of units held by each employee, once the net asset values of the funds have been communicated to it by the management company ;

3° The entity keeping the unit issuance account to create or cancel units and, if necessary, reconcile the difference between the number of units transmitted by the custody account-keeper and the number indicated on its books.

Article 332-92

If the custody account-keeper is not the fund custodian, it enters into an agreement with the custodian stipulating the information exchanges that will enable :

1° The custody account-keeper and the fund custodian to organise flows of payments so as to comply with the settlement time limits specified in the account opening agreement or set by regulations or fund by-laws ;

2° The fund custodian to receive the information needed to perform its oversight role.

Article 332-93

When, in compliance with applicable regulations, the custody account-keeper is to make a transfer of units or cash held by a holder by or by all holders collectively to another custody account-keeper, it provides to the new custody account-keeper as quickly as possible, and not later than such transfer, all information needed by the latter, such as information relating to the precise identification of the account holders concerned and the figures required for tax returns, in particular information on the cost basis for tax purposes.

Paragraph 4 - Deposit and redemption transactions, changes to investment choices, and individual holder transfers

Sub-paragraph 1 - Deposits

Article 332-94

The custody account-keeper provides the bank routing and account numbers *(relevés d'identité bancaire)* of the "pending transaction" account(s) referred to in Article 332-89 to the employer and receives deposits to this (these) account(s).

Upon receipt of instructions for allocating the amounts deposited by holder and by fund, and after confirming receipt of the corresponding amounts in the pending transaction account concerned, the custody account-keeper debits that account and credits the fund accounts at the next net asset value date. It informs the management company that it has done so. At the same time, it calculates the number of individual units on the basis of the net asset value(s) provided by the management company of the fund(s) concerned and makes the corresponding accounting entries.

The custody account-keeper sends a summary of the subscriptions stated in cash values and units to the custodian, the management company and the entity keeping the unit issuance account.

It sends the transaction details to the holders and to the employer or its registrar.

Article 332-95

If the custody account-keeper has not received allocation instructions by holder and by fund for amounts deposited by the employer, it puts these amounts into the default fund for this purpose as specified by the savings plan or in the participation agreement. The units thereby created ("units pending allocation") are held on behalf of holders by the custody account-keeper in a joint possession account.

Allocation of the units or cash to individual holders takes place only when the employer or its registrar sends the custody account-keeper the information needed for this purpose.

If no default fund is specified, the custody account-keeper keeps the amounts received in cash until it receives allocation instructions.

Sub-paragraph 2 - Redemptions

Article 332-96

When holders decide to make redemptions, the custody account-keeper :

1° Receives the redemption instructions after their authenticity has been verified by the employer or its registrar.

2° Determines, based on the net asset value provided by the management company for each fund, the amounts payable to the holders, or to any beneficiaries taking their place, and debits the holders' accounts by the corresponding numbers of units.

3° Sends a summary of the redemptions stated in cash values and units to the custodian, the management company and the entity keeping the unit issuance account.

4° Sends the transaction details to the holders and to the employer or its registrar.

5° Sends or issues instructions to send the corresponding payments to holders in settlement of their redemptions.

Sub-paragraph 3 - Changes of investment choices

Article 332-97

When holders change their investment choices, the custody account-keeper :

1° Receives holders' instructions to change their choice of investments, after those instructions have been authenticated by the employer or its registrar.

2° Carries out those instructions as a series of redemption and subscription orders, on the terms and conditions specified in the preceding three Articles and taking into account the specific rules and regulations concerning changes of holders' choices of investments under an employee savings scheme.

3° Sends the transaction details to the holders and to the employer or its registrar.

Sub-paragraph 4 - Transfers

Article 332-98

When holders make individual transfers, the custody account-keeper :

1° Receives holders' individual transfer instructions, after those instructions have been authenticated by the employer or its registrar.

2° If necessary, determines the amounts to be transferred, based on the net asset value provided by the management company.

3° Sends a summary of the transfers to the custodian, the management company and the entity keeping the unit issuance account, stating the amounts in cash and in units and the overall balance of units in each fund held by the holders.

4° Sends the new custody account-keeper all the information that it needs and at the same time transfers the assets concerned to the new custody account-keeper.

5° Sends the transaction details to the holders and to the employer or its registrar.

Paragraph 5 - Accounting procedures

Article 332-99

By exception to the provisions of Article 332-17, the custody account-keeper for financial instruments acquired in connection with an employee savings scheme may choose not to keep beneficiaries' accounts according to the principle of double-entry book-keeping, provided it has a specific control procedure that offers equivalent security.

Article 332-100

The justifications mentioned in the first paragraph of Article 332-28 must be capable of being performed upon each valuation of the fund.

At the request of the entity keeping the unit issuance account, the custody account-keeper participates in the process of reconciling the number of units that it holds and the number of units shown in the unit issuance account.

Article 332-101

As part of the control procedures required in Article 332-29, the custody account-keeper verifies, for each fund and upon each valuation :

1° The data on the number of units : the balance of credit and debit transactions on holders' accounts must be equal to the corresponding total number of units recorded for the fund.

2° The data on the amounts debited or credited : the balance of amounts received from and paid to holders must be equal to the balance on the pending transaction accounts and to the total of the corresponding deposits or withdrawals on the account of each fund.

3° The correspondence between the amounts to be credited or debited to a fund account and the number of units created or cancelled.

Article 332-102

The net fails referred to in Article 332-31 mean the following transactions, when not completed within normal time limits :

1° Deposits received and to be allocated to a fund ;

2° Payments to holders ;

3° Various operations at the level of the fund (e.g. merger) ;

4° Account transfers ;

5° Reconciliation of the difference between the number of units transmitted by the custody account-keeper to the entity keeping the unit issuance account and the number shown in that account.

If necessary for the resolution of net fails, the custody account-keeper implements a reconciliation procedure with the various parties concerned (the employer, the management company, the entity keeping the unit issuance account, the registrar, etc.).

CHAPTER III - CUSTODIANS FOR COLLECTIVE INVESTMENT UNDERTAKINGS

CHAPTER IV - CLEARERS

CHAPITRE V - FINANCIAL INVESTMENT ADVISERS

Section 1 - Professional entrance requirements

Article 335-1

Before commencing business, a financial investment adviser shall demonstrate that is has one of the following :

1° a national first-level degree in legal or economic studies, or another degree or credential of the same level ;

2° relevant professional training in carrying out the transactions mentioned in I of Article L. 541-1 of the Financial and Monetary Code ;

3° at least two years' professional experience in positions related to the conduct of transactions in the categories specified in I of Article L. 541-1 of the Financial and Monetary Code, gained during the five years before commencing business.

Article 335-2

For the purposes of this Chapter, each financial investment adviser shall belong to only one of the associations authorised by the AMF to represent and defend the rights and interests of financial investment advisers.

Section 2 - Conduct of business rules

Article 335-3

When establishing a relationship with a new client, the financial investment adviser shall give the client a document including the following references :

1° his status as a financial investment adviser and the registration number assigned to him by the professional association to which he belongs ;

2° the name of the professional association to which he belongs ;

3° where applicable, his status as a direct marketer, his registration number, and the name(s) of the principal(s) for which he acts in this capacity ;

4° where applicable, the name(s) of any institution(s) promoting products mentioned in point 1° of Article L. 341-3 of the Financial and Monetary Code in which he has a material ownership or commercial interest ;

5° where applicable, any other regulated status that he holds.

Article 335-4

Before offering investment advice, the financial investment adviser shall submit a letter of engagement to the client. This letter shall be drawn up in duplicate and signed by both parties.

The letter of engagement shall be drawn up in accordance with a standard agreement drafted by the association to which the financial investment adviser belongs and shall contain, *inter alia*, the following indications :

1° acknowledgment by the client that he has received and read the document mentioned in Article 335-3 ;

2° the nature of and arrangements for the service to be provided, the description of which is suited to the client's status as an individual or legal entity and to his principal characteristics and motivations ;

3° the means by which information is to be given to the client, specifying the special arrangements for reporting on the advisory activity and for updating the information mentioned in points 3° and 4° of Article 335-3 whenever the relationship is expected to be a lasting one ;

4° the terms and conditions of remuneration of the financial investment adviser, specifying the calculation of the fees charged for the advisory service and, where applicable, the existence of any remuneration received from institutions mentioned in point 4° of Article 335-3 in respect of products acquired pursuant to advice given by the adviser.

A signed copy of the letter of engagement shall be remitted to the client.

Article 335-5

Advice to the client shall be formalised in a written report giving reasons for the adviser's proposals and stating the attendant advantages and risks.

The adviser's proposals shall be predicated on :

1° an assessment of the client's financial situation and experience in financial matters ;

2° the client's investment objectives.

These two items shall be set forth in the report in a detailed manner appropriate to the client's status as an individual or legal entity.

Article 335-6

The financial investment adviser shall have resources and written procedures to enable him to prevent, manage and deal with any conflicts of interest that might harm the interests of his client.

Article 335-7

Except with the express agreement of the client, the financial investment adviser shall refrain from disclosing and using for his own benefit or the benefit of another, outside the scope of its engagement, the client-related information that he holds in his professional capacity.

Article 335-8

The financial investment adviser must at all times have resources and procedures appropriate to the conduct of his business, in particular :

1° sufficient technical resources ;

2° secure data storage facilities.

Article 335-9

Where a financial investment adviser employs several persons especially for his advisory activity, he shall adopt an organisational structure and written procedures that enable him to conduct his business in compliance with applicable laws, regulations and ethical provisions.

Article 335-10

I. - The financial investment adviser shall exercise constant vigilance and shall have an appropriate organisational structure and internal procedures to comply with Title VI of Book V of the Financial and Monetary Code and its implementing regulations.

Where he employs several persons especially for his advisory activity, he shall adopt written internal rules describing the procedures mentioned in the preceding paragraph and the steps to be taken in order to, *inter alia* :

1° identify and verify the identity of the investor and the beneficial owner before entering into a contractual relationship ;

2° examine any unusually complex transaction that appears to have no economic justification ;

3° report suspicions concerning amounts or transactions as required by Article L. 562-2 of the Financial and Monetary Code to the authority laid down in Article L. 562-4 of the said Code ;

4° keep written records of the due diligence measures it has put in place.

II. - The financial investment adviser shall appoint a person responsible for monitoring compliance with legal and regulatory requirements relating to the prevention of money laundering. This person shall be responsible, *inter alia*, for the functions mentioned in Articles R. 562-1 and R. 562-2 of the Financial and Monetary Code.

III. - The financial investment adviser shall adopt staff recruitment procedures that enable him to meet the provisions of Title VI of Book V of the Financial and Monetary Code and its implementing regulations.

At the time of hiring, and regularly thereafter, his staff shall be given information on and training in the obligations relating to the prevention of money laundering and terrorist financing, in particular on applicable regulations and rule amendments, on money laundering techniques, on prevention and detection measures, and on the implementation methods and procedures referred to in I above.

Persons acting on behalf of the financial investment adviser shall be made aware of the measures to be taken to ensure compliance with Title VI of Book V of the Financial and Monetary Code and its implementing regulations.

Section 3 - Authorisation of representative associations

SUB-SECTION 1 - AUTHORISATION REQUIREMENT

Article 335-11

The association shall have its registered office in France, and its principal purpose shall be the collective representation and defence of the rights and interests of financial investment advisers.

Article 335-12

The legal representatives of the association shall meet the fitness and properness criteria relevant to their functions.

Article 335-13

The association shall draw up a code of conduct setting forth the professional rules defined in Articles 335-3 to 335-10 as well as the rules for monitoring and oversight of the training programmes called for Article 335-16.

This code shall be submitted for approval by the AMF as professional rules.

Article 335-14

The association shall establish written admission and disciplinary procedures for its members who are financial investment advisers.

The association shall also establish written procedures to monitor members' compliance with applicable laws, regulations and ethical rules.

Article 335-15

The association shall have the staff and technical resources needed to carry out its mission on an ongoing basis.

Its technical resources shall include, *inter alia* :

1° an information processing tool enabling it to update the list of financial investment advisers and transmit it to the AMF ;

2° a data storage facility for the retention of documents, in particular control reports, for five years.

Article 335-16

The association shall seek to ensure that its members' knowledge is kept current by selecting or organising training programmes.

Article 335-17

The association shall be independent of institutions promoting products mentioned in point 1° of Article L. 341-3 of the Financial and Monetary Code.

SUB-SECTION 2 - AUTHORISATION PROCEDURE

Article 335-18

Authorisation of a representative association within the meaning of Article L. 541-4 of the Financial and Monetary Code shall be subject to prior filing of an application with the AMF containing :

1° the articles (*statuts*) of the association ;

2° the name, curriculum vitae and an extract from the judicial record (*casier judiciaire*) or equivalent document for each of the association' legal representatives ;

3° a three-year projected budget for the association ;

4° a draft code of conduct ;

5° the standard letter of engagement for use by members of the association ;

6° a description of the human and technical resources that will enable the association to meet its obligations under this Chapter.

Article 335-19

In deciding whether to issue authorisation to an association, the AMF shall review the application to assess whether the applicant, based on its filing, fulfils the conditions set forth in Articles 335-11 to 335-17. The AMF may ask the applicant to provide any further information it considers necessary to reach its decision.

SUB-SECTION 3 - REPORTING TO THE AMF

Article 335-20

Within six months of the end of the financial year, the association shall send the AMF copies of its balance sheet, income statement and activity report for the year, describing, *inter alia*, the verifications it carried out and the records thereof, and the training programmes that it provided or selected.

Article 335-21

The association shall inform the AMF promptly of any changes in key items in the initial authorisation application, notably concerning its senior management, organisation or supervision.

The AMF shall inform the association in writing of any consequences that such changes may have on the authorisation. Any modification to the code of conduct shall be submitted to the AMF for prior approval.

Article 335-22

The association shall inform the AMF promptly of disciplinary action taken against any of its members and shall make available to the AMF the reports of its verifications.

SUB-SECTION 4 - UPDATING THE DATABASE FILE ON FINANCIAL INVESTMENT ADVISERS

Article 335-23

The association shall take all necessary measures to send the list of its members to the AMF.

It shall ensure that it has fulfilled its obligations under the IT requirements established by the AMF and relating to procedures for transmitting and updating the list of financial investment advisers.

Article 335-24

Acting for and on behalf of its members, the association shall register their direct marketers in accordance with Article L. 341-4 of Financial and Monetary Code and the IT requirements of the Banque de France.

SUB-SECTION 5 - REVOCATION OF AUTORISATION

Article 335-25

The AMF may revoke the authorisation of an association if it no longer meets the conditions of its initial authorisation or a subsequent authorisation, or if it fails to meet commitments undertaken at such time, or when the association has not made use of its authorisation within the past twelve months, or when it has been inactive for at least three months.

Article 335-26

When the AMF is considering revocation, it shall so inform the association and shall tell it the reasons therefor.

The association shall have one month from receipt of such notification to submit any observations it may have.

Article 335-27

When the AMF decides to withdraw an authorisation, the association shall be notified of the AMF's decision by registered letter with return receipt. The AMF shall inform the public of the revocation by means of an online news release posted on its website and placed in newspapers or other publications of its choosing.

The decision shall specify the timetable and method for implementing the revocation.

Pending revocation, the association shall be placed under the supervision of an agent appointed by the AMF. It must inform its members that its authorisation has been revoked.

The agent shall be bound by professional secrecy rules.

Article 335-28

Where an association asks for its authorisation to be revoked, it shall explain the reasons for its request to the AMF and shall specify how it intends to enable its members to continue practising their profession.

CHAPTER VI - DIRECT MARKETERS

CHAPTER VII - INVESTMENT ANALYSTS NOT ASSOCIATED WITH AN INVESTMENT SERVICE PROVIDER

Article 337-1

I. - In implementation of VIII of Article L. 621-7 of the Financial and Monetary Code, this Chapter sets forth :

1° Conduct-of-business conditions for the activity of investment analysts.

2° Rules of conduct for individuals under the authority of investment analysts or acting for their own account.

3° Provisions to ensure independence of evaluations and prevent conflicts of interest.

II. - The investment analysts concerned by this Chapter are persons other than :

1° Investment service providers authorised in France or doing business in France under the right of free establishment,

2° Collective investment undertakings and management companies thereof,

who engage in the activity described in Article L. 544-1 of the Financial and Monetary Code.

Section 1 - Production and dissemination of investment research

Article 337-2

The provisions of Articles 321-37, 321-122, 321-123, point 3° of Article 321-124, Articles 321-125 to 321-127, and 321-129 to 321-135 apply to persons who, without being investment service providers or acting on behalf of an investment service provider, produce and disseminate, as part of their customary profession, analyses of entities making a public offer of financial instruments, with a view to formulating and disseminating an opinion on the foreseeable prospects of such entities and, if applicable, on the foreseeable course of prices of the financial instruments that they issue.

Article 337-3

Whenever a natural or legal person not associated with an investment service provider is subject to the standards of a self-regulatory organisation or to a code of conduct, that person makes reference to such standards or code in the investment research that it disseminates.

Section 2 - Dissemination of investment research produced by third parties

Article 337-4

Whenever a natural or legal person not associated with an investment service provider disseminates under its own responsibility an investment analysis produced by a third party, it provides a clear and prominent indication of its own identity in its report on that analysis.

Article 337-5

Whenever a natural or legal person not associated with an investment service provider substantially modifies an investment analysis produced by a third party in investment research that it disseminates, it provides a clear and detailed indication of the substantial modification that it has made.

When the substantial modification consists in changing the direction of a recommendation (for example, a "Buy" recommendation becomes a "Hold" or "Sell" recommendation, or vice versa), the obligations set forth in Articles 321-125 to 321-127, 321-129, points 1° and 2° of Article 321-130, and Articles 321-134 to 321-135 concerning the producer of the research must be met by the person who disseminates it, to the extent of the modification made by the latter.

Article 337-6

Whenever a natural or legal person not associated with an investment service provider substantially modifies an investment analysis produced by a third party in a research report that it disseminates, by itself or via individuals, it must have a procedure for indicating to recipients of the information where the analysis itself and the identity of the person who produced it can be found, as well as the disclosure of that person's interests or conflicts of interest, if such information has been made public.

Article 337-7

Whenever a natural or legal person not associated with an investment service provider disseminates a summary of a recommendation produced by a third party, it ensures that such summary is clear, is not misleading, mentions the source document and indicates where the public can directly and readily find the disclosures concerning that source document, if such information has been made public.

Article 337-8

When the natural or legal person producing and disseminating investment research in the exercise of its profession or the conduct of its business is a credit institution that is not an investment service provider, or a natural person working under the authority or on behalf of such credit institution, and it disseminates research produced by a third party, such person is bound by the following obligations :

1° It indicates clearly and prominently the name of the regulatory authority with jurisdiction over it.

2° It complies with the requirements imposed on the producer in the fourth paragraph of Article 321-130 and in Articles 321-131 to 321-135, if the producer of the research in question has not previously disseminated it via a channel that gives a large number of people access to the information.

3° It complies with the requirements imposed on the producer in Articles 321-125 to 321-127 and 321-129 to 321-135 if it has substantially modified the analysis.

Article 337-9

An instruction of the AMF specifies how the provisions of this Chapter are to be interpreted, depending on the mode of dissemination and the place of production or the origin of the dissemination.

CHAPTER VIII - DISSEMINATION OF INVESTMENT RESEARCH FROM ABROAD

Single section - Transparency in investment research disseminated from abroad

Article 338-1

The provisions of Articles 321-122, 321-125 to 321-127, 321-129 to 321-132, 321-134 and 321-135, 321-139 and 321-140 shall apply to research disseminated from abroad that is accessible to investors customarily resident or established in France, whenever such research relates to issuers offering financial instruments to the public in France, that is to say :

1° issuers whose financial instruments are admitted to trading on a regulated market within the meaning of Article L. 421-1 of the Financial and Monetary Code, or for which application for admission has been made ; or

2° issuers whose securities are admitted to trading on a multilateral trading facility mentioned in Article 525-1.

CHAPTER IX - INVESTMENT RECOMMENDATIONS PRODUCED OR DISSEMINATED IN CONNECTION WITH A JOURNALISTIC ACTIVITY

Article 339-1

The companies referred to in 1° of Article L. 621-31 of the Financial and Monetary Code that are not members of the association provided for in Article L. 621-32 of the Financial and Monetary Code, as well as professional journalists other than those mentioned in 2° of Article L. 621-31 of the Financial and Monetary Code, shall be subject to the provisions of this chapter when they produce or disseminate investment recommendations, as defined in Articles R. 621-30-1 to R. 621-30-4 of the Financial and Monetary Code, in connection with their journalistic activity.

Article 339-2

Investment recommendations shall comply with the following presentation rules :

1° Facts are distinguished from interpretations, estimates and analyses ;

2° Rumours are distinguished from confirmed information ;

3° All projections, forecasts, price targets and their underlying assumptions shall be labelled as such.

Article 339-3

It must be possible to identify the journalists referred to in Article 339-1 who produce the investment recommendation.

Such identification, including where a pseudonym is used, must be accessible to the public without disproportionate requirements.

The investment recommendation itself must include the disclosures provided for in the first and second paragraphs. However, where these requirements are disproportionate in relation to the length of the disseminated investment recommendation, the mandatory information should be mentioned directly in the body of the publication (the article, the box containing legal notices or a special box) or the address of an appropriate website should be given in the same place.

For non-written investment recommendations, the obligations provided for in the first and second paragraphs may be fulfilled by referring to the arrangements for obtaining this information directly from an easily accessible public dissemination medium, especially a website.

Article 339-4

The AMF can ask the producer companies referred to in Article 339-1 to give details of the care they have taken and the methods they have used to ensure that the recommendation is reasonable.

Article 339-5

Journalists and the publisher of press publications, the publisher of radio or television services, the publisher of online public communication services or the press agency, referred to in Article 339-1, shall inform readers, listeners or viewers in a manner stipulated by the person legally responsible for publication (*directeur de la publication*), or failing this the legal representative of the company, and within a time period compatible with the editorial schedule, of any significant interest in one or more financial instruments that are the subject of the investment recommendation

or any significant conflicts of interest with respect to an issuer to which the recommendation relates, where such interests or conflicts of interest are accessible or reasonably expected to be accessible to the persons involved in the preparation of that recommendation.

In particular, the public shall be informed of the fact that the publisher of press publications, the publisher of radio or television services, the publisher of online public communication services or the press agency :

1° has significant financial interests in the financial instruments that are the subject of the investment recommendation or in related financial instruments ;

2° is part of the same consolidation, within the meaning of the Seventh Council Directive 83/349/EEC of 13 June 1983 or internationally recognised accounting standards, as an issuer whose financial instruments are admitted to trading on a regulated market ;

3° is controlled directly or indirectly, within the meaning of Article L. 233-3 of the Commercial Code, by a natural person who controls said issuer directly or indirectly.

However, these disclosure requirements do not apply to shareholders agreements that are not subject to a statutory or regulatory disclosure obligation.

The investment recommendation itself must include the disclosures referred to in this article. However, where these requirements are disproportionate in relation to the length of the disseminated investment recommendation, the mandatory information should be mentioned directly in the body of the publication (the article, the box containing legal notices or a special box) or the address of an appropriate website should be given in the same place.

For non-written investment recommendations, the obligations provided for in the first and second paragraphs may be fulfilled by referring to the arrangements for obtaining this information directly from an easily accessible public dissemination medium, especially a website.

Article 339-6

Where a publisher of press publications, a publisher of radio or television services, a publisher of online public communication services or a press agency, referred to in Article 339-1, disseminates an investment recommendation produced by a third party, the identity of that party shall be clearly and prominently indicated in the recommendation.

The publisher or agency must also indicate any substantial alterations to the disseminated investment recommendation and, where such alterations would change the direction of the recommendation, all the information referred to in Articles 339-3 and 339-5. Where the publisher or the agency disseminates an investment recommendation which it has substantially altered, the location of the investment recommendation and the obligatory disclosures relating to it must also be mentioned, provided these are public.

Where a publisher of press publications, a publisher of radio or television services, a publisher of online public communication services or a press agency, referred to in Article 339-1, disseminates a summary of an investment recommendation produced by a third party, he shall ensure that it is clear and not misleading. The publisher or agency must also indicate the procedures for accessing the investment recommendation or the obligatory disclosures, provided these are public.

GENERAL REGULATION OF THE AUTORITÉ DES MARCHÉS FINANCIERS

BOOK IV - COLLECTIVE INVESTMENT PRODUCTS

TITLE I - COLLECTIVE INVESTMENT SCHEMES

CHAPTER I - COMMON PROVISIONS FOR COLLECTIVE INVESTMENT SCHEMES

Article 411-1

The provisions of this Chapter shall apply to all collective investment schemes governed by Section 1 of Chapter IV of Title I of Book II of the Financial and Monetary Code, as well as to their portfolio management companies and depositories.

The provisions of this Chapter shall not apply to contractual collective investment schemes governed by Article L. 214-35-2 of the Financial and Monetary Code, venture capital funds registered via the fast-track procedure governed by Article L. 214-37 of said Code and collective investment schemes registered via the fast-track procedure governed by Article L. 214-35 as formerly worded, before Act 2003-706 of 1 August 2003.

Article 411-2

1° The term "collective investment scheme" shall designate an open-ended investment company (société d'investissement à capital variable , SICAV) or a common fund (fonds commun de placement , FCP) ;

2° The term "holder" shall designate the holder of units in an FCP or shares in a SICAV ;

3° When SICAVs do not delegate the overall management of their portfolio, as stipulated in Article L. 214-15 of the Financial and Monetary Code, they must meet all the conditions applying to portfolio management companies and discharge the obligations applying to such companies.

Section 1 - Formation and authorization of collective investment schemes

SUB-SECTION 1 - SICAVS

Article 411-3

The articles of association of a SICAV shall be signed by the first shareholders in person, or by a specially empowered agent. These articles shall stipulate the names of the first shareholders and the amounts paid in by each of them, and, as appropriate, the names of the first directors or the names of the members of the executive board and the supervisory board, as well as the names of the first statutory auditor and, as appropriate, the alternate auditor, named in accordance with the conditions stipulated in Article L. 214-17 of the Financial and Monetary Code.

A SICAV cannot set up subfunds and issue different categories of shares unless its articles of association explicitly provide for it.

Article 411-4

The articles of association, along with the certificate issued by the depository to certify the deposit of the initial capital, shall be filed with the registry of the commercial court with jurisdiction over the registered office of the SICAV.

If the articles of association provide for SICAV to have subfunds, the depository shall also issue a certificate to the portfolio management company for each subfund.

The portfolio management company shall send these certificates to the AMF.

Article 411-5

Authorization of a SICAV, which is provided for under Article L. 214-3 of the Financial and Monetary Code and, as appropriate, the authorization of each subfund provided for under Article L. 214-33 of said Code shall be subject to prior filing of an application with the AMF that shall contain the elements stipulated in an AMF instruction.

Absent a response from the AMF for one month following acknowledgement of receipt of the application by the AMF, authorization is deemed granted.

This period shall be reduced to eight business days for reserved SICAVs referred to in point 1° of Article 411-12 and, as appropriate, their subfunds.

If the AMF asks for further information that requires the portfolio management company to submit a supplementary information sheet, the AMF shall serve written notice stipulating that the items requested must arrive within sixty days. If the AMF fails to receive these items within this period, the application for authorization shall be deemed rejected. The AMF shall issue a written acknowledgement of receipt when it has received all the information requested. The acknowledgement of receipt shall stipulate a new authorization period, which cannot be longer than those stipulated in the second and third paragraphs.

The deposit certificate for the initial capital of the SICAV shall be filed with the AMF immediately after the funds have been deposited, and no later than sixty days after the SICAV has been authorised.

For umbrella funds, this certificate shall be sent to the AMF within :

1° sixty days of the fund's authorisation for at least one of its subfunds ; and

2° ninety days of the autorisation notification date, for the other subfunds.

The deposit certificate shall specify the subfund(s) to which it pertains.

If the AMF does not receive the certificate within these time periods, it shall declare the authorisation null and void in accordance with the conditions set out in an AMF instruction.

Where warranted by special circumstances, the SICAV may make a reasoned request for an extension of the deadline for depositing the funds. Such request shall state the desired date and must reach the AMF before the date on which the authorisation is to be declared null and void. The AMF informs the SICAV of its decision within eight days of receiving the request.

Article 411-6

The marketing of shares in a SICAV and, where appropriate, one or more subfunds, cannot start until the AMF has served notice of its authorization. This notice shall be sent to the portfolio management company under the conditions set out in an AMF instruction.

SUB-SECTION 2 - COMMON FUNDS

Article 411-7

Authorization of a common fund (fonds commun de placement, FCP), which is provided for under Article L. 214-3 of the Financial and Monetary Code and, as appropriate, of each subfund provided for under Article L. 214-33 of said Code shall be subject to prior filing of an application with the AMF that contains the elements stipulated in an AMF instruction.

Absent a response from the AMF for one month following acknowledgement of receipt of the application by the AMF, authorization is deemed granted.

This period shall be reduced to eight business days for the reserved FCPs referred to in point 1° of Article 411-12 and, as appropriate, their subfunds.

If the AMF asks for further information that requires the portfolio management company to submit a supplementary information sheet, the AMF shall serve written notice stipulating that the items requested must arrive within sixty days. If the AMF fails to receive these items within this period, the application for authorization shall be deemed rejected. The AMF shall issue a written acknowledgement of receipt when it has received all the information requested. The acknowledgement of receipt shall stipulate a new authorization period, which cannot be longer than those stipulated in the second and third paragraphs.

The deposit certificate for the initial capital of the FCP shall be filed with the AMF immediately after the funds have been deposited, and no later than sixty days after the FCP has been authorised.

For umbrella funds, this certificate shall be sent to the AMF within :

1° sixty days of the fund's authorisation for at least one of its subfunds ; and

2° one hundred and ninety days of the authorisation notification date, for the other subfunds.

The deposit certificate shall specify the subfund(s) to which it pertains.

If the AMF does not receive the certificate within these time periods, it shall declare the authorisation null and void in accordance with the conditions set out in an AMF instruction.

Where warranted by special circumstances, the portfolio management company may make a reasoned request for an extension of the deadline for depositing the funds. Such request shall state the desired date and must reach the AMF before the date on which the authorisation is to be declared null and void. The AMF informs the portfolio management company of its decision within eight days of receiving the request.

Article 411-8

The rules provided for in Article L. 214-24 of the Financial and Monetary Code shall set the term of the FCP and the minimum amount of its initial assets, which shall not be less than the amount stipulated in Article D. 214-21 of the Financial and Monetary Code.

The rules shall also stipulate the procedures for distributing the assets of the FCP, the subscription and redemption procedures and, as appropriate, the procedures governing the rights attached to the different categories of units.

An FCP cannot set up subfunds unless its rules specifically provide for it.

An AMF instruction shall stipulate the contents of the headings to be included in an FCP's rules.

Article 411-9

The marketing of FCP units and, where appropriate, subfunds, cannot start until the AMF has served notice of its authorization. This notice shall be sent to the FCP's portfolio management company under the conditions set out in an AMF instruction. Subscriptions may start once this notice has been received. The founders shall undertake to complete, as appropriate, subscriptions before the end of the time period stipulated in the abovementioned instruction for reaching the minimum amount stipulated in the FCP rules. The time period shall start upon notification of the FCP's authorization.

As soon as the amount stipulated in the first paragraph of this Article has been reached, the portfolio management company shall determine the first net asset value. The corresponding deposit certificate issued by the depository shall be filed with the AMF immediately.

If the FCP is made up of subfunds, the depository shall issue a deposit certificate for each subfund.

SUB-SECTION 3 - COLLECTIVE INVESTMENT SCHEMES THAT COMPLY WITH DIRECTIVE 85/611/EC OF 20 DECEMBER 1985

Article 411-10

A collective investment scheme that is authorised as an undertaking for collective investment in transferable securities (UCITS), in compliance with Directive 85/611/EEC of 20 December 1985, shall be harmonised and cannot be transformed into a collective investment scheme that does not comply with said Directive.

A collective investment scheme that is not harmonised, may request to be converted to a UCITS.

SUB-SECTION 4 - CATEGORIES OF FCP UNITS AND SICAV SHARES

Article 411-11

The full prospectus referred to in Article 411-45 may provide for different categories of units or shares within the same collective investment scheme or within the same subfund.

These categories may :

1° Be subject to different rules for distributing income ;

2° Be denominated in different currencies ;

3° Be subject to different management fees ;

4° Be charged different subscription and redemption fees ;

5° Have different par values ;

6° Be systematically hedged against currency risk partly or totally, as defined in the full prospectus. Such hedges shall be provided by means of financial instruments that minimise the impact of hedging transactions on the other categories of units within the collective investment scheme.

Subscriptions for a given category of units or shares may be reserved for a category of investors defined in the full prospectus according to objective criteria, such as a subscription amount, a minimum holding period or any other commitment given by the holder.

Section 2 - Operating rules

Sub-section 1 - Subscription and redemption rules

Article 411-12

FCP units and SICAV shares shall be issued at any time at the request of the unit holders and shareholders on the basis of their net asset value, plus any subscription fees.

However, the collective investment scheme may stop issuing units or shares under the provisions of the second paragraph of Article L. 214-19 and the second paragraph of Article L. 214-30 of the Financial and Monetary Code in the following cases :

1° The collective investment scheme is reserved for a maximum of 20 holders, defined by the full prospectus, or for a category of investors whose characteristics are defined precisely in the full prospectus of the collective investment scheme.

2° The full prospectus defines objective conditions that trigger a temporary or definitive closure of subscriptions, such as a maximum number of units or shares to be issued, a maximum amount of assets or the end of a given time period for subscriptions.

Article 411-13

Collective investment scheme shares and units shall be redeemed at any time on the basis of their net asset values, under the conditions set out in Articles 411-54 to 411-56. If the right provided for in the first paragraph of Article L. 214-19 and in the first paragraph of Article L. 214-30 of the Financial and Monetary Code is exercised, the portfolio management company shall notify the AMF of the reasons and procedures for suspending redemptions on or before the date on which the suspension is implemented.

Sub-section 2 - Minimum assets

Article 411-14

If the assets of a SICAV are worth less than EUR 4,000,000, no SICAV shares shall be redeemed.

If the assets of an FCP are worth less than EUR 300,000, or less than EUR 160,000 if the FCP is reserved under the provisions of the third paragraph of Article 411-12, redemptions of units shall be suspended.

If the assets remain under the amounts stipulated in the first and second paragraphs for thirty days, the collective investment scheme in question shall be wound up or subject to one of the transactions provided for in Article 411-17.

If the collective investment scheme is an umbrella fund, the provisions of this Article shall apply to each of its subfund.

Sub-section 3 - Constituting and transfering new subfunds

Article 411-15

The prior authorisation of the AMF shall be required for constituting and changing subfunds as stipulated in points I and IV of Article L. 214-33 of the Financial and Monetary Code, in accordance with a procedure set out in an AMF instruction.

Sub-section 4 - Contributions in kind

Article 411-16

Contributions in kind, which shall include only the assets stipulated in Articles R. 214-1 and R. 214-5 of the Financial and Monetary Code, shall be appraised in compliance with the conditions stipulated in Articles 411-27 à 411-33.

SUB-SECTION 5 - MODIFICATIONS

Article 411-17

Two types of modification can occur in the life of a collective investment scheme :

1° Modifications that require authorisation, which are called "transfers" ; these are conversions, mergers/demergers, winding-ups and liquidations ;

2° Modifications that do not require authorisation, which are called "changes".

The procedures for informing holders and the conditions under which holders can redeem their units or shares shall be set out in an AMF instruction.

Paragraph 1 - Transfers

Article 411-18

An AMF instruction shall stipulate the conditions under which the AMF shall authorise transfers affecting a collective investment scheme. The time limit for granting authorisation shall be eight business days.

Article 411-19

A SICAV or an FCP may merge with any SICAV or any FCP.

A SICAV may merge with any other company.

Any collective investment scheme can be demerged.

The rules in this Article shall apply, as appropriate, to contributions of subfunds and transactions involving several subfunds in the same collective investment scheme.

Article 411-20

Any plans for mergers/demergers and takeovers involving one or more collective investment schemes or one or more subfunds in a collective investment scheme shall be decided upon by the board of directors or the executive board of the SICAV or by the portfolio management company of the FCP. The plans shall be submitted for the prior authorisation of the AMF under the conditions stipulated in Section 1 of this Chapter.

The plans for a merger or demerger shall stipulate, as appropriate, the name(s), the registered office(s), the company register number(s) of the SICAVs involved and the name(s) of the FCP(s) involved, as well as the name(s), registered office(s) and company register number(s) of the portfolio management company or companies.

The plans shall also stipulate the reasons, purpose and terms of the transaction. They shall stipulate the date on which the extraordinary general meetings of the SICAVs involved shall vote on the exchange ratios for shares and units.

Article 411-21

The plans shall be filed with the registry of the commercial court having jurisdiction over the registered offices of the companies concerned. Within eight days of that date, the statutory auditors shall compile a supplementary report on the final terms of the transaction.

The boards of directors or the executive boards of each of the companies concerned shall send the plans to the statutory auditors of each company and each FCP concerned at least forty-five days before the extraordinary general meetings of the SICAVs vote on the transaction, or the date set by the boards of directors or the executive boards of the portfolio management companies of the FCPs concerned. The transaction shall be carried out by the boards of directors or the executive boards of the SICAVs concerned, or their agents, and, where appropriate, by the portfolio management companies of the FCPs, under the supervision of the statutory auditors of each of the collective investment schemes concerned. The statutory auditors' reports on the terms under which the transaction is to be carried out shall be made available to holders no later than fifteen days before the date set by the extraordinary general meetings, or, in the case of FCPs, by the portfolio management company or companies.

Creditors of collective investment schemes involved in the merger who hold claims originating before the announcement of the planned merger may file an objection to the merger. In the case of SICAVs, the objection shall be filed within thirty days of publication of the merger plan in a newspaper authorised to publish legal announcements in the administrative area (*département*) housing the registered office of the SICAV, and, in the case of FCPs, fifteen days before the date set for the transaction. Within eight days after the transaction date, the statutory auditors shall compile a supplementary report on the final terms of the transaction.

Article 411-22

The obligation to redeem or issue shares and units at any time may be ended by a decision of the board of directors or the executive board of the SICAV, or the portfolio management company of the FCP up to fifteen days before the date of the planned transaction. The articles of association of the SICAVs created by the transactions referred to in Article 411-17 shall be signed by their legal representatives. The rules for FCPs shall be drawn up by the portfolio management companies and the depositories.

The holders shall have three months in which to redeem their units or shares free of charge.

Article 411-23

Holders who are not entitled to a whole number of units or shares as a result of the exchange ratio shall be able to redeem their fractional units and shares for cash or make a cash payment for the difference in order to receive a whole share or unit. Such redemptions and payments shall not be subject to redemption or subscription fees or commissions.

Article 411-24

If a collective investment scheme or a subfund thereof is liquidated, the statutory auditor shall value the assets and produce a report on the liquidation terms and the transactions that have taken place since the end of the previous financial year. This report shall be made available to the holders. It shall be sent to the AMF.

Article 411-25

The liquidation terms and the procedures for distributing assets shall be set out in the FCP rules or the articles of association of the SICAV. The collective investment scheme depository, the portfolio management company of the FCP or the board of directors or the executive board of the SICAV shall perform the duties of the liquidator. Failing this, a liquidator shall be appointed by the courts at the request of any holder.

In the case of an umbrella fund, the FCP rules or the articles of association of the SICAV shall stipulate the terms and procedures for distributing assets in the event of liquidation of the subfunds.

Paragraph 2 - Changes

Article 411-26

Collective investment schemes that undergo changes must report them in accordance with the procedures set out in an AMF instruction.

SUB-SECTION 6 - ACCOUNTING AND FINANCIAL PROVISIONS

Paragraph 1 - Valuation

Article 411-27

The financial instruments, contracts, securities and deposits listed as the assets of a collective investment scheme or held by such a scheme shall be valued every day that the net asset value is determined, in accordance with the conditions set out in the full prospectus.

Article 411-28

The financial instruments, contracts, securities and deposits that are not traded on a regulated market referred to in Article L. 422-1 of the Financial and Monetary Code or on a regularly operating regulated market in a country that is neither a member of the European Community nor party to the European Economic Area (EEA) agreement, as long as said market has not been ruled out by the AMF, shall be valued each time the net asset value is determined in accordance with Article 411-27, as long as the maturity at issue is greater than three months.

Article 411-29

The portfolio management company shall value the financial instruments, contracts, securities and deposits for which no prices have been observed or quoted on the day the net asset value is determined.

Article 411-30

Each category of financial instruments, contracts, securities and deposits listed as the assets of a collective investment shall be subject to the same valuation rules. The rules shall be submitted for approval by the AMF when

the collective investment scheme is created. Any plans for changing such rules shall be submitted to the AMF. Approval shall be deemed to be granted after two months, unless the AMF serves notice that it has been refused.

Holders shall be informed of the changes in the valuation rules.

Article 411-31

The net asset value shall be obtained by dividing the net assets of the collective investment scheme by the number of shares or units.

The portfolio management company shall make the net asset value available and communicate it to any person who requests it.

The net asset value shall be sent to the AMF on the same day as it is determined in accordance with the procedures set out in an AMF instruction.

If a collective investment scheme issues different categories of units or shares, the net asset value of the units or shares in each category shall be obtained by dividing the portion of net assets corresponding to the category of units or shares in question by the number of units of shares in that category. The procedures for calculating the net asset values for categories of collective investment scheme units or shares shall be explained in the full prospectus. All changes are subject to authorisation by the AMF.

Article 411-32

If collective investment scheme units or shares are denominated in different currencies, only one currency of account shall be used to record the assets of the collective investment scheme or the subfund.

Article 411-33

Articles 411-27 and 411-33 shall apply to each subfund of a collective investment scheme made up of subfunds.

Even if separate accounts are kept, each category of financial instruments, contracts, securities and deposits listed as the assets of subfunds of the same class in the same collective investment scheme shall be subject to the same valuation rules.

Article 411-33-1

The procedures for calculating the beneficiary's claim on the collective investment scheme, mentioned in the fifth subparagraph of I of Article R. 214-12 of the Financial and Monetary Code, are as follows :

1° the base on which the claim is calculated shall consist of all the scheme's financial obligations resulting from transactions in the financial instruments or contracts referred to in point I of Article L. 431-7-1 of the Financial and Monetary Code, before taking into account the assets and rights constituting the guarantee ;

2° the portfolio management company shall obtain the value of the claim from the collateral taker, as computed by the taker ;

3° the portfolio management company shall implement an internal procedure enabling it to check, on a daily basis, the value of the claim communicated by the collateral taker pursuant to point 2 ;

4° the internal procedure mentioned in point 3° shall include a mechanism to enable the portfolio management company to reduce observed value differences. The company shall set the trigger levels for this mechanism based on the nature of the debt claim and shall specify the decisions to be taken to reduce an observed value difference.

Article 411-33-2

The procedures for valuing the assets or rights constituting the guarantee granted by the collective investment scheme, as mentioned in the sixth subparagraph of I of Article R. 214-12 of the Financial and Monetary Code, are as follows :

1° the assets or rights constituting the guarantee are valued under the same valuation rules used by the scheme to value its assets and off-balance-sheet commitments ;

2° the portfolio management company shall obtain the value of the assets or rights constituting the guarantee from the beneficiary thereof, as calculated by said beneficiary ;

3° the portfolio management company shall implement an internal procedure enabling it to check, on a daily basis, the value of the assets and rights constituting the guarantee communicated by the beneficiary pursuant to point 2° ;

4° the internal procedure mentioned in point 3° shall include a mechanism to enable the portfolio management company to reduce observed value differences. The company shall set the trigger levels for this mechanism and specify the decisions to be taken to reduce an observed value difference.

Paragraph 2 - Specific investment rules

Article 411-34

Investment funds as defined in Article R. 214-5 of the Financial and Monetary Code shall meet the following criteria at all times :

1° The units or shares in the fund shall be transferable by book entry or by traditional procedures in a central register of fund holders.

This legal transferability shall not be overruled by any authorization clauses ;

2° The unit holders and shareholders in the fund shall have equal rights within each category or class of units of capital or assets.

Different rights with regard to operating and management fees and subscription and redemption terms shall not override these equal rights as long as such rights do not involve the capital or assets ;

3° The fund shall have rights and obligations arising from the existence of its own assets and liabilities ;

4° The responsibility for custody of the fund's assets shall be entrusted to one or more companies, which are separate from the portfolio management company, regulated for this purpose and identified in the prospectus ;

5° Custody of the funds assets shall be provided separately from the custody of the custodian's own assets and those of its agents ;

6° The fund's assets may be reused by the custodian or its agents, and by any person holding a claim against the collective investment scheme, if the claim arises from temporary transfers of securities or the use of financial instruments held by the collective investment scheme, or a collateralisation transaction as stipulated in the third paragraph of point I of Article R. 214-12 of the Financial and Monetary Code, if the collective investment scheme provides the collateral under all the following conditions :

a) The reuse is subject to the fund's explicit consent and appropriate disclosure to holders ;

b) The fund is entitled to take back the financial instruments used or equivalent financial instruments at any time ;

7° The entity that manages the fund or provides investment advice is subject to the supervision of an authority that regulates such activities and with which the entity is registered ;

8° The regulations in the fund's home country stipulate that the fund's annual financial statements must be certified by a statutory auditor. Failing that, the fund's prospectus stipulates that a statutory auditor carries out an equivalent audit of the fund's annual financial statements ;

9° The liability of the fund's unit holders or shareholders is limited to the amount of their investment ;

10° The fund produces a prospectus that describes its management rules and statutory rules ;

11° The fund produces management reports at least once a quarter with material information about developments in its portfolio and its results ;

12° The fund provides all its unit holders or shareholders with a net asset value or an estimated value, as defined in Article 411-47, at least once a month ;

13° The fund's home country is not on the list of countries where the legislation is not recognised as adequate or where practices are not deemed to be in compliance with the provisions on combating money laundering and terrorist financing by the international body for consultations and coordination with regard to combating money laundering and terrorist financing.

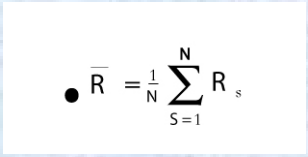
Article 411-35

The standard deviation of the difference between the performance of an index fund referred to in Article R. 214-28 of the Financial and Monetary Code and the index is called the "tracking error" (ES). It shall be calculated as follows :

$$ES = \sqrt{52}\sqrt{\frac{1}{N-1}\sum_{S=1}^{N}(R_S-\bar{R})^2}$$

$$R_S = 1n\left[\frac{VL\_fund_S}{VL\_fund_{S-1}}\right] - 1n\left[\frac{index_S}{index_{S-1}}\right]$$

Rs : is the differential between the fund and the reference index during week S, as calculated from the changes in the net asset value of the fund and the value of the index,



is the mean differential over 1 year (N = 52 weeks).

The tracking error calculated according to the provisions of this Article shall not exceed either of the following two limits :

1° 1 per cent or else 5 per cent of the index volatility, whichever is greater ;

2° 2 per cent or else 10 per cent of the index volatility, whichever is greater.

The limit set in point 2° shall apply only to collective investment schemes that fulfil at least one of the following conditions :

a) The financial instruments that make up the index are traded on markets that do not have the same trading hours ;

b) The financial instruments that make up the index are traded on markets where trading days are not the same as the days on which the net asset value of the collective investment scheme is published ;

c) The index is made up of a substantial proportion of financial instruments for which the trading prices are published in different currencies ;

d) There is a time lag between the valuation of the collective investment scheme and the valuation of the index ;

e) The index is published in a different currency than the one used to publish the net asset value of the collective investment scheme ;

f) The index is replicated artificially using derivatives.

If the prospectus for a collective investment scheme states that it is an "enhanced index fund", the tracking error to be calculated under the provisions of this Article shall not exceed 4 per cent or else 20 per cent of the index volatility.

At the request of the portfolio management company, and when special circumstances warrant such a decision, the AMF may increase the standard deviation limits set out in this Article when it authorises a new tracker fund or the transfer of a tracker fund.

The management techniques used by the portfolio management company shall be aimed at complying with these limits. If the limits are not complied with, the portfolio management company must be able to explain the reasons for the failure to comply. This failure shall be adequately disclosed to the holders under the conditions set out in an AMF instruction.

The use of the exception provided for in the last paragraph of Article R. 214-28 of the Financial and Monetary Code shall be mentioned in the prospectus of the collective investment scheme.

An AMF Instruction shall specify the procedures for calculating the tracking error over the one-year reference period. The Instruction shall stipulate the holder disclosure procedures.

Paragraph 3 - Annual financial statements

Article 411-36

At the end of each financial year, the board of directors or the executive board of the SICAV or the portfolio management company of the FCP shall compile an inventory of the miscellaneous assets and liabilities of the collective investment scheme. The depository shall certify the inventory of the collective investment scheme's assets, the amounts of the deposits held by the collective investment scheme and, was appropriate, the number of outstanding units or shares in the collective investment scheme.

The board of directors or the executive board of the SICAV or the portfolio management company of the FCP shall draw up the annual financial statements of the collective investment scheme. The same body shall, where appropriate, determine the amount and payment date of the distribution provided for under the provisions of Article L. 214-10 of the Financial and Monetary Code.

If the collective investment scheme is made up of subfunds, summary statements shall be produced for each subfund. These documents shall report on the situation on the last day of the collective investment scheme's accounting period. The statements shall be sent to any holder asking for them.

Article 411-37

The annual financial statements of the collective investment scheme shall comply with the chart of accounts in force. They shall be certified by the statutory auditor.

Article 411-38

The annual financial statements of the collective investment scheme, along with the report by the board of directors or the executive board of the SICAV or the portfolio management company of the FCP shall be made available to the statutory auditor within 45 days of the end of the financial year.

Within two months of receiving the report by the board of directors or the executive board of the SICAV or the portfolio management company of the FCP, the statutory auditor shall submit its report to the registered office of the SICAV or of the portfolio management company of the FCP, along with the special report provided for under paragraph 3 of Article L. L. 225-40 of the Commercial Code, if appropriate.

Article 411-39

An AMF instruction shall determine the contents of the report by the portfolio management company on the management of the FCP or of the report by the board of directors or the executive board of the SICAV.

Article 411-40

The annual financial statements, the list of assets at the end of the financial year, the statutory auditors' reports and the report by the board of directors or the executive board of the SICAV shall be made available for holders at the registered office of the SICAV or the portfolio management company of the FCP. They shall be sent to any holders who request them within eight business days of receiving the request.

Subject to the holder's consent, the documents may be sent electronically.

Paragraph 4 - Advances and contributions

Article 411-41

The board of directors or the executive board of the SICAV or the portfolio management company of the FCP may decide to distribute one or more advances on the basis of the statements certified by the statutory auditor.

The statutory auditor shall assess both the valuation of contributions in kind and their compensation. The auditor's report must be filed within fifteen days after the contribution.

If the contributions in kind involve one or more subfunds in a collective investment scheme, the statutory auditor shall produce a report describing the transaction for each subfund concerned.

Paragraph 5 - Fees paid by the collective investment scheme

Article 411-42

When compensation for the assignees of the portfolio management company or the depository and the companies affiliated with the portfolio management company under the conditions set out in Article R. 214-46 of the Financial and Monetary Code, which are acting on behalf of a collective investment scheme or as counterparties to a transaction made by this collective investment scheme, and they have not been selected in accordance with the procedure stipulated in the first and second paragraphs of Article 322-50, is deducted directly from a collective investment scheme's assets, it shall not have the effect of increasing the maximum fees of the collective investment scheme as defined in the full prospectus.

Article 411-43

Rebates of management fees received for investments made on behalf of a collective investment scheme in FCP units or SICAV shares, or in investment fund units or shares as defined in Article R. 214-5 of the Financial and Monetary Code shall be paid into the collective investment scheme :

1° Either through a direct payment to the collective investment scheme ;

2° Or by means of a deduction from the management fee charged by the portfolio management company.

Article 411-44

The statutory auditor's fees shall be set by mutual agreement between the auditor and the portfolio management company in consideration of the programme of audit actions deemed to be necessary.

Paragraph 6 - Measuring the derivatives commitment of collective investment schemes

Article 411-44-1

(takes effect at 1 January 2007)

For the purposes of this paragraph :

1° The leverage of a collective investment scheme referred to in III of Article R. 214-12 of the Financial and Monetary Code is equal to the amplifying potential divided by the scheme's net asset value ;

2° The sensitivity of a financial instrument is equal to the opposite of the derivative of the market value of that financial instrument with respect to the interest rate, divided by the value of the instrument ;

3° The maximum sensitivity authorised for a collective investment scheme is equal to the higher of the following two values, as specified in the scheme's full prospectus :

a) the absolute value of the maximum sensitivity ;

b) the absolute value of the minimum sensitivity.

Where the values given in a) and b) are not mentioned in the full prospectus of the collective investment scheme, the maximum authorised sensitivity shall be 10.

4° The value at risk of a collective investment scheme is equal to the maximum loss that the scheme may incur over a specified period with a given probability, called a confidence threshold. By conventional definition, value at risk is positive.

Unless otherwise specified, the value at risk of a collective investment scheme is spread over a period of seven days with a 95 % confidence threshold.

5° The delta of a derivative financial instrument is equal to the derivative of the instrument's market value relative to the market value of the underlying instrument.

6° The interest rate beta of a financial instrument is equal to the instrument's sensitivity divided by the maximum sensitivity of the collective investment scheme.

Article 411-44-2

(takes effect at 1 January 2007)

I. - A distinction is made between two types of derivative financial instrument, according to their risk profile :

1° Derivative financial instruments with a risk profile that can be measured satisfactorily, in accordance with an AMF instruction, by the linear approximation method are said to be simple ;

2° Other derivative financial instruments are said to be complex.

II. - A distinction is made between two types of collective investment scheme depending on the type of derivative financial instruments they use :

1° A collective investment scheme is categorised as Type A if the linear approximation method satisfactorily captures risks relating to the derivative financial instruments used by the scheme, to temporary purchases and sales of financial instruments, to derivative financial instruments embedded in other financial instruments held by the collective investment scheme, as mentioned in Article R. 214-15 the Financial and Monetary Code, and, in the case of a leveraged collective investment scheme with streamlined investment rules, to cash borrowings.

A Type A scheme shall satisfy the following conditions, *inter alia*, at all times :

a) Performance depends on directional interest-rate, credit and exchange-rate risks, on equity market variations, or on several such risks at the same time. Performance does not depend significantly on arbitraging between these risk sources or on other risk sources ;

b) The maximum loss due to the use of the complex derivative financial instruments referred to in point 5° of I of Article 411-44-4 is less than or equal to 10 % of the value of the collective investment scheme's net asset value.

2° Other types of collective investment scheme are categorised as Type B.

Article 411-44-3

(takes effect at 1 January 2007)

To calculate their commitment, Type A collective investment schemes use the linear approximation method or the probabilistic method. Type B collective investment schemes use the probabilistic method.

The asset management company of the collective investment scheme determines whether the scheme is Type A or Type B. It thus ensures, *inter alia*, that the nature of the derivative financial instruments in the collective investment scheme and the way in which they are used are consistent with a linear approximation-based assessment of the instruments' risk profile.

Article 411-44-4

(takes effect at 1 January 2007)

I. - The commitment of a Type A collective investment scheme, calculated by the linear approximation method, is equal to its leverage multiplied by its net asset value.

This commitment is equal to the sum of :

1° The absolute values of the amplifying potential of simple derivative financial instruments whose main risk is an equity risk, after netting between simple derivative financial instruments on the same underlying instrument and netting between simple derivative financial instruments and cash-settled financial instruments.

For the purposes of calculating the commitment, derivative financial instruments exposed mainly on the market for collective investment schemes and investment funds are treated according to the same procedures as derivative financial instruments whose main risk is an equity risk.

2° The absolute value of the sum of the amplifying potential of simple derivative financial instruments whose main risk is an interest rate risk, after netting between simple derivative financial instruments whose main risk is an interest rate risk and netting between simple derivative financial instruments and cash-settled financial instruments ;

3° The market value of underlying instruments in temporary purchases of financial instruments and financial instruments acquired by reinvesting funds from temporary sales of financial instruments, after the commitment has been calculated in accordance with an AMF instruction ;

4° Notwithstanding the provisions of II, where the collective investment scheme uses a derivative financial instrument or a combination of derivative financial instruments to obtain an exposure identical to that obtained through cash-settled financial instruments, the amount that would have had to be invested in those cash-settled financial instruments ;

5° The risk of maximum loss arising from the use of complex derivative financial instruments other than those referred to in point 4° and in II.

Derivative financial instruments exposed mainly to the foreign exchange market are not taken into account when calculating the commitment of a Type A collective investment scheme.

II. - Where are derivative financial instrument has all three of the following characteristics :

1° Its purpose is to swap the performance of some or all of the assets of the collective investment scheme for the performance of a basket of financial instruments ;

2° It totally protects the collective investment scheme against variations in the market value of the swapped portion of the scheme's assets and totally exposes the collective investment scheme to variations in the market value of the basket of financial instruments ;

3° It does not have an option component ;

The calculation of the commitment is adapted according to the following procedures :

1° The derivative financial instrument is not taken into account when calculating the commitment.

2° The swapped portion of the collective investment scheme's assets cannot be offset with derivative financial instruments.

3° The basket of financial instruments whose performance is received by the collective investment scheme may be offset with other derivative financial instruments, as specified in an AMF instruction.

III. - The amplifying potential of a simple derivative financial instrument is equal to :

1° for a derivative financial instrument exposed mainly to the equity market : the delta of the derivative financial instrument multiplied by the market value of the instrument's underlying asset.

Where this derivative financial instrument is a futures contract, its amplifying potential is equal to the settlement value of the contract.

2° for a derivative financial instrument exposed mainly to the interest rate market : the interest rate beta of the financial instrument multiplied by its market value. The amplifying potential is therefore equal to the product of :

a) the delta of the derivative financial instrument ;

b) the interest rate beta of the asset underlying the derivative financial instrument ;

c) the market value of the asset underlying the derivative financial instrument ;

3° For a swap agreement : the sum of the amplifying potential of the cash flows to be paid and received, measured in accordance with points 1° or 2° depending on the type of exposure.

An AMF instruction will set out the procedures for aggregating amplifying potential, netting between derivative financial instruments and offsetting with financial instruments.

Article 411-44-5

(takes effect at 1 January 2007)

I. - The commitment of a collective investment scheme calculated by the probabilistic method consists of the higher of the scheme's amplifying potential and its potential loss.

II. - The amplifying potential calculated by the probabilistic method is equal to the ratio of the value at risk of the collective investment scheme's assets to the value at risk of a benchmark indicator determined in an AMF instruction, minus one, multiplied by the net asset value of the collective investment scheme.

Where a benchmark indicator cannot be determined :

1° The amplifying potential shall be equal to twenty times the value at risk of the net asset value of the collective investment scheme. If warranted by the nature of the implemented strategy and the associated risks, the AMF can authorise the collective investment scheme to use a different amplifying potential. In this case, that effect shall be equal to or greater than ten times the value at risk of the net asset value ;

2° Where the collective investment scheme is covered by Articles R. 214-32 to R. 214-35 of the Financial and Monetary Code, the amplifying potential is equal to thirty times the value at risk of its net asset value. If warranted by the nature of the implemented strategy and the associated risks, the AMF can authorise the collective investment scheme to use a different amplifying potential. In this case, that effect shall be equal to or greater than fifteen times the value at risk of the net asset value.

III. - The potential loss of the collective investment scheme is measured by the value at risk of its net asset value.

Where the value at risk is not representative of the default risk of the collective investment scheme, the asset management company shall implement a procedure for managing the scheme's default risk.

Article 411-44-6

Articles 411-44-1 to 411-44-5 shall come into force on 1 January 2007.

Section 3 - Public information

SUB-SECTION 1 - FULL PROSPECTUS

Article 411-45

A full prospectus shall be produced for each collective investment scheme and submitted for the approval of the AMF. The prospectus shall comprise the following documents and an AMF instruction shall specify the contents thereof :

1° A simplified prospectus presenting the key information necessary for investors' decision-making. It must indicate that the latest annual report, periodic financial statement and full prospectus are available free of charge on request. It shall be laid out and written in such a way that it is easy for investors to understand and provides transparent, complete and clear information that enables investors to make informed investment decisions ;

2° A detailed memo giving an exact description of the investment rules and operating rules of the collective investment scheme, along with all the procedures for compensating the portfolio management company and the depository. It shall also specify the identity of the portfolio management company and the depository ;

3° The rules or articles of association of the collective investment scheme.

Article 411-46

The full prospectus shall describe all the fees paid by the holders or by the collective investment scheme, including all taxes, with information :

1° About the fees paid by holders :

a) The maximum percentage of the subscription or redemption fee that is not kept by the collective investment scheme ;

b) The percentage of the fee that is kept by the collective investment scheme and the conditions under which this percentage may be reduced.

2° About the fees paid by the collective investment scheme, the maximum percentage of the operating and management fees. The information about the percentage must be supplemented, as appropriate, with the following details :

a) The rules for calculating transaction fees ;

b) The rules for calculating the proportion of income from temporary purchases and sales of securities that is not paid to the collective investment scheme ;

c) The maximum fees and commissions that may be paid by collective investment schemes or investment funds as defined in Article R. 214-5 of the Financial and Monetary Code to be kept by the collective investment scheme ;

d) The rules for calculating variable management fees.

3° About the fees actually paid by the collective investment scheme during the previous financial year :

a) Total fees invoiced to the collective investment scheme as a ratio of the mean assets of the collective investment scheme over the previous financial year. This total shall be the sum of the operating and management fees, the fees referred to in a and d of 2°, and the fees actually paid by the collective investment scheme for its investments in collective investment schemes and investment funds ;

b) The aggregate intermediation fees paid on financial instruments as a ratio of the collective investment scheme's assets, along with the portfolio turnover rate.

The presentation of the full prospectus and the procedures for calculating the fees referred to in this Article shall be specified by an AMF instruction.

Article 411-47

The full prospectus shall define the valuation rules for each category of financial instruments, deposits, securities and contracts.

Between one calculation of the net asset value and the next, a collective investment scheme may determine and publish an indicative net asset value called "estimated value". The full prospectus shall stipulate the conditions for publishing this value and warn investors that the value may not be used as a basis for subscriptions or redemptions.

Any publication of an estimated value must include this warning.

Article 411-48

Prior to the marketing of the units or shares in a collective investment scheme and with a view to authorization, the AMF shall approve the collective investment scheme's full prospectus. The content of the documents comprising the full prospectus and the procedures for submitting them to the AMF shall be set out in an AMF instruction.

If the collective investment scheme is made up of subfunds, the full prospectus shall describe the characteristics of the collective investment scheme and of each of its subfunds.

Article 411-49

The portfolio management company shall be solely responsible for the contents of the full prospectus submitted to the AMF for posting on its website.

SUB-SECTION 2 - DISTRIBUTION RULES

Article 411-50

The AMF shall have the right to demand that all the documents compiled or distributed by a collective investment scheme, its portfolio management company and any other person distributing the scheme be submitted to it. It shall have the right to have the presentation and content of the documents modified at any time.

Advertising about collective investment schemes or their subfunds must be consistent with the investment being offered and mention any less favourable characteristics and risks inherent in the options that may be corollaries to the advantages cited. Said advertising must mention the simplified prospectus and say where it is available to investors.

Article 411-51

The simplified prospectus shall be provided prior to any subscription. It shall be provided free of charge through any means.

In the case of a collective investment scheme with subfunds, following the first subscription, an extract from the simplified prospectus dealing only with the subfund being subscribed may be provided, as long as no modifications have been made to the collective investment scheme or its subfunds.

Article 411-52

At the time of subscription, the procedures shall be explained for obtaining a detailed memo, the FCP rules or the articles of association of the SICAV, the latest annual report and the latest financial statement, as well as, a web address where these documents can be obtained, if appropriate.

These documents must be made available to holders who make a written request within one week of receipt of the request. If the holder chooses, it must be possible to send the documents in electronic form.

At the time of subscription, the procedures shall be explained for obtaining the detailed memo, the FCP rules or the articles of association of the SICAV, the latest annual report and the latest financial statement, as well as, a web address where these documents can be obtained, if appropriate.

Article 411-53

Any person marketing FCP units, SICAV shares, or subfund units or shares shall be subject to the requirements stipulated in Articles 322-63 and 322-64.

Said person shall ensure that the investor meets the subscription requirements stipulated in Article 411-11.

If the portfolio management company or the SICAV has signed a contract for the distribution of collective investment scheme units or shares, the contract shall stipulate the conditions under which investors shall have access to the detailed memo, the FCP rules or the articles of association of the SICAV, as well as the most recent annual report and the most recent financial statement of the collective investment scheme.

Article 411-53-1

Rebates of management fees or subscription and redemption commissions that arise on investments made by the portfolio management company in shares or units of a collective investment scheme or investment fund on behalf of a collective investment scheme distributed on the territory of the French Republic, whether such rebates are paid to the portfolio management company or to any other person or scheme, are prohibited, with the exception of the following :

1° Fees and commissions referred to in the fourth paragraph of Article 322-41 ;

2° Rebates that exclusively benefit the collective investment scheme ;

3° Rebates paid by the portfolio management company of a master fund in order to remunerate a third party in charge of marketing the feeder funds of this master fund ;

4° Rebates remunerating a third party in charge of marketing collective investment schemes or investment funds where this third party acts independently of the portfolio management company investing in these collective investment schemes or investment funds.

The receipt by the portfolio management company of the following rebates in particular is prohibited :

1° Subscription or redemption commissions relating to investments by the portfolio under management in a collective investment scheme or investment fund ;

2° Management fees relating to investments of the portfolio of a collective investment scheme under management in another scheme or investment fund.

SUB-SECTION 3 - NET ASSET VALUE

Article 411-54

Collective investment schemes shall be required to determine their net asset value in accordance with the provisions of Articles 411-27 to 411-33. This net asset value shall be determined and published with a frequency that is suited to the nature of the financial instruments, contracts, securities and deposits held by the collective investment scheme.

Collective investment schemes that guarantee a return, an income or the holder's capital, and that benefit from a guarantee, or that provide their holders with the benefits of a guarantee, dedicated collective investment schemes in accordance with point 1 of Article 411-12 and collective investment schemes with assets of less than EUR 150 million shall be required to compile and publish their net asset value at least every two weeks.

Other collective investment schemes shall compile and publish their net asset value each trading day, excluding holidays, if the full prospectus provides for it.

The prospectus referred to in Article 411-45 shall specify the frequency with which the net asset value is compiled and published, as well as the reference calendar chosen.

Once the net asset value has been published, subscriptions and redemptions of units and shares in collective investment schemes must be carried out on the basis of this value, under the conditions set out in the full prospectus.

If a collective investment scheme compiles and publishes its net asset value each trading day, it shall not change the frequency with which its net asset value is compiled and published.

This Article shall apply to each subfund.

Article 411-55

Collective investment schemes with units or shares listed for trading on a regulated market that operates on a regular basis shall compile and publish their net asset value each day that the market on which they are listed is open for trading.

This Article shall apply to each subfund.

Article 411-56

Collective investment schemes that are general-purpose products must compile an offering circular at the end of each half-year. The content of the circular shall be defined in an AMF instruction.

Offering circulars shall be published within eight weeks following the end of every period defined in the detailed memo.

If the collective investment scheme is made up of subfunds, periodical offering circulars shall also be compiled for each subfund.

With the exception of the dedicated collective investment schemes mentioned in point 1° of Article 411-12, general-purpose collective investment schemes with assets of more than EUR 80 million shall have the composition of their assets certified quarterly by the scheme's statutory auditor.

SUB-SECTION 4 - SPECIAL DISTRIBUTION RULES APPLICABLE TO THE ADMISSION TO TRADING ON REGULATED MARKET

Article 411-56-1

The shares or units of a collective investment scheme whose management objective is based on an index may be admitted to trading on regulated market. These are :

1° Shares or units of index-based collective investments schemes governed by sub-section 8 of section 1 of Chapter IV of Title I of Book II of the regulatory part of the Financial and Monetary Code ;

2° Shares or units of a collective investment scheme whose management objective is to replicate the result obtained by applying a mathematical formula called an "algorithm" to an index complying with the conditions set out in point II of Article R. 214-28 of the Financial and Monetary Code ;

3° Shares or units of a collective investment scheme mentioned in 1° or 2° whose distribution is authorized in France pursuant to article 14 of Decree 89-623 of 6 September 1989.

The algorithm includes one or more parameters that may vary over time and that are called "'variables".

The algorithm, the index and conditions for adjusting the variables shall be described in the full prospectus and set in a way that is compatible with the proper information of the public.

Article 411-56-2

Where the shares or units of a collective investment scheme are admitted to trading on a regulated market :

I. - The portfolio management company shall disclose to the public :

1° The results of the algorithm in accordance with the timetable described in the prospectus ;

2° Any adjustment of the variables of the algorithm. This disclosure shall take place no later than seven business days before the implementation of the adjustment.

3° By way of derogation from 2°, where one or more variables are adjusted automatically by application of objective criteria and according to a timetable described in the full prospectus, the public shall be informed no later than seven business days following the implementation of the adjustments.

The portfolio management company shall ensure the effective and complete disclosure of the information referred to in points 1°, 2° and 3°. It shall also post such information on its website.

II. - The full prospectus for the collective investment schemes referred to in Article 411-56-1 shall also include specific information related to the admission to trading on a regulated market, in accordance with the conditions set out in an AMF instruction.

The full prospectus shall be made public no later than the day on which the market operator issues a notice announcing the admission to trading of the shares or units of the collective investment scheme.

In practice, the prospectus shall be distributed in one of the following ways :

1° the simplified prospectus shall be published in at least one daily newspaper with nationwide circulation that covers economic and financial news ;

2° the full prospectus shall be made available free of charge at the registered office of the portfolio management company and by those institutions appointed by this company. A summary of the prospectus, published under the same conditions as in point 1°, or a news release, disseminated in full by the portfolio management company, shall specify how and where the full prospectus has been made available.

A copy of the full prospectus must be sent free of charge to any person who requests it and an electronic version of the prospectus is published on the website of the portfolio management company and must be sent to the AMF for posting on its website.

III. - The accounting documents referred to in article L. 214-8 of the Monetary and Financial Code shall be published in accordance with the conditions set out in an AMF instruction.

Section 4 - Marketing foreign collective investment schemes in France

SUB-SECTION 1 - UNDERTAKINGS FOR COLLECTIVE INVESTMENT IN TRANSFERABLE SECURITIES (UCITS)

Article 411-57

An application shall be submitted for the prior authorization of the AMF for the marketing of harmonised funds (Undertakings for Collective Investment in Transferable Securities, UCITS) from other Member States of the European Community or from States party to the European Economic Area (EEA) agreement and that are eligible for the mutual authorization recognition procedure provided for under the provisions of Directive 85/611/EEC of 20 December 1985. The application shall include the elements stipulated in an AMF instruction. This instruction shall also stipulate the procedure to be followed and the information to be submitted after marketing has been authorised.

These UCITS shall be required to file an offering circular approved by their home country authorities and translated into French before accepting any subscriptions. Soliciting members of the public on behalf of the UCITS shall be subject to the same provisions as those applicable to other collective investment schemes.

Article 411-58

The marketing application referred to in Article 411-57 shall be sent to the AMF by registered letter with acknowledgement of receipt.

If the AMF does not make any observations, marketing in France shall be authorised two months after the issue of a receipt certifying the official filing of the marketing application. These provisions shall also apply for marketing a new subfund of a UCITS that has already been authorised for marketing in France.

Article 411-59

The foreign UCITS shall name one or more correspondents, including a centralising correspondent, that are established in France under the conditions set out by an AMF instruction.

The correspondent(s) shall belong to one of the categories referred to in Article 1 of the ministerial order of 6 September 1989.

The correspondent(s) shall be under contract to provide the following financial services :

1° Processing subscription and redemption requests ;

2° Paying coupons and dividends ;

3° Making offering circulars available to investors ;

4° Providing specific information to holders in the cases to be stipulated by an AMF instruction.

The centralising correspondent shall be responsible for payment of the fixed annual fee, in accordance with Article L. 621-5-3 of the Financial and Monetary Code.

SUB-SECTION 2 - OTHER FOREIGN COLLECTIVE INVESTMENT SCHEMES

Article 411-60

An application shall be submitted for the prior authorization of the AMF in accordance with the conditions set out in an AMF instruction for the marketing of collective investment schemes from countries that are not Member States of the European Community or from States not party to the EEA agreement and for the marketing of collective investment schemes from Member States of the European Community or from States party to the EEA agreement but that are not eligible for the mutual authorization recognition procedure provided for under the provisions of Directive 85/611/EEC of 20 December 1985.

The instruction shall stipulate the procedure to be followed and the information to be submitted after marketing has been authorised.

SUB-SECTION 3 - COMMON REQUIREMENTS

Article 411-61

The provisions of Articles 411-50, 411-53 and 411-53-1 shall apply to the marketing of the collective investment schemes referred to in Articles 411-57 and 411-60.

The request for authorization to distribute a collective investment scheme referred to in articles 411-57 et 411-60 on the territory of the French Republic includes an attestation by the portfolio management company that the scheme complies with the provisions of article 411-53-1.

CHAPTER II - MASTER FUNDS AND FEEDER FUNDS

Article 412-1

The provisions applying to all the collective investment schemes referred to in Chapter I of this Title shall apply to master funds and feeder funds.

These funds shall also be subject to the following provisions.

Section 1 - Disclosures and supervision

Article 412-2

The holders of units or shares in a feeder fund shall receive information and treatment that are equivalent to what they would receive if they held units or shares in the master fund.

Article 412-3

Prior to the authorization of a feeder fund, the persons responsible for the statutory audit of French or foreign feeder fund and master fund financial statements shall sign an information-sharing agreement. An agreement shall also be signed between the master fund and feeder fund depositories.

These agreements shall stipulate the information-sharing procedures necessary for discharging the respective duties of the depository and the persons responsible for the statutory audit of the feeder fund and master fund financial statements.

These agreements shall stipulate the time limits and requirements for submitting annual documents, periodical statements, certified inventories, reports on mergers, demergers, contributions in kind and liquidations relating to the master fund. The agreements shall stipulate the information about the master fund's exposure to be provided, as appropriate, by the depository or by the person responsible for the statutory audit of the master fund's financial statements, to, respectively, the depository and the person responsible for the statutory audit of the feeder fund's financial statements.

The person responsible for the statutory audit of the feeder fund's financial statements shall make any remarks that it deems necessary with regard to the documents referred to in the third paragraph of this Article.

These remarks shall be submitted to the person responsible for the statutory audit of the master fund's accounts for the response that the latter deems necessary.

Article 412-4

When the master fund and the feeder fund have the same depository, the latter shall draw up specifications to define, as appropriate, adequate adaptations of audit procedures for the master fund and the feeder fund. When the same person is responsible for the statutory audit of the master fund and of the feeder fund, it shall draw up a work programme that incorporates the same adaptations, as appropriate.

The agreements or contract specifications shall define the requirements incumbent upon the master fund depository with regard to informing, as appropriate, the depository and the portfolio management company of the feeder fund, about anomalies detected in the performance of its tasks and the responses to this information.

The full prospectus of the feeder fund shall define the procedures for making the rules or articles of association of the master fund available to holders.

If the master fund is not subject to Section 1 of Chapter IV of Title I of Book II of the Financial and Monetary Code, the authorization for the feeder fund can only be granted if the master fund is subject to the supervision of foreign authority with which the AMF has signed an information-sharing and assistance agreement that is suited to the supervision of master funds and feeder funds under the conditions stipulated in Article L. 621-21 of the Financial and Monetary Code. Authorization of the feeder fund shall require marketing authorization for the master fund in France in accordance with Article 411-57 and the following Articles.

Section 2 - Full prospectus

Article 412-5

The full prospectus of a feeder fund shall specify that the fund's assets are completely and permanently invested in units or shares of a single collective investment scheme called the master fund and occasionally in cash deposits held within the strict limits of the needs relating to managing the fund's flows. As appropriate, the full prospectus shall also specify that the feeder fund may sign contracts constituting financial futures under the conditions defined in point II of Article R. 214-24 of the Financial and Monetary Code.

Any changes to the master fund shall be subject to the authorization of the AMF. The full prospectus must be amended as appropriate.

A feeder fund may not hold units or shares in another feeder fund.

The rules set out in this Article shall apply to each subfund of a feeder fund and each subfund of a master fund.

Section 3 - Mergers, demergers, takeovers, liquidation

Article 412-6

If a master fund is affected by a merger, demerger or a takeover, the resulting changes for the feeder fund shall be subject to the authorization of the AMF.

A refusal to authorise the changes concerning the feeder fund(s) shall lead to the winding up of the funds, unless they invest their assets in another master fund on or before the date on which the abovementioned transactions are definitively carried through.

Holders of a feeder fund shall receive the same information and be offered the same possibilities to exit the fund free of charge as specified by an instruction for the holders of units or shares in a collective investment scheme in

the event of a merger, demerger or takeover, as well as, more generally, the information and possibilities offered to the holders of units in the master fund.

Article 412-7

Liquidation of a master fund shall lead to liquidation of the feeder fund, unless the latter invests its assets in another master fund before the end of the liquidation process. The investment shall be subject to the authorization of the AMF.

Holders of units or shares in a feeder fund shall receive the same information and the same protection as provided for the holders of units or shares in a collective investment scheme in the event of liquidation, as well as, more generally, the information and protection offered to the holders of units or shares in the master fund.

Article 412-8

The agreement and work programme referred to in Article 412-3 shall give due consideration to the procedures for transmitting the documents referred to in Article 411-40 to the portfolio management company of the feeder fund or the feeder fund SICAV to ensure that the holders of the feeder fund benefit from the provisions of Article 411-40.

Article 412-9

If a collective investment scheme is a feeder fund, the full prospectus shall draw attention to this fact and describe the characteristics of the master fund or the master subfund.

If a feeder fund engages in futures transactions, the full prospectus must be adapted to provide information that is consistent with its management objective.

CHAPTER III - COLLECTIVE INVESTMENT SCHEMES RESERVED FOR CERTAIN INVESTORS

Section 1 - Leveraged and unleveraged collective investment schemes with streamlined investment rules

Article 413-1

The provisions applying to all collective investment schemes set out in Chapter 1 of this Title shall apply to collective investment schemes with streamlined investment rules referred to in subparagraphs 1 and 2 of paragraph 1 of sub-section 9 in Section 1 of Chapter VI, Title 1, Book II of the regulatory part of the Financial and Monetary Code, except for the second and third paragraphs of Article 411-54.

The collective investment schemes shall also be subject to the following provisions.

Paragraph 1 - Subscription and purchase requirements

Article 413-2

Subscriptions and purchases of units or shares in collective investment schemes with streamlined investment rules referred to in subparagraphs 1 and 2 of paragraph 1 of sub-section 9 in Section 1 of Chapter VI, Title 1, Book II of the regulatory part of the Financial and Monetary Code shall be reserved for :

1° Investors referred to in the first paragraph of Article L. 214-35-1 of the Financial and Monetary Code ;

2° The central government, or in the case of a federal system, one or more of the members making up the federation ;

3° The European Central Bank, central banks, the World Bank, the International Monetary Fund, the European Investment Bank ;

4° Investors whose initial subscription is EUR 10,000 or more and who have held a professional position in the financial sector for at least one year that has enabled them to acquire knowledge about the strategy implemented by the collective investment scheme that they are considering subscribing to ;

5° To corporations that met two of the following three criteria at the end of the previous financial year :

a) Total balance-sheet assets of more than EUR 20,000,000 ;

b) Turnover of more than EUR 40,000,000 ;

c) Shareholders' equity of more than EUR 2,000,000.

6° Investors whose initial subscription is EUR 10,000 or more and who hold a total of EUR 1,000,000 or more in deposits, life insurance products or financial instruments ;

7° Investors whose initial subscription is EUR 125,000 or more.

Article 413-3

If a non-resident of France subscribes or purchases units or shares in collective investment schemes with streamlined investment rules marketed in other countries, the investors for whom subscriptions and purchases of these collective investment schemes are reserved and the conditions under which they can waive their right to advice shall be governed by the law of the country in which the marketing takes place.

Article 413-4

The investors referred to in points 2° and 4° of Article 413-2 may waive their right to advice referred to in Article 411-53 by means of the following procedure :

1° The investors shall serve written notice to the person marketing the shares or units in the collective investment scheme of their desire to waive their right to advice ;

2° The person marketing the shares or units in the collective investment scheme shall explain clearly and in writing the protections the investors may be forgoing ;

3° The investors shall make a written declaration that is separate from the subscription application or the full prospectus that they are aware of the consequences of waiving the abovementioned protections.

Article 413-5

Any direct or indirect solicitations for subscriptions and purchases of units or shares in collective investment schemes with streamlined investment rules shall come with a warning that subscriptions and purchases of units or shares in these collective investment scheme, made directly or through an intermediary, are reserved for the investors referred to in Article 413-2. The warning shall also state that the collective investment scheme may adopt special investment rules.

Article 413-6

Investors shall give written acknowledgement, when making the first subscription or purchase, that they have been warned that subscriptions and purchases of units or shares in these collective investment scheme, made directly or through an intermediary, are reserved for the investors referred to in Article 413-2.

Article 413-7

The depository, or the person named in the full prospectus of the collective investment scheme, shall ensure that subscribers or purchasers meet the eligibility criteria and that they have received the information required under the provisions of Articles 413-5 and 411-51.

They shall also ensure that the written acknowledgement referred to in Article 413-6 exists.

Article 413-8

Between the date at which the subscription or redemption order is centralised and the date at which the depository settles or delivers the units or shares on behalf of the collective investment scheme, the full prospectus of the scheme may provide for a period that shall not exceed :

1° Fifteen days where the net asset value is established daily ;

2° Sixty days where the net asset value is not established daily.

The full prospectus must indicate the date of centralisation of the subscription and redemption order for the collective investment scheme's units or shares, the date of establishment of the net asset value and the latest date by which the net asset value will be calculated and published.

The net asset value must be calculated and published at the same date.

Article 413-9

The management fee for collective investment schemes with streamlined investment rules governed by subparagraphs 1 and 2 of paragraph 1 of sub-section 9 in Section 1 of Chapter VI, Title 1, Book II of the regulatory part of the Financial and Monetary Code may include a variable component that is paid as soon as the first euro of positive performance is posted. The procedures for calculating and paying the fee shall be explained in the full prospectus.

Paragraph 2 - Net asset value

Article 413-10

The full prospectus of the collective investment scheme shall stipulate that the net value shall be published at least once a month.

Article 413-11

If a collective investment scheme is marketed exclusively outside of France, the full prospectus may be written in a language other than French that is customary in the sphere of finance.

Section 2 - Alternative funds of funds with streamlined investment rules

Article 413-12

The provisions applying to all collective investment schemes set out in Chapter 1 of this Title shall apply to collective investment schemes with streamlined investment rules referred to in subparagraph 3 of paragraph 1 of sub-section 9 of Section 1 of Chapter IV, Title I, Book II of the regulatory part of the Financial and Monetary Code, except for the second and third paragraphs of Article 411-54.

These collective investment schemes shall also be subject to the following provisions.

Paragraph 1 - Subscription and purchase requirements

Article 413-13

Subscriptions and purchases of units or shares in collective investment schemes referred to in subparagraph 3 of paragraph 1 of sub-section 9 of Section 1 of Chapter IV, Title I, Book II of the regulatory part of the Financial and Monetary Code shall be reserved for :

1° Investors referred to in the first paragraph of Article L. 214-35-1 of the Financial and Monetary Code ;

2° The central government, or in the case of a federal system, one or more of the members making up the federation ;

3 The European Central Bank, central banks, the World Bank, the International Monetary Fund, the European Investment Bank ;

4° Companies that met two of the following three criteria at the end of the previous financial year :

a) Total balance-sheet assets of more than EUR 20,000,000 ;

b) Turnover of more than EUR 40,000,000 ;

c) Shareholders' equity of more than EUR 2,000,000 ;

5° Investors whose initial subscription is EUR 10,000 or more, if the collective investment scheme does not guarantee the capital subscribed ;

6° Any investor, if the collective investment scheme guarantees the capital subscribed and benefits from a guarantee itself, or provides holders with a guarantee.

Article 413-14

The investors referred to in points 2° and 3° of Article 413-13 may waive their right to advice referred to in Article 411-53 by means of the procedure defined in Article 413-4.

Article 413-15

If a non-resident of France subscribes or purchases units or shares in alternative funds of funds marketed in other countries, the investors for whom subscriptions and purchases of these collective investment schemes are reserved and the conditions under which they can waive their right to advice shall be governed by the law of the country in which the marketing takes place.

Article 413-16

Any direct or indirect solicitations for subscriptions and purchases of units or shares in alternative funds of funds shall come with a warning that subscriptions and purchases of units or shares in the collective investment schemes,

made directly or through an intermediary, are reserved for the investors referred to in Article 413-13. The warning shall also state that the collective investment scheme may adopt special investment rules.

Article 413-17

Investors shall give written acknowledgement, when making the first subscription or purchase, that they have been warned that subscriptions and purchases of units or shares in alternative funds of funds, made directly or through an intermediary, are reserved for the investors referred to in Article 413-13.

Article 413-18

The depository, or the person named in the full prospectus of the alternative fund of funds, shall ensure that subscribers or purchasers meet the eligibility criteria and that they have received the information required under the provisions of Articles 413-16 and 411-51. They shall also ensure that the written acknowledgement referred to in Article 413-17 exists.

Article 413-19

Between the date at which the subscription or redemption order is centralised and the date at which the depository settles or delivers the units or shares on behalf of the collective investment scheme, the full prospectus of the scheme may provide for a period that shall not exceed :

1° Fifteen days where the net asset value is established daily ;

2° Sixty days where the net asset value is not established daily.

The full prospectus must indicate the date of centralisation of the subscription and redemption order for the collective investment scheme's units or shares, the date of establishment of the net asset value and the latest date by which the net asset value will be calculated and published.

The net asset value must be calculated and published at the same date.

Article 413-20

The management fee for collective investment schemes with streamlined investment rules governed by subparagraph 3 of paragraph 1 of sub-section 9 of Section 1 of Chapter IV, Title I, Book II of the regulatory part of the Financial and Monetary Code may include a variable component that is paid as soon as the first euro of positive performance is posted. The procedures for calculating and paying this fee shall be explained in the full prospectus.

Paragraph 2 - Net asset value

Article 413-21

The full prospectus of the alternative fund of funds shall stipulate that the net value shall be published at least once a month.

Section 3 - Contractual funds

Article 413-22

Contractual funds governed by Article L. 214-35-2 and the following Articles of the Financial and Monetary Code shall be subject to the provisions of this section.

SUB-SECTION 1 - FORMATION

Article 413-23

The registration requirement stipulated by Article L. 214-35-4 of the Financial and Monetary Code shall be met by filing an application with the AMF that contains the elements stipulated in an AMF instruction. The registration must take place in the month following the issuance of the deposit certificate for the collective investment scheme or subfund referred to in the fifth paragraph of Article 411-7.

An acknowledgement of receipt of the registration shall be sent within eight business days following such receipt.

Article 413-24

No subscriptions can be accepted until the full prospectus for the collective investment scheme has been produced. The full prospectus shall be given to subscribers before any subscriptions or purchases of units or shares are made.

Article 413-25

The full prospectus shall comprise the following documents and the headings of these documents shall be stipulated by an AMF instruction :

1° A detailed memo that identifies the portfolio management company and depository, and provides a description of the investment rules and operating rules of the collective investment scheme, along with all the direct and indirect procedures for compensating the portfolio management company and the depository ;

2° The rules or articles of association of the collective investment scheme.

Article 413-26

If a collective investment scheme is marketed exclusively outside of France, the full prospectus may be written in a language other than French that is customary in the sphere of finance.

Article 413-27

The full prospectus shall explicitly state that the collective investment scheme is a contractual fund that is not subject to the authorization of the AMF.

Article 413-28

Articles 411-3, 411-4, the fifth paragraph of Article 411-7, and Articles 411-8 and 411-11 shall apply to contractual funds.

SUB-SECTION 2 - OPERATING PROCEDURES

Article 413-29

The AMF shall have the right to demand that all the documents compiled or distributed by a contractual fund or by the distributor of said fund be submitted to it.

It shall have the right to modify the presentation and content of these documents at any time. It shall also have the right to demand a halt to the dissemination of said documents.

Article 413-30

The management fee for contractual funds may include a variable component that is paid as soon as the first euro of positive performance is posted. The calculation and payment procedures shall be explained in the full prospectus.

Article 413-31

Articles 411-53, 411-53-1 and 411-56 shall apply to contractual funds.

Article 413-32

The procedures and frequency of net asset value calculations shall be suited to the nature of the financial instruments, contracts, securities and deposits held by the collective investment scheme. However, the full prospectus of the collective investment scheme shall stipulate that its net value shall be determined and published at least once a quarter.

Article 413-33

The AMF shall be notified of the conversion, merger, demerger or liquidation of the contractual fund within one month of the implementation of the conversion in accordance with the procedures defined by an AMF instruction.

The modification shall go into effect no earlier than three business days following the effective disclosure of the information to the holders of the shares or units of the collective investment scheme.

In the event of an amendment to the prospectus, the SICAV or the portfolio management company must submit an updated prospectus on or before the date that the amendment enters into force, in accordance with the procedures defined by an AMF instruction. The submission of the prospectus shall not exempt the SICAV or the portfolio management company from entering the necessary changes in the GECO database, as appropriate.

Article 413-34

Article 411-14 shall apply to contractual funds.

SUB-SECTION 3 - SUBSCRIPTIONS, PURCHASES, REDEMPTIONS AND TRANSFERS

Article 413-35

FCP units and SICAV shares shall be issued at any time at the request of the unit holders and shareholders on the basis of their net asset value, plus any subscription fees.

However, subscriptions and purchases of units or shares in contractual funds shall be reserved for :

1° Investors referred to in Article L. 214-35-3 of the Financial and Monetary Code ;

2° The central government, or in the case of a federal system, one or more of the members making up the federation ;

3° The European Central Bank, central banks, the World Bank, the International Monetary Fund, the European Investment Bank ;

4° Investors whose initial subscription is EUR 30,000 or more and who have held a professional position in the financial sector for at least one year that has enabled them to acquire knowledge about the strategy implemented by the collective investment scheme that they are considering subscribing to ;

5° Companies that met two of the following three criteria at the end of the previous financial year :

a) Total balance-sheet assets of more than EUR 20,000,000 ;

b) Turnover of more than EUR 40,000,000 ;

c) Shareholders' equity of more than EUR 2,000,000 ;

6° Investors whose initial subscription is EUR 30,000 or more and who hold a total of EUR 1,000,000 or more in deposits, life insurance products or financial instruments ;

7° Investors whose initial subscription is EUR 250,000 or more.

Article 413-36

If a non-resident of France subscribes or purchases units or shares in contractual funds marketed in other countries, the investors for whom subscriptions and purchases of these collective investment schemes are reserved and the conditions under which they can waive their right to advice shall be governed by the law of the country in which the marketing takes place.

Article 413-37

The investors referred to in points 2°, 3° and 4° of Article 413-35 may waive their right to advice referred to in Article 411-53 by means of the procedure defined in Article 413-5.

Article 413-38

Any direct or indirect solicitations for subscriptions and purchases of units or shares in contractual funds shall come with a warning that subscriptions or purchases, and sales or transfers of units or shares in the collective investment scheme, made directly or through an intermediary, are reserved for the investors referred to in Article 413-35. The warning shall also state that the collective investment scheme is not authorised by the AMF and that its operating rules are defined in the full prospectus.

Article 413-39

The full prospectus shall be given to investors before any subscriptions or purchases of units or shares in a contractual fund are made.

Investors shall give written acknowledgement, when making the first subscription or purchase, that they have been warned that subscriptions and purchases of units or shares in the collective investment scheme, made directly or through an intermediary, are reserved for the investors referred to in Article 413-35.

The full prospectus of the collective investment scheme as well as the most recent periodic and yearly documents must be available on a simple written request by the holder within one week of receipt of the request. At the holder's option, these documents must be capable of being sent electronically.

Article 413-40

The depository, or the person named in the full prospectus of the collective investment scheme, shall ensure that subscribers or purchasers meet the eligibility criteria and that they have received the information required under the provisions of Articles 413-38 and 413-39. They shall also ensure that the written acknowledgement referred to in Article 413-39 exists.

CHAPTER IV - VENTURE CAPITAL FUNDS (FONDS COMMUNS DE PLACEMENT À RISQUES)

Section 1 - Common provisions

Article 414-1

The provisions applying to all collective investment schemes set out in Chapter 1 of this Title shall apply to venture capital funds (fonds communs de placement à risques, FCPRs) governed by Article L. 214-36 of the Financial and Monetary Code, including innovation funds (fonds communs de placement dans l'innovation, FCPIs) governed by Article L. 214-41 of the Financial and Monetary Code and local investment funds (fonds d'investissement de proximité, FIPs) governed by Article L. 214-41-1 of the same code, except for the second through fifth paragraphs of Article 411-7, Article 411-12 and Article 411-18.

These funds shall also be subject to the following provisions.

SUB-SECTION 1 - FORMATION AND AUTHORIZATION

Article 414-2

Authorization of a venture capital fund and, as appropriate, of each subfund shall be subject to prior filing of an application with the AMF that contains the elements stipulated in an AMF instruction.

Absent a response from the AMF for one month following acknowledgement of receipt of the application by the AMF, authorization is deemed granted.

If the AMF asks for further information that requires the portfolio management company to submit a supplementary information sheet, the AMF shall serve written notice stipulating that the items requested must arrive within forty-five days. If it fails to receive the elements within this period, the application for authorization shall be deemed rejected. The AMF shall issue a written acknowledgement of receipt when it has received all the information requested. The acknowledgement of receipt shall stipulate a new authorization period, which cannot be longer than the one stipulated in the second paragraph.

Article 414-3

The venture capital fund rules may provide for categories of units that carry different rights pertaining to the net assets and income of the venture capital fund.

Article 414-4

The venture capital fund rules shall define the rights attached to the different categories of units, the management guidelines and the rules that the portfolio management company follows if the venture capital fund reserves the right to purchase or transfer securities that are in portfolios managed or advised by the portfolio management company or its affiliates.

An AMF instruction shall stipulate the contents of the headings in the venture capital fund rules.

Article 414-5

Holders of units in a feeder venture capital fund that always invests all its assets in a venture capital fund shall be explicitly informed of the special rules applying to this type of feeder fund. An AMF Instruction shall stipulate the procedures for such disclosures.

SUB-SECTION 2 - OPERATING RULES

Article 414-6

An AMF instruction shall stipulate the conditions under which the AMF shall authorise transfers affecting a venture capital fund. The time limit for granting authorization shall be fifteen days.

Article 414-7

Venture capital funds shall be permitted to make or receive contributions in kind other than the ones stipulated in the first paragraph of Article 411-16. If the contribution is made between a venture capital fund and a company affiliated to the portfolio management company of the fund or between venture capital funds managed by the same portfolio management company, the contributions must not involve equity or debt securities that have been held for more than twelve months. These contributions shall be valued in accordance with the conditions stipulated in the venture capital fund rules.

Article 414-8

A venture capital fund, an innovation fund or a local investment fund shall only be permitted to merge with another venture capital fund, innovation fund or local investment fund, respectively.

Article 414-9

In the event of a merger, demerger or takeover involving one or more venture capital funds or subfunds, holders of units in the venture capital fund shall have three months in which to redeem their units or shares free of charge.

This option shall not apply to holders of units in venture capital funds during the period stipulated in point 9 of Article L. 214-36 of the Financial and Monetary Code.

Article 414-10

If a venture capital fund issues different units, the net asset value of each type of unit issued when the subscription price is fully or partially paid, or when later payments are made, shall be obtained by dividing the portion of net assets corresponding to the type of units in question by the number of units with the same characteristics. The calculation procedures shall be explained in the venture capital fund information circular and rules.

Article 414-11

The net amount of fees paid to the portfolio management company for providing advice to companies in which a venture capital fund holds securities shall be deducted from the fee to which the portfolio management company is entitled for managing the fund in proportion to the equity held.

An AMF instruction shall stipulate the conditions for applying the provisions of this Article.

SUB-SECTION 3 - PUBLIC INFORMATION

Article 414-12

The full prospectuses of venture capital funds shall consist of two documents : the information circular and the fund rules. The contents of these documents, and information about fees in particular, shall be stipulated by an AMF instruction.

If the venture capital funds provide for the distribution of so-called carried interest units under the conditions set out in the third and fourth paragraphs of point II of Article R. 214-47 of the Financial and Monetary Code, the fund rules must describe the characteristics of these units, the risks incurred by holders of such units and the nature of these holders, if they are not exclusively the portfolio management company, its executives and employees.

Article 414-13

The venture capital fund rules may stipulate that the venture capital fund publishes its net asset value only twice a year.

Section 2 - Venture capital funds registered via the fast-track procedure

Article 414-14

Venture capital funds registered via the fast-track procedure (fast-track venture capital funds) governed by Article L. 214-37 of the Financial and Monetary Code shall be subject to the provisions of this section.

SUB-SECTION 1 - FORMATION

Paragraph 1 - Registration and subscriptions

Article 414-15

The registration requirement stipulated by Article L. 214-37 of the Financial and Monetary Code shall be met by filing an application with the AMF that contains the elements stipulated in an AMF instruction. The registration must take place in the month following the issuance of the deposit certificate provided for in Article 414-17.

Article 414-16

No subscriptions can be accepted until the fast-track venture capital fund rules have been established.

Article 414-17

Article 411-8 and the second and third paragraphs of Article 411-9 shall apply.

The fast-track venture capital fund rules shall explicitly state that it is a fund registered via the fast-track procedure and that it is not subject to the authorization of the AMF.

The rules that the portfolio management company follows in allocating investments between portfolios that it or its affiliates manage or advise do not have to be explained in the fund rules if the allocation rules are given to subscribers. An AMF instruction shall stipulate the conditions for applying the provisions of this paragraph.

Paragraph 2 - Master funds and feeder funds

Article 414-18

The provisions of Articles 411-24, 411-48, 412-2 to 412-9 and 414-5 shall apply, with the exception of the AMF authorization, to be replaced by a filing with the AMF in the month following the completion of the transaction or the event.

If the master fund is not subject to the applicable provisions of the Financial and Monetary Code, marketing of the master fund in France must be authorised prior to marketing the feeder fund under the conditions stipulated in Article 411-60.

SUB-SECTION 2 - OPERATING RULES

Paragraph 1 - Minimum asset amount

Article 414-19

The provisions of Article 411-14 shall apply to fast-track venture capital funds.

Paragraph 2 - Fast-track venture capital funds with subfunds

Article 414-20

If the fast-track venture capital fund rules stipulate that the fund shall be made up of subfunds, new subfunds shall be registered under the conditions stipulated in Article 414-15. Changes to the subfunds must be reported to the AMF in the month following their completion.

Paragraph 3 - Contributions in kind

Article 414-21

The provisions of Articles 411-16 and 414-7 shall apply, with the exception of the second sentence in Article 414-7.

Paragraph 4 - Mergers, demergers, takeovers, liquidation, conversions and changes

Article 414-22

The provisions of Articles 411-19 to 411-23, 412-6, 414-8 and 414-9 shall apply.

Mergers and demergers shall be reported in the month following their completion. The reporting requirement shall be satisfied by sending the AMF the merger or demerger agreement, along with the statutory auditors' reports.

Article 414-23

The provisions of Articles 411-24, 411-25 and 412-7 shall apply.

Liquidations shall be reported in the month following the decision made by the portfolio management company of the fast-track venture capital fund.

The statutory auditor's report shall be sent to the AMF within a month of being produced.

Article 414-24

A fast-track venture capital fund may be transformed into a collective investment scheme of another type, with the authorization of the AMF and provided that it complies beforehand with the provisions of the Financial and Monetary Code that apply to the chosen category of collective investment scheme.

Article 414-25

An AMF instruction shall stipulate which changes must be reported to the AMF in the month following their completion, along with the procedures for informing holders.

SUB-SECTION 3 - ACCOUNTING AND FINANCIAL PROVISIONS

Article 414-26

The provisions of Articles 411-27 to 411-33, 411-36 to 411-41, 411-44 and 412-8 shall apply.

SUB-SECTION 4 - SUBSCRIBER INFORMATION, REDEMPTION, SUBSCRIPTION AND TRANSFER CONDITIONS

Article 414-27

I. - Subscriptions and purchases of units or shares of fast-track venture capital funds shall be reserved for :

1° Investors referred to in the first paragraph of Article L. 214-37 of the Financial and Monetary Code ;

2° The central government, or in the case of a federal system, one or more of the members making up the federation ;

3° The European Central Bank, central banks, the World Bank, the International Monetary Fund, the European Investment Bank ;

4° Investors whose initial subscription is EUR 30,000 or more and who have held a professional position in the financial sector for at least one year that has enabled them to acquire knowledge about the strategy implemented by the collective investment scheme that they are considering subscribing to ;

5° Corporate and individual investors whose initial subscription is for at least EUR 30,000 and who meet one of the following three conditions :

a) They provide technical or financial assistance to unlisted companies covered by the fund's purpose to promote their creation or growth ;

b) They provide assistance to the portfolio management company of the fast-track venture capital fund in finding potential investors or contribute towards the company's objectives in seeking, selecting, tracking and disposing of investments ;

c) They have acquired knowledge about investment capital by being a direct equity investor in unlisted companies or by subscribing to a venture capital fund that is not advertised or promoted, or a fast-track venture capital fund, or else an unlisted venture capital firm ;

6° Investors whose initial subscription is EUR 30,000 or more and who hold a total of EUR 1,000,000 or more in deposits, life insurance products or financial instruments ;

7° Companies that met two of the following three criteria at the end of the previous financial year :

a) Total balance-sheet assets of more than EUR 20,000,000 ;

b) Turnover of more than EUR 40,000,00 ;

c) Shareholders' equity of more than EUR 2,000,000.

8° Investors whose initial subscription is EUR 500,000 or more.

The thresholds referred to in point I shall not apply to executives, employees and individuals acting on behalf of the portfolio management company, if the fund is a fast-track venture capital fund.

II. - Any direct or indirect solicitations for subscriptions and purchases of units in fast-track venture capital funds must come with a warning that subscriptions or purchases, and sales or transfers of units in the venture capital fund, made directly or through an intermediary, are reserved for the eligible investors as defined in Article L. 411-2 of the Financial and Monetary Code and Articles D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the same code and other investors referred to in point I. The warning shall also state that the venture capital fund is not authorised by the AMF and may adopt special investment rules.

III. - Before subscriptions or purchases of units in a fast-track venture capital fund can take place, the fund rules, along with any information provided for by the third paragraph of Article 414-17, shall be given to the subscriber or the purchaser. The contents of the rules shall be stipulated by an AMF instruction.

The subscribers or purchasers shall give written acknowledgement, when making the subscription or purchase, that they have been warned that subscriptions and purchases of units in the fund, made directly or through an intermediary, are reserved for the eligible investors listed in D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the Financial and Monetary Code and for the other investors referred to in point I.

IV. - The depository, or the person named in the fast-track venture capital fund rules, shall ensure compliance with the eligibility criteria for subscribers or purchasers and that the latter have received the information required under the provisions points II and III. They shall also ensure that the written acknowledgement referred to in the second paragraph of point III exists. In the event of non-compliance with these provisions, the depository or abovementioned person shall notify the AMF.

V. - This article shall apply to the conversion of a collective investment scheme that is not covered by this section into a fast-track venture capital fund.

Article 414-28

The investors referred to in points 2° to 5° of point I of Article 414-27 may waive the protection afforded by their right to advice referred to in Article 411-53 by means of the procedure defined in Article 413-4.

Article 414-29

If a non-resident of France subscribes or purchases units in fast-track venture capital funds marketed in other countries, the investors for whom subscriptions and purchases of these collective investment schemes are reserved and the conditions under which they can waive their right to advice shall be governed by the law of the country in which the marketing takes place.

Article 414-30

The provisions of Articles 411-53 through 411-55 and 414-13 shall apply.

Article 414-31

Fast-track venture capital funds shall produce documents in compliance with the provisions set out in an instruction and with a frequency of at least once a year to be established by the fast-track venture capital fund rules.

The documents shall be provided immediately to any subscriber or holder asking for them.

Article 414-32

The documents sent to the AMF under the provisions of Articles 414-15, 414-18, 414-20, 414-21, 414-22 and 414-25 shall be sent for reporting purposes only. Acceptance by the AMF shall not imply any judgment about their content or the transactions they report.

Article 414-33

The AMF shall have the right to demand that any of the documents compiled or distributed by a fast-track venture capital fund be submitted to it.

It shall have the right to modify the presentation and content of these documents at any time. It shall also have the right to demand a halt to the dissemination of the documents.

The provisions of Articles 411-50 and 411-53 shall apply.

CHAPTER V - EMPLOYEE INVESTMENT FUNDS (FONDS COMMUNS DE PLACEMENT D'ENTREPRISE, FCPES) AND SICAVS FOR EMPLOYEE SHAREHOLDERS

Article 415-1

The provisions applying to all collective investment schemes set out in Chapter 1 of this Title shall apply to employee investment funds (fonds communs de placement d'entreprise, FCPEs) governed by Articles L. 214-39 and L. 214-40 of the Financial and Monetary Code, and to SICAVs for employee shareholders governed by Article L. 214-40-1 of the Financial and Monetary Code, except for Articles 411-12 and 411-14, the first paragraph of Article 411-21 with regard to employee investment funds and paragraphs 2 to 4 of Article 411-5 and paragraphs 2 to 5 of Article 411-7.

These collective investment schemes shall also be subject to the following provisions.

Section 1 - Formation and authorization

Article 415-2

Authorization of a SICAV for employee shareholders or an employee investment fund shall be subject to prior filing of an application with the AMF that contains the elements stipulated in an AMF instruction.

Absent a response from the AMF for one month following acknowledgement of receipt of the application by the AMF, authorization is deemed granted.

If the AMF asks for further information that requires the portfolio management company to submit a supplementary information sheet, the AMF shall serve written notice stipulating that the items requested must arrive within sixty days. If it fails to receive the elements within this period, the application for authorization shall be deemed rejected. The AMF shall issue a written acknowledgement of receipt when it has received all the information requested. The acknowledgement of receipt shall stipulate a new authorization period, which cannot be longer than the one stipulated in the second paragraph.

Article 415-3

The period for subscribing shares in a SICAV for employee shareholders or units in an employee investment fund must start within twelve months of the date on which the SICAV or the fund is authorised. Failing this, the authorization shall be deemed to be null and void, unless the AMF explicitly grants an exception.

Subscriptions and purchases of shares in a SICAV for employee shareholders or units in an employee investment fund shall be reserved for the employees of the group as defined in the second paragraph of Article L. 444-3 of the Labour Code and, where appropriate, for the persons stipulated in the third paragraph of Article L. 443-1 of the Labour Code.

The minimum capital or the minimum assets required to constitute a SICAV for employee shareholders may be contributed by other investors than the ones referred to in the preceding paragraph, provided that these investors undertake to request the redemption of their shares as soon as subscriptions are accepted from the abovementioned employees and, where appropriate, from the persons stipulated in the third paragraph of Article L. 443-1 of the Labour Code.

Section 2 - Operating rules

Article 415-4

An employee investment funds or a SICAV for employee shareholders may only merge with another employee investment fund or SICAV for employee shareholders.

Article 415-5

Any plans for mergers, demergers and takeovers involving one or more collective investment schemes for employees or one or more subfunds in a collective investment scheme shall be decided by the supervisory board of the employee investment fund, or the board of directors or the executive board of the SICAV for employee shareholders. The plans shall be subject to the prior authorization of the AMF. The merger or demerger must be completed within three months of being authorised. Failing this, the authorization shall be deemed to be null and void, unless the AMF explicitly grants an exception.

Article 415-6

If holders are not entitled to a whole number of units or shares as a result of the exchange parity, the units or shares in the collective investment scheme for employees shall be divided so that the fractional units or shares can be reinvested.

Article 415-7

The net asset value shall be made available to the supervisory board of the employee investment fund, or the board of directors or the executive board of the SICAV for employee shareholders on the first business day following its calculation.

Article 415-8

If the mechanism ensuring liquidity of securities that are not traded on a regulated market is provided by another entity than the ones referred to in the second to last paragraph of Article R. 214-52 of the Financial and Monetary Code, it may provided by a natural person or legal entity that is separate from the portfolio management company, from the SICAV for employee shareholders and from the corporation whose securities are held by the employee investment fund or the SICAV for employee shareholders, provided that this person or entity undertakes to redeem the number of securities necessary to provide liquidity that is at least equivalent to that of a collective investment scheme that holds at least one third of its assets in liquid securities. This undertaking must be counter-guaranteed in compliance with the following procedures, which may be combined :

1° A performance guarantee from a credit institution with its registered office in a country that belongs to the OECD, an insurance company or an investment company with its registered office in a Member State of the European Union or a State party to the EEA agreement and that is authorised to provide the service referred to in point 1 of Article L. 321-2 of the Financial and Monetary Code and which has capital, as defined in Directive 2000/12/EC of 20 March 2000, of EUR 3.8 million or more.

2° A line of credit granted by a credit institution with its registered office in a country that belongs to the OECD for the purpose of fulfilling the guarantee defined in this Article ;

3° A portfolio of liquid securities, as defined in Article 7 bis of Decree 89-623 of 6 September 1989, pledged to the portfolio management company of the employee investment fund or the SICAV for employee shareholders.

If the company is open-ended, the mechanism for guaranteeing the liquidity of the securities provided for in the last paragraph of Article 7 bis of Decree 89-623 of 6 September 1989 may be provided by the company under the forms defined in points 1°, 2° and 3°.

Article 415-9

The price at which the guarantor redeems units or shares shall be set by the employee investment fund rules or the articles of association of the SICAV for employee shareholders.

An AMF instruction shall stipulate the clauses that must be included in the liquidity guarantee contract.

Article 415-10

The supervisory boards of employee investment funds shall give an account of the tasks incumbent upon them under Articles L. 214-39 and L. 214-40 of the Financial and Monetary Code in their annual reports.

The boards of directors of SICAVs for employee shareholders shall give an account of the tasks incumbent upon them under Article L. 214-40-1 of the Financial and Monetary Code in their annual reports.

Section 3 - Public information

Article 415-11

The fees paid by an employee investment fund or a SICAV for employee shareholders, as described in point 2° of Article 411-46, shall be supplemented, where appropriate, by a list of fees related to the operations of the employee investment fund or the SICAV for employee shareholders that are covered by the company.

Article 415-12

The full prospectuses of employee investment funds and SICAVs for employee shareholders shall consist of two documents : the information circular and the fund rules or articles of association. The content of these documents, and information about fees in particular, shall be stipulated by an AMF instruction.

Article 415-13

An AMF instruction shall stipulate which offering circulars the employee investment fund or SICAV for employee shareholders must make available to holders of units or shares relating to any collective investment scheme in which it has invested more than 50 per cent of its assets.

If such a collective investment scheme invests in units or shares of other collective investment schemes, the information circular shall stipulate, as appropriate, whether the employee investment fund or the SICAV for employee shareholders has invested more than 50 per cent of its assets in units or shares of a single collective investment scheme and shall give the names of such collective investment schemes.

Article 415-14

Employee investment funds and SICAVs for employee shareholders shall publish their net asset value at least once a month.

CHAPTER VI - FUTURES FUNDS (FONDS COMMUNS D'INTERVENTION SUR LES MARCHÉS À TERME)

Article 416-1

The provisions applying to all collective investment schemes referred to in Chapter 1 of this Title shall apply to futures funds (fonds communs d'intervention sur les marchés à terme, FCIMTs) governed by Article L. 214-42 of the Financial and Monetary Code, expect for point 1° of Article 411-45 and Article 411-56.

Futures funds shall also be subject to the following provisions.

Article 416-2

Subscriptions and purchases of futures fund units shall be reserved for :

1° Investors referred to in the first paragraph of Article L. 214-35-1 of the Financial and Monetary Code ;

2° The central government, or in the case of a federal system, one of the members making up the federation ;

3° The European Central Bank, central banks, the World Bank, the International Monetary Fund, the European Investment Bank ;

4° Companies that met two of the following three criteria at the end of the previous financial year :

a) Total balance-sheet assets of more than EUR 20,000,000 ;

b) Turnover of more than EUR 40,000,00 ;

c) Shareholders' equity of more than EUR 2,000,000 ;

5° Investors whose initial subscription is EUR 10,000 or more.

Article 416-3

If a non-resident of France subscribes or purchases futures fund units marketed in other countries, the investors for whom subscriptions and purchases of this futures fund are reserved and the conditions under which they can waive their right to advice shall be governed by the law of the country in which the marketing takes place.

Article 416-4

The investors referred to in points 2° and 3° of Article 416-2 may waive their right to advice by means of the procedure defined in Article 413-4.

Article 416-5

Investors shall give written acknowledgement, when making the first subscription or purchase, that they have been warned that subscriptions and purchases of futures fund units, made directly or through an intermediary, are reserved for the investors referred to in Article 416-2.

Article 416-6

The depository, or the person named in the full prospectus of the futures fund, shall ensure that subscribers or purchasers meet the eligibility criteria and that they have received the information required under the provisions of Articles 413-5 and 411-51. They shall also ensure that the written acknowledgement referred to in Article 413-6 exists.

Article 416-7

If the variable management fee is based solely on the positive results of the futures fund's transactions and positions on futures markets, the full collective investment scheme prospectus may provide for the fee to be calculated as soon as the first euro of positive performance is posted under the conditions stipulated in Article 322-41. Failing that, the variable component of the management fee shall be based on the excess return of the futures fund compared to the management objective set out in the prospectus.

Article 416-8

If a futures fund is marketed exclusively outside of France, the full prospectus may be written in a language other than French that is customary in the sphere of finance.

Article 416-9

Futures funds shall compile and publish their net asset value each trading day, excluding holidays, if the fund rules provide for it.

Article 416-10

Futures funds (FCIMTs) shall draw up an information document, the content of which is specified in an AMF instruction, at the end of each quarter.

Where the fund includes subfunds, periodic information documents shall also be drawn up for each subfund.

Futures funds shall have the composition of their assets certified by their statutory auditor.

CHAPTER VII - TRANSITIONAL PROVISIONS

Article 417-1

I. - Portfolio management companies in existence on the publication date of these General Regulations [24 november 2004] shall file a statement with the AMF by 29 January 2005 in accordance with the procedures set by the AMF. This statement shall explain whether the company intends to achieve compliance with the provisions of the second paragraph of Article 322-1.

1° If portfolio management companies declare their intention to achieve compliance with the provisions of the second paragraph of Article 322-1 :

a) They shall immediately comply with the capital requirement set out in the second paragraph of Article 322-8 ;

b) They shall achieve compliance with the provisions of the second paragraph of Article 322-1 and the provisions of the first paragraph of Article 322-8 on shareholders' equity on or before 30 June 2005 ;

c) They shall manage at least one UCITS that is compatible with directive 85/611/EEC of 20 December 1985 by 30 of September 2005.

2° Other portfolio management companies in existence on the publication date of these General Regulations shall comply with the provisions of Article 322-8 on or before 30 June 2005. Portfolio management companies shall remain subject to Article 6 of Commission des Opérations de Bourse Regulation 96-02 on investment service providers engaging in portfolio management for third parties until they achieve the abovementioned compliance.

II. - Portfolio management companies in existence on the publication date of these General Regulations [24 november 2004] shall comply with the provisions of Article 322-10 on or before 30 June 2005.

III. - The following shall bring their prospectuses into compliance with the contents of the full prospectus stipulated by the instruction referred to in Article 411-45 before 30 September 2005 :

1° UCITS that comply with Directive 85/611/EC of 20 December 1985 that have or have not received marketing authorization in another State party to the EEA agreement and that are in existence on the publication date of these General Regulations [24 november 2004] ;

(2° deleted by the Order of 10 May 2006)

3° Collective investment schemes in existence on 22 November 2003 that are covered by the former wording of Chapter VIII of Decree 89-623 of 6 September 1989, before the publication of Decree 2003-1103 of 21 November 2003, as well as collective investment schemes in existence on the publication date of these General Regulations [24 november 2004] that are covered by Chapter VIII of Decree 89-623 of 6 September 1989.

IV. - The following shall bring their prospectuses into compliance with the contents of the full prospectus stipulated by the instruction referred to in Article 411-45 before 30 April 2006 :

1° Collective investment schemes that invest more than 10 per cent of their assets in units or shares of the collective investment schemes referred to in point c of Article 1 of Decree 89-623 of 6 September 1989 or in the investment fund units referred to in point 5° of Article 3 of said Decree that, as of 30 September 2005, have not filed applications with the AMF for authorization to transform themselves into collective investment schemes with streamlined investment rules or into contractual collective investment schemes or a declaration of conversion to collective investment schemes governed by Article 13-1 of Decree 89-623 of 6 September 1989 ;

2° Collective investment schemes other than the venture capital funds referred to in Article 414-1, the employee investment funds and SICAVs for employee shareholders referred to in 415-1 and the collective investment schemes referred to in point 1° and in point III.

V. - Notwithstanding the provisions of points III and IV, collective investment schemes governed by Chapter VII bis of Decree 89-623 of 6 September 1989 that are in existence on the publication date of these General Regulations [24 november 2004] and are no longer being marketed on that date shall not be required to bring the content of their prospectuses into compliance with the contents of the full prospectus defined by the instruction referred to in Article 411-45 until the end of the term of the formula, unless it is changed.

VI. - If a portfolio management company delegates the financial management of a collective investment scheme, it must make sure that, by the time the prospectus of the collective investment scheme is brought into compliance with the contents of the full prospectus stipulated by the instruction referred to in Article 411-45 :

1° The delegation agreement in force on the publication date of these General Regulations [24 november 2004] mentions the elements required for compliance with point 5° in Article 322-16 ;

2° The delegation of management complies with point 8° of Article 322-16.

VII. - Notwithstanding the first paragraph of Article 411-10, collective investment schemes in existence on the publication date of these General Regulations [24 november 2004] that do not have marketing authorization in another State party to the EEA agreement may request to be converted to a collective investment scheme that does not comply with Directive 85/611/EC of 20 December 1985, when they bring their prospectuses into compliance with the contents of the full prospectus defined by the instruction referred to in Article 411-45.

VIII. - SICAVs that claim to comply with Directive 85/611/EEC of 20 December 1985 shall delegate the overall management of their portfolios as referred to in Article L. 214-15 of the Financial and Monetary Code to delegated management companies that comply with the provisions of the second paragraph of Article 322-1, or that have declared their intention to do so under the provisions of point 1° in I.

IX. - Collective investment schemes in existence on the publication date of these General Regulations [24 november 2004] that invest more than 10 per cent of their assets in units or shares of the collective investment schemes referred to in point c of Article 1 of Decree 89-623 of 6 September 1989 or in the investment fund units referred to in point 5° of Article 3 of said Decree shall file the following with the AMF :

1° An application for authorization to transform themselves into collective investment schemes with streamlined investment rules or into contractual collective investment schemes on or before 30 September 2005 ;

2° Or an application for authorization to transform themselves into collective investment schemes governed by Article 13-1 of the abovementioned Decree of 6 September 1989 on or before 30 September 2005 ;

3° Or a declaration of their conversion to collective investment schemes governed by Article 13-2 of the Decree of 6 September 1989 on or before 30 April 2006.

X. - The changes made under the provisions of point IX shall simultaneously require the collective investment schemes concerned to bring their prospectuses into compliance with the contents of the full prospectus stipulated by the instruction referred to in Article 411-45.

Bringing the prospectuses of the collective investment schemes referred to in point IX into compliance with the contents of the full prospectus stipulated by the instruction referred to in Article 411-45 shall simultaneously require one of the changes provided for in point IX.

XI. - Collective investment schemes in existence on 22 November 2003 that are covered by the former wording of Chapter VIII of Decree 89-623 of 6 September 1989, before the publication of Decree 2003-1103 of 21 November 2003, as well as collective investment schemes in existence on the publication date of these General Regulation [24 november 2004] that are covered by Chapter VIII of Decree 89-623 of 6 September 1989 shall file an application with the AMF on or before 30 September 2005 for authorization for conversion to :

1° A collective investment scheme described as an "enhanced index fund" ;

2° Or an index fund governed by the other provisions of Article 411-35.

XII. - The changes made under the provisions of point XI shall simultaneously require the collective investment schemes concerned to bring their prospectuses into compliance with the contents of the full prospectus stipulated by the instruction referred to in Article 411-45.

Bringing the prospectuses of the collective investment schemes referred to in point XI into compliance with the content of the full prospectus stipulated by the instruction referred to in Article 411-45 shall simultaneously require one of the changes provided for in point XI.

XIII. - Collective investment schemes in existence on 22 November 2003 that are covered by the former wording of Chapter VIII of Decree 89-623 of 6 September 1989, before the publication of Decree 2003-1103 of 21 November 2003, as well as collective investment schemes in existence on the publication date of these General Regulations [24 november 2004] that are covered by Chapter VIII of Decree 89-623 of 6 September 1989 shall comply with the provisions of Article 411-35 at the later of the two following dates :

1° 1 July 2005 ;

2° The date on which the collective investment scheme prospectus is brought into compliance.

Notwithstanding the last paragraph of Article 411-35, up until 31 December 2005, the reference period used for calculating the tracking error defined in the abovementioned Article shall start on 1 January 2005.

XIV. - The provisions of the sixth paragraph of Article 411-54 shall not apply :

1° To collective investment schemes governed by Chapter VII bis of Decree 89-623 of 6 September 1989 that are in existence on 22 November 2003 ;

2° To reserved collective investment schemes that comply with the third paragraph of Article 411-12 and are in existence on 22 November 2003 ;

3° To collective investment schemes in existence on the publication date of these General Regulations when they are transformed into collective investment schemes with streamlined investment rules, if the conversion application is filed with the AMF before 30 october 2006.

XV. - Portfolio management companies shall file declarations with the AMF on or before 29 January 2005, using the form established by the AMF and containing the following elements :

1° A description of the procedure that the management companies undertake to implement to bring the prospectuses of the collective investment schemes that they manage into compliance with the contents of the full prospectus stipulated by the instruction referred to in Article 411-45 ;

2° The timetables that the management companies undertake to respect for staggered delivery to the AMF of the full prospectuses after they are brought into compliance with the contents of the full prospectus stipulated by the abovementioned instruction.

3° Lists of the various groups of collective investment schemes that meet common objective criteria.

The AMF shall draw up the list of the conversions subject to its authorization when they are simultaneous with bringing the collective investment scheme prospectuses into compliance and define the conditions under which it will grant this authorization.

XVI. - The conditions for subscribing or purchasing units or shares in collective investment schemes referred to in Article 413-13 shall not apply to holders of units or shares in collective investment schemes that meet the following three conditions :

1° These collective investment schemes are in existence on the publication date of these General Regulations [24 november 2004] ;

2° These collective investment schemes invest more than 10 per cent of their assets in units or shares of collective investment schemes referred to in point c of Article 1 of Decree 89-623 of 6 September 1989 or in units of investment funds referred to in point 5° of Article 3 of the abovementioned Decree ;

3° These collective investment schemes are transformed into collective investment schemes with streamlined investment rules for alternative funds of funds under the conditions provided for in point IX.

XVII. - Persons holding units in a futures fund before the publication date of these General Regulations [24 november 2004] shall not be subject to the subscription and purchase conditions for units in this futures fund.

XVIII. - Collective investment schemes in existence at 24 November 2004 and investing more than 10% of their assets in the units or shares of collective investment schemes or in the units of shares of the foreign investment funds referred to in Article R. 214-36, I, 1° to 5° of the Financial and Monetary Code must bring their prospectuses into conformity with the contents of the full prospectus, as specified in the instruction referred to in Article 411-45, before 30 October 2006.

The changes made under the provisions of first paragraph shall simultaneously require the collective investment schemes concerned to bring their prospectuses into compliance with the contents of the full prospectus stipulated by the instruction referred to in Article 411-45.

TITLE II - OTHER COLLECTIVE INVESTMENT ENTITIES

CHAPTER I - DEBT SECURITISATION FUNDS (FONDS COMMUNS DE CREANCES)

Article 421-1

The provisions of this Chapter shall apply to debt securitisation funds (fonds communs de créances, FCCs) governed by Articles L. 214-43 to L. 214-49, R.214-92 to R. 214-115, R. 732-6, R. 742-6, R. 752-6 and R. 762-6 of the Financial and Monetary Code.

Section 1 - Placing of debt securitisation fund units

Article 421-2

Securitisation fund transactions involving public offerings shall be covered by the provisions of Title I of Book II, subject to the following provisions.

Article 421-3

Securitisation fund units come under the provisions of I of Article L. 621-8 of the Financial and Monetary Code.

Article 421-4

The draft prospectus mentioned in Article 212-1 shall be drawn up jointly by the management company and the custodian.

Where the securitisation fund includes subfunds, a prospectus shall be prepared for each issuer's subfund.

Article 421-5

For the purposes of Article 212-14, the management company and the custodian shall assume responsibility for the prospectus.

Article 421-6

The completion letter drawn up by the statutory auditors pursuant to Article 212-15 shall be remitted to the management company and the custodian.

Article 421-7

The criteria and conditions mentioned in point 1° of Article 212-17 may also be presented in the prospectus in the following form :

1° a range for the nominal rate and the subscription price ;

2° a yield spread or a range of yield spreads against a specified market benchmark, for the yield to maturity. Barring special circumstances in the market, yield to maturity spreads shall not exceed 0.10 %.

Article 421-8

The rating document mentioned in Article L. 214-44 of the Financial and Monetary Code shall be sent to the AMF at least two trading days before the desired date of issue of the *visa*.

Article 421-9

The time period mentioned in Article 212-21 shall be reduced to five trading days.

Article 421-10

The time period mentioned in Article 212-22 may be reduced to five trading days when the management company and the custodian declare that the draft prospectus of a subfund contains operating rules that are identical to those in a draft prospectus previously approved by the AMF for another subfund of the same fund.

Article 421-11

Pursuant to the provisions of point 2° of I of Article 212-27, investors may obtain a copy of the prospectus free of charge from the management company and from the service providers responsible for taking subscription orders. Investors may also obtain, free of charge, the rules of the fund and any subfund thereof.

Section 2 - Regular and periodic information

SUB-SECTION 1 - REGULAR INFORMATION

Article 421-12

Securitisation funds shall be subject to the provisions of Articles 222-1 to 222-11.

SUB-SECTION 2 - PERIODIC INFORMATION

Article 421-13

At the end of each financial year, the management company shall compile the fund's financial statements under the supervision of the depository. The list of these statements shall be defined by an AMF instruction.

Article 421-14

Within four months of the end of the financial year, the management company shall compile and publish an annual activity report under the supervision of the depository and after an audit by the statutory auditor. The contents of this report shall be defined by an AMF instruction.

Within three months of the end of the first six months of the financial year, the management company shall compile and publish a half-yearly activity report under the supervision of the depository and after an audit by the statutory auditor. The contents of the report shall be defined by an AMF instruction.

If the debt securitisation fund has subfunds, the reports shall be produced for each subfund. The fund shall also produce annual financial statements and the notes thereto for the fund and, where appropriate, for the subfund.

Article 421-15

The activity reports provided for in Article 421-14 shall be sent to unit holders free of charge at their request.

Any investor may obtain these activity reports, free of charge once they are published, from the management company and the custodian.

These documents shall be distributed by mail or by any other means provided for in the fund's prospectus. The investor may choose his preferred means of delivery of these documents from among the options offered.

A copy of these documents shall be sent to the AMF.

Article 421-16

The management company shall make periodic disclosures about the fund's assets and liabilities under conditions to be defined by an AMF instruction.

Article 421-17

After it has published its activity report for the year, the management company shall file the document mentioned in Article 221-1-1.

CHAPTER II - REAL ESTATE INVESTMENT COMPANIES (SOCIÉTÉS CIVILES DE PLACEMENT IMMOBILIER)

Section 1 - Formation

Article 422-1

The initial capital of a real estate investment company (sociétés civiles de placement immobilier, SCPI) shall be fully subscribed and paid up by the founding members without any public offering ; the shares in the company shall be non-transferrable for three years after the date on which the AMF issues its visa.

Article 422-2

The guarantee provided for in Article L. 214-51 of the Financial and Monetary Code shall be provided by a banking institution. The guarantee may take the form of a personal guarantee of joint and several liability for the real estate investment company with a waiver of any claim to the proceeds from the sale or division of assets.

The wording of the bank guarantee granted shall be submitted for the AMF's approval with the visa application. The prospectus shall mention this guarantee.

Article 422-3

If at the end of a statutory one-year period, the conditions set out in the first paragraph of Article L. 214-54 of the Financial and Monetary Code have not been met, the management company must so notify the AMF within fifteen days, along with the bank, which shall be given the list of subscribers and the amounts to be reimbursed.

This notice shall be sent by registered letter with acknowledgement of receipt that shall specify the date on which an extraordinary general meeting has been called to vote on winding up the company.

The general meeting must be held within two months of the end of the statutory one-year period.

The partners must be reimbursed within six months of the date of the abovementioned extraordinary general meeting.

The bank guarantee must not stipulate an expiry date that falls before the end of this six-month period.

Section 2 - Public offerings

Article 422-4

I. - The real estate investment company may not make a public offering unless it has :

1° Produced a prospectus that has received an AMF visa ;

2° Published a notice in the official gazette (BALO) ;

3° Produced a subscription application.

II. - The initial public offering shall also be subject to :

1° Subscription of the initial capital by the founding partners ;

2° Authorization of the management company ;

3° Acceptance of the property appraiser presented ;

4° Approval of the bank guarantee referred to in Article 422-2.

Article 422-5

A prospectus shall be produced :

1° Before the initial public offering ;

2° If the difference between the subscription price of a share in a real estate investment company and the replacement value per share declared to the AMF is greater than 10 per cent ;

3° If material changes within the real estate investment company or the management company require amendments to the prospectus.

Article 422-6

The extraordinary general meeting must authorise any visa application on the basis of a report produced by the management company in the event of :

1° Issuance of new shares after a period of more than three years in which no increase in capital has occurred. In this event, the statutory auditor must review the management company's report ;

2° Changes to the initial investment policy.

Article 422-7

If the AMF deems that the prospectus no longer corresponds to the real estate investment company's true circumstances, and after a formal demand to remedy the situation fails to produce results, the visa given to the prospectus shall be withdrawn.

The management company of the real estate investment company shall be notified of the reasoned decision to withdraw the visa and shall inform the supervisory board of the withdrawal.

This measure shall result in a ban on public offerings of shares in the real estate investment company.

Article 422-8

In the event of a capital increase, the issuance of new shares shall be announced in a notice produced in the form defined in an AMF instruction, before any advertising is made for subscriptions for new shares and before any subscriptions are accepted for the shares. This notice shall be published in the official gazette (BALO) six or more days before the subscription period starts.

The prospectus, circulars, posters and newspaper advertisements informing the public about the offering of shares or the issuance of new shares shall include prominent reference to :

1° The publication in the official gazette (BALO) of the notice referred to in the first paragraph, along with the references of the edition in which it was published ;

2° The existence of the offering circular provided for by Article L. 412-1 of the Financial and Monetary Code.

Companies that have opted to be open-ended under the provisions of Article L. 231-1 of the Commercial Code shall publish a notice about the terms for subscriptions and redemptions each time these terms change (price, maturity, etc.), according to the same procedures and within the same time limits stipulated in the first paragraph.

The information contained in the notice shall also be sent to shareholders by ordinary mail six or more days before the first day of the subscription period.

Article 422-9

In the event that new shares are issued, before subscribing each subscriber shall receive a comprehensive dossier containing :

1° The articles of association of the company ;

2° The current prospectus reviewed by the AMF, updated as appropriate and printed in easily legible type ;

3° The subscription application containing the information stipulated by an instruction issued for the purposes of this Chapter ;

4° The most recent annual report ;

5° The most recent quarterly statement.

Any subscription for shares shall be made using a subscription application dated and signed by the subscriber or the subscriber's agent, who shall write out in words the number of shares subscribed. The subscriber shall receive a copy of the application.

Section 3 - Operation

SUB-SECTION 1 - MANAGEMENT AGREEMENTS

Article 422-10

The agreements concluded between the real estate investment company and its management company or any partner of the management company shall be approved by the ordinary general meeting of the partners.

The rate, calculation base and other components of the management company's compensation may be stipulated in the real estate investment company's articles of association. Failing this, the exact terms of this compensation shall be set out in a special agreement between the management company and the real estate investment company, which shall be approved by the latter's ordinary general meeting.

The terms of the management company's compensation shall be disclosed to subscribers in the prospectus reviewed by the AMF.

All the fees or compensation paid to the management company must be defined in the prospectus.

Article 422-11

The management company's compensation shall consist of three types of fees :

1° A subscription fee, calculated on the basis of the sums received from capital increases ;

2° A redemption fee, calculated on the basis of the transaction amounts when redemptions are made from the register provided for in Article 422-22, or on a flat fee basis ;

3° A management fee based on the rental income received, net of tax. The calculation base for this fee may be extended to include net financial income, provided this extension is disclosed to the public.

The articles of association of the real estate investment company or, failing that, the prospectus shall give a precise description of the calculation base and rates used for the fees paid to the management company.

SUB-SECTION 2 - SUPERVISORY BOARD

Article 422-12

The supervisory board shall give an opinion about the draft resolutions that the management company submits to the partners.

It shall refrain from taking any management action. In the event of default by the management company, the board shall immediately call a general meeting to choose a replacement.

Article 422-13

At the general meeting voting on the financial statements for the third full financial year, all members of the supervisory board shall be renewed in order to ensure the greatest possible representation of partners who are not linked to the founding partners.

Article 422-14

The management company shall maintain strict neutrality in the conduct of operations involved in the appointment of members of the supervisory board.

Prior to calling the general meeting to elect the new members of the supervisory board, the management company shall make a call for candidates so that non-founding partners obtain the greatest possible representation.

During the election of members of the supervisory board, only the votes of partners present at the meeting and postal ballots shall be counted.

SUB-SECTION 3 - GENERAL MEETINGS

Article 422-15

The ordinary general meeting to discuss the annual financial statements shall take place at least once a year in the six months following the end of the financial year, unless this period is extended by a court order.

Article 422-16

The management company, acting in the name of the real estate investment company, may contract loans, take on debts or make acquisitions against future payment, albeit subject to a maximum limit on the amounts.

The general meeting of the partners shall set this limit so that it is consistent with the real estate investment company's ability to pay on the basis of its ordinary revenues for loans and debts, and with its ability to borrow for acquisitions against future payment.

In the event of the sale of one or more of the company's rental properties without reinvestment of the proceeds, the general meeting shall have the sole authority to decide on the use of the proceeds of the sale for :

1° Full or partial distribution with, as appropriate, redemption of the par value of the shares ;

2° An appropriation to the redemption fund provided for in Sub-section 3 of Section 5.

Section 4 - Disclosures by the real estate investment company

Article 422-17

I. - An AMF instruction shall stipulate the conditions for making disclosures to partners using printed matter ;

1° Prior to collating subscriptions : the prospectus reviewed by the AMF, the subscription application, the articles of association, the most recent annual report and the most recent quarterly statement shall be given to future partners ;

2° The annual report, quarterly statements and circulars.

II. - The management company shall send all the documents intended for the partners to the AMF immediately.

The management company shall send the AMF, according to the conditions set out by the latter :

1° Quarterly statistics in the month following the end of the quarter ;

2° Before 15 March of each year, the market value and replacement value of the real estate investment company, which must be submitted for the partners' approval ;

3° Any changes in these values over the year after their approval by the supervisory board, along with proof of the change in value.

Article 422-18

Each year, an annual report for the real estate investment company shall be compiled, including a management report, the financial statements and notes for the year, the supervisory board's report and the statutory auditors' reports.

The annual report shall review the key characteristics of the management company and the membership of the supervisory board.

Article 422-19

The management report submitted to the general meeting shall give an account of :

1° Management policy, specific problems encountered and the outlook for the company ;

2° Changes in capital and share prices ;

3° Changes and valuation of real estate assets :

a) Acquisitions (realised, planned), sales, where appropriate, maintenance and renovation work between tenants ;

b) The valuation work carried out by the property appraiser ;

c) Information about property appraisals conducted prior to acquisitions of buildings during the year where the sellers have direct or indirect interests in common with the management company or the partners in the real estate investment company ;

4° Developments on the market for shares over the year ;

5° Changes in rental revenue, the proportion of rental revenue in total revenue, expenses ;

6° The situation of rental properties at the end of the year, building by building : exact location of the buildings, types of buildings, floor area, acquisition dates and completion dates, as appropriate, purchase prices net of taxes and duties, amounts of taxes and duties ;

7° Occupancy of the buildings, with information about the occupancy rate expressed as an annual average of the ratio of rents billed to billable rents, significant vacancies reported during the financial year and the resulting revenue shortfall for the real estate investment company.

Article 422-20

Within forty-five days of the end of each quarter a newsletter shall be disseminated giving an account of the main developments in the company over the quarter in question.

Section 5 - Shares and redemption fund

SUB-SECTION 1 - TRANSFERS

Article 422-21

For the purposes of this section :

1° The term "order" referred to in Article L. 214-59 of the Financial and Monetary Code shall designate any buy or sell order relating to real estate investment company shares sent to the management company or an intermediary ;

2° The term "intermediary" shall designate any person other than the management company that is professionally qualified to receive a buy or sell order relating to real estate investment company shares ;

3° The term "person" shall designate a natural or legal person.

Article 422-22

To be valid, orders shall be recorded in a register kept at the registered office of the company in accordance with the conditions set out in an AMF instruction.

No time limits shall apply to sell orders.

The recording of orders in the register referred to in the first paragraph of an open-ended real estate investment company shall constitute an adequate measure for the purpose of point II of Article L. 214-59 of the Financial and Monetary Code. Where this measure is applied, redemption requests shall be suspended.

Article 422-23

The management company or the intermediary shall be required to provide any person who requests them with the five highest buy prices and the five lowest sell prices listed in the register, along with the quantities bid and offered at these prices.

As soon as orders are received by the management company or the intermediary, they shall be recorded so that it is possible to reconstitute the steps in the processing of each order and the various transactions executed.

Article 422-24

The intermediary shall ensure that orders comply with the specifications given in an AMF instruction before sending them to the management company.

The intermediary shall send the orders to the management company with no prior summing or netting of buy and sell orders.

Article 422-25

The management company may hedge its exposure by :

1° Making the recording of buy orders subject to a cash payment under conditions set out in an AMF instruction ; or

2° Setting a deadline for receiving cash payments, after which orders recorded in the register are cancelled if the funds are not paid. In this case, the funds must be received on or before the day before the execution price is established.

Article 422-26

The management company shall time-stamp the orders sent to it, after ensuring that they meet the requirements for recording in the register.

It shall record them in the register referred to in Article 422-22 in chronological order.

Article 422-27

Before setting the execution price, the management company shall ensure that there are no obstacles to the execution of sell orders.

In particular, it shall ensure that the seller is duly empowered to sell the shares and has enough shares to honour the sell order if it is executed.

Article 422-28

The management company may make a reasoned decision under its own responsibility to suspend the recording of orders in the register after so notifying the AMF.

If the suspension results from the occurrence of a major event that, if it became public knowledge, would have a significant impact on the execution price of shares or the partners' situation and rights, the management company shall cancel the orders recorded in the register and inform each of the persons giving the orders or the intermediaries individually.

The management company shall ensure full and effective public disclosure of the reasoned decision by all appropriate means.

Article 422-29

The management company shall fix the execution price periodically by matching the orders recorded in the register at regular intervals and at a set time.

It shall set the frequency with which execution prices are established, which must be at least once every three months and no more than once every business day. The prospectus shall mention the frequency.

Article 422-30

Changes in the frequency of price-setting must be warranted by market constraints.

The management company shall notify buyers, sellers, intermediaries and the public of such a change six or more days before it takes effect.

The procedures for public dissemination of such information shall be explained in the prospectus.

Article 422-31

The execution price shall be the price at which the greatest number of shares can be traded.

If several prices can be set on the basis of the first criterion at the same time, the execution price shall be the one that leaves the smallest number of shares untraded.

In the event that these two criteria fail to establish a single price, the execution price shall be the one closest to the last execution price.

The execution price and number of shares traded shall be made public by all appropriate means on the day the price is established.

If it is impossible to establish an execution price, the management company shall publish, under the conditions set out in the previous paragraph, the highest buy price and the lowest sell price, along with the number of shares offered at each of these prices.

Article 422-32

The orders shall be executed as soon as the execution price is established and solely at that price.

Buy orders recorded with higher prices and sell orders recorded with lower prices shall be executed first. Orders with identical price limits shall be executed in the order in which they were recorded in the register.

The management company shall immediately record the transactions executed in this way in the register of partners.

Article 422-33

The management company shall make the information about prices and numbers of shares contained in the order register available to the public. It shall take the necessary steps to reduce the time lag :

1° Between receiving orders and recording them in the register ;

2° In informing the persons giving the orders or the intermediaries.

It shall provide proof of the execution of orders and their transmission for the persons giving the orders or the intermediaries.

Article 422-34

Intermediaries shall take the necessary steps to reduce the time lag :

1° Between receiving orders and sending them ;

2° In informing the persons giving the orders.

They shall provide proof of the reception of orders and their transmission for the persons giving the orders and the management company.

Article 422-35

The documentary proof of the different steps referred to in Articles 422-32 and 422-40 must be retained for five years.

SUB-SECTION 2 - REDEMPTIONS

Article 422-36

In open-ended real estate investment companies, requests for redemptions shall be notified to the management company by registered letter with acknowledgement of receipt.

As soon as they are received, such requests shall be recorded in the redemption request register and satisfied in chronological order.

Article 422-37

The management company of a company referred to in Article 422-36 shall determine the redemption price.

If the redemption is matched with a subscription, the redemption price cannot be higher than the subscription price less the subscription fee.

If the redemption is not matched, the redemption price cannot be higher than the market value or lower than the market value minus 10 per cent, unless authorised by the AMF.

Article 422-38

In the event that the redemption price falls, the management company shall notify the partners that have requested redemption of their shares no later than the day before the date on which the change takes effect by registered letter with acknowledgement of receipt.

If there is no response from the partners in the fifteen days following receipt of the registered letter with acknowledgement of receipt the redemption request shall be deemed to be valid at the new price. This information shall be included in the notice given in the letter.

Article 422-39

No new shares can be issued to increase the capital as long as the register referred to in Article 422-36 contains unfilled redemption requests at a price lower than or equal to the subscription price.

SUB-SECTION 3 - REDEMPTION FUND

Article 422-40

The creation and provisioning of a fund for redeeming shares in order to contribute to the liquidity of the market in the shares shall be decided by the general meeting of the partners in the real estate investment company.

The sums allocated to the fund shall come from the proceeds of sales of rental properties or allocations of profits made when the annual financial statements are approved.

The cash allocated to the redemption fund shall be used exclusively for reimbursing partners.

Article 422-41

This redemption fund is a specific account for an exclusive purpose and distinguished as a separate item in the accounts.

Article 422-42

Write-backs of available sums in the redemption fund shall require authorization by a vote of the general meeting of partners, following a reasoned report from the managed company.

The AMF shall receive prior notice of such write-backs.

SUB-SECTION 4 - ADVERTISING AND PROMOTION

Article 422-43

For the purpose of placing shares with the public, real estate investment companies shall be entitled to use any type of advertising, provided it indicates :

1° The number of the edition of the official gazette (BALO) that contains the notice ;

2° The name of the real estate investment company ;

3° The existence of the currently valid prospectus reviewed by the AMF, the visa date and number, and the locations where it can be obtained free of charge.

Section 6 - Property appraisals

Article 422-44

The market value and the replacement value of the real estate investment company shall be established by the management company at the end of each financial year on the basis of property appraisals carried out by an independent appraiser or several independent appraisers jointly. Each property shall be appraised at least once every five years.

The appraiser shall update the appraisal each year.

The task of the appraiser shall cover all the rental properties of the real estate investment company.

A newly appointed appraiser shall have the right to update appraisals conducted in the last five years.

The property appraisals must be carried out in accordance with methods that are appropriate for real estate investment companies.

Article 422-45

The appraiser shall be appointed by the general meeting for a four-year term following the AMF's acceptance of the candidate put forward by the management company.

The AMF shall be entitled to require further information.

Unless the AMF asks for further information, the candidate shall be deemed to be accepted by the AMF two months after the filing of a full application.

Candidates for renewal of appraisers must be presented to the AMF at least three months before the end of the financial year.

If the AMF deems that, during the appraiser's term, the eligibility requirements are no longer being met, it shall so notify the management company, which shall then put forward a new candidate and propose the appointment of the candidate to the general meeting.

Article 422-46

An agreement must be concluded between the appraiser and the real estate investment company. The agreement shall define the appraiser's tasks and set the terms for the appraiser's compensation.

The appraiser shall make an undertaking to the AMF about the conditions for performing the appraiser's tasks and the nature of the services provided in a form letter set out in an AMF instruction.

CHAPTER III - FORESTRY INVESTMENT COMPANIES (SOCIÉTÉS D'ÉPARGNE FORESTIÈRE)

Section 1 - Formation

Article 423-1

The initial capital of a forestry investment company (société d'épargne forestière) shall be fully subscribed and paid up by the founding members without any public offering. The shares in the company shall be non-transferrable for three years after the date on which the AMF issues its visa.

Article 423-2

The guarantee provided for in Article L. 214-51 of the Financial and Monetary Code shall be provided by a banking institution. The guarantee may take the form of a personal guarantee of joint and several liability for the forestry investment company with a waiver of any claim to the proceeds from the sale or division of assets.

The wording of the bank guarantee granted shall be submitted for the AMF's approval with the visa application. The prospectus shall mention the guarantee.

Article 423-3

If at the end of a statutory two-year period, the conditions set out in Article L. 214-87 of the Financial and Monetary Code have not been met, the management company must so notify the AMF within fifteen days, along with the bank, which shall be given the list of subscribers and the amounts to be reimbursed.

This notice shall be sent by registered letter with acknowledgement of receipt that shall specify the date on which an extraordinary general meeting has been called to vote on winding up the company.

The meeting must be held within two months of the end of the statutory two-year period.

The partners must be reimbursed within six months of the date of the abovementioned extraordinary general meeting.

The bank guarantee must not stipulate an expiry date that falls before the end of the six-month period.

Section 2 - Public offerings

Article 423-4

I. - The forestry investment company may not make a public offering unless it has :

1° Produced a prospectus that has received an AMF visa ;

2° Published a notice in the official gazette (BALO) ;

3° Produced a subscription application.

II. - The initial public offering shall be subject to :

1° Subscription of the initial capital by the founding partners ;

2° Authorization of the management company ;

3° Acceptance of the forest appraisers put forward ;

4° Approval of the bank guarantee referred to in Article 423-2.

Article 423-5

A prospectus shall be produced :

1° Before the initial public offering ;

2° If the difference between the subscription price of a share in a forestry investment company and the replacement value per share declared to the AMF is greater than 10 per cent ;

3° If material changes within the forestry investment company or the management company require amendments to the prospectus.

Article 423-6

The extraordinary general meeting must authorise any visa application on the basis of a report produced by the management company in the event of :

1° Issuance of new shares after a period of more than five years in which no increase in capital has occurred. In this event, the statutory auditor must review the management company's report ;

2° Changes to the initial investment policy.

Article 423-7

If the AMF deems that the prospectus no longer corresponds to the forestry investment company's true circumstances and after a formal demand to remedy the situation fails to produce results, the visa given to the prospectus shall be withdrawn.

The management company of the forestry investment company shall be notified of the reasoned decision to withdraw the visa and shall inform the supervisory board of the withdrawal.

This measure shall result in a ban on public offerings of shares in the forestry investment company.

Article 423-8

In the event of a capital increase, the issuance of new shares shall be announced in a notice produced in the form defined in an AMF instruction, before any advertising is made for subscriptions for new shares and before any subscriptions are accepted for the shares. The notice shall be published in the official gazette (BALO) six or more days before the subscription period starts.

The prospectus, circulars, posters and newspaper advertisements informing the public about the offering of shares or the issuance of new shares shall give prominent mention of :

1° The publication of the notice referred to in the first paragraph in the official gazette (BALO), along with the references of the edition in which it was published ;

2° The existence of the offering circular provided for by Article L. 412-1 of the Financial and Monetary Code.

Companies that have opted to be open-ended under the provisions of Article L. 231-1 of the Commercial Code shall publish a notice about the terms for subscriptions and redemptions each time these terms change (price, maturity, etc.), according to the same procedures and within the same time limits stipulated in the first paragraph.

The information contained in the notice shall also be sent to shareholders by ordinary mail six or more days before the first day of the subscription period.

Article 423-9

In the event that new shares are issued, before subscribing each subscriber shall receive a comprehensive dossier containing :

1° The articles of association of the company.

2° The current prospectus reviewed by the AMF, updated as appropriate and printed in easily legible type ;

3° The subscription application containing the information stipulated by an instruction ;

4° The most recent annual report ;

5° The most recent newsletter.

Any subscription for shares shall be made using a subscription application dated and signed by the subscriber or the subscriber's agent, who shall write out in words the number of shares subscribed. The subscriber shall receive a copy of the application.

Section 3 - Operation

SUB-SECTION 1 - MANAGEMENT AGREEMENTS

Article 423-10

The agreements concluded between the forestry investment company and its management company or any partner of the management company shall be approved by the ordinary general meeting of the partners.

The rate, calculation base and other components of the management company's compensation may be stipulated in the forestry investment company's articles of association. Failing this, the exact terms of the compensation shall be set out in a special agreement concluded between the management company and the forestry investment company that shall be approved by the latter's ordinary general meeting.

The terms of the management company's compensation shall be disclosed to subscribers in the prospectus reviewed by the AMF.

All the fees or compensation paid to the management company must be defined in the prospectus.

Article 423-11

I. - The management company's compensation shall consist of three types of fees :

1° A subscription fee, calculated on the basis of the sums received from capital increases ;

2° A transfer fee, calculated on the basis of the transaction amounts when transfers are made from the register provided for in Article 423-22, or when transfers are made free of charge or on a flat fee basis ;

3° A management fee, which shall be capped by applying a maximum rate to the market value of the assets under management. Different rates may be applied according to the category of assets concerned : directly held woodlands and forests, indirectly held woodlands and forests, cash and cash equivalents.

II. - The management fee shall cover expenses for :

1° Administration and bookkeeping ;

2° Keeping the register provided for in Article L. 214-59 of the Financial and Monetary Code ;

3° Drawing up basic management plans for directly held forestry assets ;

4° Partner information : producing annual reports and newsletters ;

5° Organising general meetings and supervisory board meetings ;

6° Organising and monitoring management of directly held woodlands and forests, vacant land, equipment and outbuildings (development, maintenance, improvement) ;

7° Negotiating and monitoring transactions involving trades, transfers and constitution of real rights provided for by Article R. 214-147 of the Financial and Monetary Code ;

8° Organising and monitoring harvesting operations in directly held woodlands and forests (marking and felling) ;

9° Incidental expenses arising from timber sales (invoicing, marketing) ;

10° Organising and managing related businesses and, more specifically, hunting rights ;

11° Monitoring and attending the general meetings of forestry groups and companies where the sole business is ownership of woodlands and forests and in which the forestry investment companies under management hold equity interests ;

12° Managing cash and cash equivalents.

III. - The management fee shall not include :

1° Insurance expenses ;

2° Appraisers' fees for the forestry appraisals provided for in Article 423-45 and the statutory auditors' fees ;

3° Forestry operating costs and, more specifically, replanting costs, forest and infrastructure maintenance costs, and harvesting costs.

The articles of association of the forestry investment company and the prospectus shall give a precise description of the calculation base and rates used for the fees paid to the management company under the conditions set out in Article 423-10, the maximum management fee rate, the rate structure by asset category and a detailed description of the calculation procedures, rates and calculation bases for the sums actually charged by the management company according to the type of services provided with regard to directly held woodlands and forests.

The calculation bases used may be the market value of the assets under management, the cost of work carried out, net of tax, the charges, net of tax, invoiced for services performed during the financial year, the land area of properties covered by a basic management plan during the financial year and the amount of the ordinary management transactions provided for by Article R. 214-147 of the Financial and Monetary Code.

Any fees in excess of the maximum set out in the articles of association and the prospectus shall be submitted for the partners' approval at the general meeting of the forestry investment company.

SUB-SECTION 2 - SUPERVISORY BOARD

Article 423-12

The supervisory board shall give an opinion about the draft resolutions that the management company submits to the partners.

It shall refrain from taking any management action. In the event of default by the management company, the board shall immediately call a general meeting to choose a replacement.

Article 423-13

At the general meeting voting on the financial statements for the third complete financial year, all members of the supervisory board shall be renewed in order to ensure the greatest possible representation of partners who are not linked to the founding partners.

Article 423-14

The management company shall maintain strict neutrality in the conduct of operations involved in the appointment of members of the supervisory board.

Prior to calling the general meeting to elect the new members of the supervisory board, the management company shall make a call for candidates so that non-founding partners obtain the greatest possible representation.

During the election of members of the supervisory board, only the votes of partners present at the meeting and postal ballots shall be counted.

SUB-SECTION 3 - GENERAL MEETINGS

Article 423-15

The ordinary general meeting examining the annual financial statements shall take place at least once a year in the six months following the end of the financial year, unless this period is extended by a court order.

Article 423-16

The management company, acting in the name of the forestry investment company, may contract loans, take on debts or make acquisitions against future payment, albeit subject to a maximum limit on the amounts.

The general meeting of the partners shall set this limit so that it is consistent with the forestry investment company's ability to pay on the basis of its ordinary revenues for loans and debts, and with its ability to borrow for acquisitions against future payment.

In the event of the sale of one or more of the company's forest properties without reinvestment of the proceeds, the general meeting shall have the sole authority to decide on the use of the proceeds from the sale for full or partial distribution with, as appropriate, redemption of the par value of the shares.

Section 4 - Disclosures by the forestry investment company

Article 423-17

I. - An AMF instruction shall stipulate the conditions for making disclosures to partners using printed matter ;

1° Prior to collating subscriptions : the prospectus reviewed by the AMF, the subscription application, the articles of association, the most recent annual report and the most recent quarterly statement shall be given to future partners ;

2° The annual report, newsletters and circulars.

II. - The management company shall send all the documents intended for the partners to the AMF immediately.

The management company shall send the AMF, according to the conditions set out in an instruction :

1° Half-yearly statistics in the month following the end of the half-year ;

2° Before 15 May of each year, the market value and replacement value of the forestry investment company, which must be submitted for the partners' approval ;

3° Any changes in these values over the year after their approval by the supervisory board, along with proof of the change in value.

Article 423-18

Each year, an annual report for the forestry investment company shall be compiled, including a management report, the financial statements and notes for the year, the supervisory board's report and the statutory auditors' reports.

The annual report shall review the key characteristics of the management company and the membership of the supervisory board.

Article 423-19

The management report submitted to the general meeting shall give an account of :

1° Management policy, specific problems encountered and the outlook for the company ;

2° Changes in capital and share prices ;

3° Changes and valuation of forest properties :

a) Acquisitions made and planned, transfers, trades, with information about the financial terms ;

b) As appropriate, the guidelines used for basic management plans or amendments produced during the financial year or planned for the next financial year ;

c) Works and harvesting carried out and planned under the basic management plans ;

d) As appropriate, planned works and harvesting that are not covered by the basic management plan for a forest property involving an amount, net of tax, that is 10 per cent greater than the most recent market value put on the property ;

e) As appropriate, ordinary management operations aimed at improving property access or structures, consolidation of fragmented properties, general interest operations and any other operation provided for by Article R. 214-147 of the Financial and Monetary Code ;

f) As appropriate, appraisals carried out by the forest appraiser and market valuations of equity interests in forestry groups and companies where the sole business is ownership of woodlands and forests held or acquired ;

4° Developments on the market for shares over the year ;

5° Developments in revenue from rentals, sales of wood, subsidies and other sources, and the proportions of these revenues in aggregate revenue ;

6° Changes in each type of cost incurred by the forestry investment company and, more specifically, fees. All the amounts comprising the management fee should be explained in detail and matched to the assets under management. The basis for calculating them must also be explained and duly commented upon ;

7° A summary statement of forestry assets at the end of the financial year, with an asset-by-asset presentation for :

a) Directly held forestry assets ;

b) Equity interests in forestry groups and companies where the sole business is ownership of woodlands and forests ;

c) Information about the location of directly and indirectly held forestry assets by natural region and by local administrative area (*département*), as well as whether these properties are covered by fire insurance ;

d) A summary of the appraisals and updates of appraisals carried out with information about which proportion of the forestry assets have been subject to appraisals or updates of appraisals during the year ;

8° Cash and cash equivalents and their use :

a) Cash proportion of the forestry investment company's assets and changes ;

b) Structure by investment type and changes.

Article 423-20

In the four months following the annual general meeting, a newsletter shall be disseminated with information about the major events for the company in the first half of the financial year.

Section 5 - Shares

SUB-SECTION 1 - TRANSFERS

Article 423-21

For the purposes of this section :

1° The term "order" referred to in Article L. 214-59 of the Financial and Monetary Code shall designate any buy or sell order relating to forestry investment company shares sent to the management company or an intermediary ;

2° The term "intermediary" shall designate any person other than the management company that is professionally qualified to receive a buy or sell order relating to forestry investment company shares ;

3° The term "person" shall designate a natural or legal person.

Article 423-22

To be valid, orders shall be recorded in a register kept at the registered office of the company in accordance with the conditions set out in an instruction issued for the purposes of this Chapter.

No time limits shall apply to sell orders.

The recording of buy and sell orders in the register referred to in the first paragraph of an open-ended forestry investment company shall constitute an adequate measure for the purpose of point II of Article L. 214-59 of the Financial and Monetary Code. The application of this measure shall have the effect of suspending redemption requests.

Article 423-23

The management company or the intermediary shall be required to provide any person who requests them with the five highest buy prices and the five lowest sell prices listed in the register, along with the quantities bid and offered at these prices.

As soon as orders are received by the management company or the intermediary, they shall be recorded so that it is possible to reconstitute the steps in the processing of each order and the various transactions executed.

Article 423-24

The intermediary shall ensure that orders comply with the specifications given in the instruction issued for the purposes of this Chapter before sending them to the management company.

The intermediary shall send the orders to the management company with no prior summing or netting of buy and sell orders.

Article 423-25

The management company may hedge its exposure by :

1° Making the recording of buy orders subject to a cash payment under conditions set out in the instruction issued for the purposes of this Chapter ; or

2° Setting a deadline for receiving cash payments, after which orders recorded in the register are cancelled if the funds are not paid. In this case, the funds must be received on or before the day before the execution price is set.

Article 423-26

The management company shall time-stamp the orders sent to it, after ensuring that they meet the requirements for recording in the register.

It shall record them in the register referred to in Article 423-22 in chronological order.

Article 423-27

Before setting the execution price, the management company shall ensure that there are no obstacles to the execution of sell orders.

In particular, it shall ensure that the seller is duly empowered to sell the shares and has enough shares to honour the sell order if it is executed.

Article 423-28

The management company may make a reasoned decision under its own responsibility to suspend the recording of orders in the register after so notifying the AMF.

If the suspension results from the occurrence of a major event that, if it became public knowledge, would have a significant impact on the execution price of shares or the partners' situation and rights, the management company shall cancel the orders recorded in the register and inform each of the persons giving the orders or the intermediaries individually.

The management company shall ensure full and effective public disclosure of the reasoned decision by all appropriate means.

Article 423-29

The management company shall fix the execution price periodically by matching the orders recorded in the register at regular intervals and at a set time.

It shall set the frequency with which execution prices are established, which must be at least once every six months and no more than once every business day. The prospectus shall mention the frequency.

Article 423-30

Changes in the frequency of price-setting must be warranted by market constraints.

The management company shall notify buyers, sellers, intermediaries and the public of such a change six or more days before it takes effect.

The procedures for public dissemination of such information shall be explained in the prospectus.

Article 423-31

The execution price shall be the price at which the greatest number of shares can be traded.

If several prices can be established on the basis of the first criterion at the same time, the execution price shall be the one that leaves the smallest number of shares untraded.

In the event that these two criteria fail to establish a single price, the execution price shall be the one closest to the last execution price.

The execution price and number of shares traded shall be made public by all appropriate means on the day the price is established.

If it is impossible to establish an execution price, the management company shall publish, under the conditions set out in the previous paragraph, the highest buy price and the lowest sell price, along with the number of shares offered at each of these prices.

Article 423-32

The orders shall be executed as soon as the execution price is established and solely at that price.

Buy orders recorded with higher prices and sell orders recorded with lower prices shall be executed first. Orders with identical price limits shall be executed in the order in which they were recorded in the register.

The management company shall immediately record the transactions executed in this way in the register of partners.

Article 423-33

The management company shall make the information about prices and numbers of shares contained in the order register available to the public. It shall take the necessary steps to reduce the time lag :

1° Between receiving orders and recording them in the register ;

2° In informing the persons giving the orders or the intermediaries.

It shall provide proof of the execution of orders and their transmission for the persons giving the orders or the intermediaries.

Article 423-34

Intermediaries shall take the necessary steps to reduce the time lag :

1° Between receiving orders and sending them ;

2° In informing the persons giving the orders.

They shall provide proof of the reception of orders and their transmission for the persons giving the orders and the management company.

Article 423-35

The documentary proof of the different steps referred to in Articles 423-33 and 423-34 must be retained for five years.

SUB-SECTION 2 - CASH AND CASH EQUIVALENTS

Article 423-36

The articles of association and the prospectus shall specify the proportion of assets invested in cash and cash equivalents and the limits for changes in this proportion.

SUB-SECTION 3 - REDEMPTIONS

Article 423-37

In open-ended forestry investment companies, requests for redemptions shall be notified to the management company by registered letter with acknowledgement of receipt.

As soon as they are received, such requests shall be recorded in the redemption request register and satisfied in chronological order.

Article 423-38

The management company of a company referred to in Article 423-37 shall determine the redemption price.

If the redemption is matched with a subscription, the redemption price cannot be higher than the subscription price less the subscription fee.

If the redemption is not matched, the redemption terms shall be set out in the articles of association and the prospectus. As appropriate, they must also mention the proportion of cash that cannot be used to redeem shares and the consequences of this limit.

Article 423-39

In the event that the redemption price falls, the management company shall notify the partners that have requested redemption of their shares no later than the day before the date on which the change takes effect by registered letter with acknowledgement of receipt.

If there is no response from the partners in the fifteen days following receipt of the registered letter with acknowledgement of receipt the redemption request shall be deemed to be valid at the new price. This information shall be included in the notice given in the letter.

Article 423-40

No new shares can be issued to increase the capital as long as the register referred to in Article 423-37 contains unfilled redemption requests at a price lower than or equal to the subscription price.

SUB-SECTION 4 - ADVERTISING AND PROMOTION

Article 423-41

For the purpose of placing shares with the public, forestry investment companies shall be entitled to use any type of advertising, provided it indicates :

1° The number of the edition of the official gazette (BALO) that contains the notice ;

2° The name of the forestry investment company ;

3° The existence of the currently valid prospectus reviewed by the AMF, the visa date and number, and the locations where it can be obtained free of charge.

Section 6 - Forestry appraisals

Article 423-42

The market value and the replacement value of the forestry investment company shall be established by the management company at the end of each financial year on the basis of :

1° A valuation of the market value of woodlands, forests, vacant land to be planted, and the accessories and outbuildings listed in Article R. 214-145 of the Financial and Monetary Code, the assets of forestry groups and companies where the sole business is ownership of woodlands and forests and in which the forestry investment company holds at least 50 per cent of the equity interest. This valuation shall be made by one or more independent forest appraisers on the list of forest appraisers provided for in Article 1 of Decree 75-1022 of 27 October 1975 ;

2° The market value of equity interests held or acquired in forestry groups and companies where the sole business is ownership of woodlands and forests and in which the forestry investment company holds at least 50 per cent of the equity interest. This market value shall be provided in the form of a certificate or a written valuation by the manager of each forestry group or company where the sole business is ownership of woodlands and forests. The management company shall then ensure that the proposed market value of the shares held or acquired is

representative of the market for shares during the financial year or else valued according to the rules that govern the valuation of forestry assets ;

3° The net value of other assets reported under the supervision of the statutory auditor.

Each forestry property must be appraised prior to acquisition and at least once every 15 years.

The appraisal shall be updated every three years by the forestry appraiser(s), unless exceptional events, works or harvesting require a new update sooner. An event shall be deemed to be exceptional if it affects more than 20 per cent of the land area of a forestry property or involves an amount that is greater than 20 per cent of the valuation.

A second appraisal shall be made after the tenth anniversary of the forestry investment company covering at least 20 per cent of the forest properties of the company each year, so that all the forest properties have been appraised by the end of the fourteenth year.

The brief of the independent forest appraiser(s) shall cover all the forest properties of the forestry investment company, except for the properties referred to in the second point of the first paragraph of this Article.

A newly appointed forest appraiser shall have the right to update appraisals conducted in the last fifteen years.

The appraisals must be made in compliance with the appropriate forest appraisal methods and recommendations, and in compliance with professional practices.

Article 423-43

The appraiser(s) shall be appointed by the general meeting for a five-year term from the list of forest appraisers following the AMF's acceptance of the candidate put forward by the management company.

The appraiser put forward must be on the list of forest appraisers provided for by Article 1 of Decree 75-1022 of 27 October 1975.

The AMF shall be entitled to require further information.

Unless the AMF asks for further information, the candidate shall be deemed to be accepted by the AMF two months after the filing of a full application.

Candidates for renewal of appraisers must be presented to the AMF at least three months before the end of the financial year.

If the AMF deems that, during the forest appraiser's term, the eligibility requirements are no longer being met, it shall so notify the management company, which shall then put forward a new candidate and propose the appointment of the candidate to the general meeting.

Similarly, if the forest appraiser is no longer on the list of forest appraisers provided for by Article 1 of Decree 75-1022 of 27 October 1975, the management company shall so notify the AMF and put forward a new candidate and propose the appointment of the candidate to the general meeting.

Article 423-44

An agreement must be concluded between the appraiser and the forestry investment company. This agreement shall define the appraiser's tasks and set the terms for the appraiser's compensation.

The appraiser shall make an undertaking to the AMF about the conditions for performing the appraiser's tasks and the nature of the services provided in a form letter set out in an AMF instruction.

Section 7 - Mergers between forestry investment companies and forestry groups operating under authorised basic management plans

Article 423-45

Mergers of one or more forestry investment companies with one or more forestry groups operating under authorised basic management plans shall be submitted to the AMF in accordance with the procedures set out in an AMF instruction.

These procedures shall differ depending on whether the merger involves one or more forestry investment companies making public offerings.

TITLE III - OTHER COLLECTIVE SAVINGS PRODUCTS

SOLE CHAPTER - MISCELLANEOUS ASSETS

Article 431-1

The document relating to miscellaneous assets governed by Articles L. 550-1 to L. 550-5 of the Financial and Monetary Code, referred to in Article L. 550-3 of said Code, must include all the information that investors require to make an informed investment decision.

The contents of this document and the marketing and placement procedures for these assets shall be defined by an AMF instruction.

GENERAL REGULATION OF THE AUTORITÉ DES MARCHÉS FINANCIERS

BOOK V - MARKET INFRASTRUCTURES

TITLE I - REGULATED MARKETS

CHAPTER I - APPROVAL AND PUBLICATION OF THE RULES OF REGULATED MARKETS

Article 511-1

To obtain recognition as a regulated market in financial instruments, the undertaking that intends to operate such a market submits a filing containing the following documents and information to the AMF :

1° its articles of association ;

2° the internal regulations referred to in Article 512-3 ;

3° the rules of the market in question ;

4° the identity of all direct and indirect shareholders with an ownership interest of 10 per cent or more, together with the level of their shareholding ;

5° the description of the human, technical and financial resources that the undertaking has implemented or plans to implement for the envisaged activity ;

6° the curricula vitae of its senior managers ;

7° the operating rules of the clearing house, if one exists.

The AMF may ask the undertaking to supply any additional information it deems necessary.

Article 511-2

The AMF ensures that the rules submitted to it comply with these General Regulations. Furthermore, it verifies that the undertaking has implemented, or intends to implement, the resources and facilities needed to manage a regulated market.

The AMF approves the rules within three months of receiving the filing or, where such is the case, the additional information it has requested.

Pursuant to Article L. 421-1 of the Financial and Monetary Code, the AMF proposes to the Minister for Economic Affairs that the market be recognised as a regulated market.

Article 511-3

After obtaining regulated-market status, and before commencing operations, the market undertaking informs the AMF that it has effectively implemented the resources and facilities it intended to implement.

Article 511-4

A market undertaking submits any proposed amendments to its market rules to the AMF for approval.

The AMF approves such amendments if it considers them to be compatible with the status of a regulated market.

The AMF rules within the month of receiving the application or, where such is the case, the additional information it has requested.

Article 511-5

Market undertakings promptly inform the AMF of any modification relating to the elements mentioned in items 1°, 2°, 4°, 5° and 6° of Article 511-1.

The AMF determines the measures to be taken as a result of such modifications, and in particular, whether the provisions of Article 511-6 shall apply.

Article 511-6

If it determines that a market no longer fulfils the conditions that warranted its recognition as a regulated market or has not operated for at least six months, or if the market operator so requests, the AMF proposes to the Minister for Economic Affairs that the market's regulated-market status be revoked.

Article 511-7

The AMF publishes decisions relating to the approval of market rules, or amendments thereto, in the official gazette (BALO) and on the AMF website. The related rules or amendments are annexed to the AMF's decision.

Publication of the rules of a new market is made after recognition of the new market as a regulated market by the Minister for Economic Affairs.

Article 511-8

A market operator must permit any person wishing to refer to its market rules to do so at its registered office and to take away or receive, at that person's expense, a copy of those rules.

CHAPTER II - RULES OF CONDUCT APPLICABLE TO MARKET OPERATORS AND THEIR STAFF

Article 512-1

Market undertakings and the persons referred to in the third paragraph of Article 519-1 shall perform their activities diligently, honestly and impartially, respecting the integrity of the market.

Article 512-2

The market operator shall ensure that persons acting under its authority or on its behalf know that they are bound by the obligation of professional secrecy as provided and on pain of the penalties prescribed by law.

Such persons may not use any confidential information in their possession other than to perform their functions within or on behalf of the market operator.

Article 512-3

Market operators shall draw up internal regulations establishing the rules of conduct applicable to persons acting under their responsibility or on their behalf.

These internal regulations shall stipulate the conditions in which a person may execute trades in financial instruments for his own account. They provide that persons whose functions include quotation or market surveillance cannot trade for their own account in the financial instruments for which they are responsible. They give due regard to the provisions of Article 512-2.

CHAPTER III - ISSUANCE OF PROFESSIONAL LICENCES TO CERTAIN STAFF MEMBERS OF MARKET OPERATORS AND THE CONDITIONS IN WHICH THEY PERFORM THEIR DUTIES

Article 513-1

A market operator shall appoint the following persons :

1° a person responsible for supervising trading ;

2° a person responsible for supervising market members ;

3° a head of compliance.

Article 513-2

The responsible persons referred to in Article 513-1 shall have the requisite independence of decision-making as well as the technical and human resources they need to carry out their duties.

Such resources shall be commensurate with the size of the market or markets run by the market operator.

Article 513-3

The responsible persons referred to in Article 513-1 are required to hold professional licences, which are issued by the AMF on the market operator's proposal.

In preparation for the issuance of this licence, the market operator shall forward to the AMF, for each of the persons concerned, an application containing the elements specified in an AMF instruction.

The AMF can ask the market operator or the persons concerned for any further information it deems appropriate.

The AMF rules within one month of receiving the application or, where such is the case, the additional information it has requested.

Article 513-4

The market operator informs the AMF when the holder of a professional licence referred to in Article 513-3 ceases to perform the function requiring that licence.

The AMF then revokes the licence. The AMF informs the market operator whenever it revokes a professional licence in connection with the disciplinary proceedings referred to in Article L. 621-15 of the Monetary and Financial Code.

Article 513-5

The responsible persons mentioned in Article 513-1 draw up a yearly report on the conditions in which they carry out their duties.

This report is submitted to the executive body of the market operator, as well as to the AMF, no later than four months after the close of the financial year.

This report includes :

1° A description of how supervision and monitoring are organised ;

2° A description of the tasks performed in carrying out these duties ;

3° Any observations made by the responsible person ;

4° Measures adopted as a result of such observations.

Article 513-6

Where, in connection with its supervisory duties as defined herein, a market operator ascertains that one of its members is not complying with the AMF's rules, it so informs the AMF.

CHAPTER IV - MEMBERSHIP OF REGULATED MARKETS

Article 514-1

Market operators adapt their technical capacity to applications for market membership made by authorised investment service providers, or by persons referred to in Article L. 532-18 of the Financial and Monetary Code, provided that such applicants fulfil the conditions for membership.

Where market rules provide for several categories of member, they stipulate the membership requirements for each category.

Article 514-2

Market rules may require members to acquire, prior to admission, a minimum number of equity securities of the market operator.

The minimum requirement may vary according to the category of member.

Article 514-3

Persons not authorised as investment service providers who seek AMF approval to provide order execution services for third parties or to trade for their own account--and hence to become members of a regulated market in financial instruments--must show that they have the requisite qualifications, integrity, solvency and, insofar as need be, capital and guarantees.

Such persons submit a filing containing the following documents to the AMF :

1° the curriculum vitae and a copy of the judicial record of the applicant or, in the case of a corporate entity, of its senior managers ;

2° evidence that the applicant has sufficient capital or guarantees.

The AMF may ask the aforementioned persons to supply any additional information it deems necessary. It seeks the opinion of the relevant market operator on the application.

The AMF rules within three months of receiving the filing or, where such is the case, the additional information it has requested.

An AMF decision determines the minimum capital or the guarantees required for each market and each category of member. Insofar as need be, it specifies the contents of the filing referred to in the second paragraph.

Persons so approved by the AMF inform the AMF of any changes to the information submitted in support of their application.

Article 514-4

To qualify for the approval procedure set forth in Article 514-3, legal entities established in France and wishing to conduct business in a regulated market in derivative financial instruments must have capital equal to or greater than the following amounts :

1° EUR 8,500 for a private limited company under sole ownership (entreprise unipersonnelle à responsabilité limitée) ;

2° EUR 42,500 for a limited liability company (société à responsabilité limitée), limited partnership (société en commandite simple) and limited partnership with share capital (société en commandite par actions).

Article 514-5

To obtain AMF authorization under the procedure described in Article 514-3, natural persons that are not residents of France and legal persons that are not established in France shall supply the AMF with a letter from the competent supervisory authority in their home country. That letter shall certify the integrity and skills of the natural persons or the managers of legal persons that are seeking authorization.

Where a foreign market that is a recognised market within the meaning of Article L. 423-1 of the Financial and Monetary Code and Book IV, Title II, Chapter III of the regulatory section of the Financial and Monetary Code or a regulated market of a State party to the European Economic Area agreement enters into a cross-membership agreement with the relevant French market pursuant to Article 514-9, the letter referred to in the first paragraph shall stand in lieu of the curriculum vitae and the judicial record copy referred to in point 1° of Article 514-3.

Article 514-6

To obtain AMF authorization in preparation for becoming members of a regulated market whose transactions are cleared through a clearing house, natural or legal persons seeking authorization shall provide the AMF with a commitment from a member of such clearing house to clear their transactions.

Article 514-7

Legal persons applying for authorization shall inform the AMF of the names of any direct or indirect shareholders with a holding of 10 per cent or more, together with the percentage of such holdings.

Article 514-8

Market operators ensure that members comply with the rules governing the market.

Market operators conclude an agreement with each member whereby the member agrees to :

1° comply with the market rules at all times ;

2° reply to any request for information made by the market operator ;

3° submit to on-site inspections conducted by the market operator ;

4° rectify, at the behest of the market operator, any situation in which it no longer meets the membership requirements.

Article 514-9

Market operators may enter into agreements with regulated markets of a State party to the European Economic Area agreement or with recognised markets within the meaning of Article L. 423-1 of the Financial and Monetary Code and Book IV, Title II, Chapter III of the regulatory section of the Financial and Monetary Code, whereby the members of one market are recognised as members of the other market, and vice versa.

Before such agreements can take effect, the market operators involved ask the AMF to ensure that the agreements comply with the regulations applicable to persons not automatically authorised to become members of a market recognised as a regulated market, pursuant to Article L. 421-8 of the Financial and Monetary Code.

The AMF and the equivalent authorities of the home State examine together any provisions that such agreements may necessitate.

Article 514-10

Market rules may authorise a market member to subcontract trading operations to another member.

In such an event, subcontracting in no way alters the market member's responsibilities to its clients.

Article 514-11

The market operator shall specify the conditions in which it ensures, directly or indirectly, the availability of the necessary training for natural persons who are to become traders of financial instruments on its market.

CHAPTER V - TRANSACTIONS ON REGULATED MARKETS

Article 515-1

The execution of transactions on a regulated market results from the general meeting of supply and demand.

This meeting may be organised as a continuous process or by batch (call auction).

A transaction results from the direct or indirect matching of orders -- directly when it involves orders presented on the market by market members ; indirectly when market members act as counterparty.

Market rules stipulate the mechanism for the general meeting of supply and demand as well as the price formation process and the various functions that market members may perform.

Article 515-2

Market rules may provide that some transactions not executed through the direct or indirect order-matching mechanism are nevertheless executed on the regulated market.

Where market rules provide for the aforementioned possibility, they also determine the extent to which the direct or indirect order-matching mechanism can be departed from, particularly in terms of price.

Market rules also stipulate that market members report immediately the transactions referred to in the first paragraph to the market operator, stating for each transaction the price and the quantity traded.

Article 515-3

Market rules determine the categories of orders that members can execute.

A market member must time-stamp orders upon receipt if they are placed by a client, and upon issue if the member is the issuer of the order. Subject to exceptions related to the nature of the order and stipulated in the market rules, members must present orders on the market in the sequence in which they were time-stamped.

Market rules specify the principles of priority that apply when orders at the same price and on the same side of the market (buy or sell) are presented simultaneously on the market.

Article 515-4

Market operators set the days and times at which trading takes place.

Article 515-5

Market rules establish the principles under which trading can be halted.

In particular, the rules specify the conditions for halting trading in a financial instrument whose price, during a single session or between two sessions, reaches one of the thresholds set by the market operator.

When the market operator organises trading in debt securities or covered warrants, it implements the resources needed to ensure that the prices resulting from such trades are consistent respectively with the market value of comparable debt securities, or the theoretical value of the warrants, computed on the basis, inter alia, of the price of the underlying elements. Price variation rules are determined accordingly.

Article 515-6

Market rules specify the conditions in which the market operator can cancel erroneous or irregular trades. They also stipulate the arrangements for informing the market of any such cancellations.

Article 515-7

Market operators publish immediately and continuously the prices and quantities of the five best bids and asks recorded for each financial instrument traded on the regulated market they operate.

Market operators publish the prices and quantities recorded for every trade executed on the regulated market that they operate, as follows :

1° Immediately for trades executed during the trading session pursuant to the general meeting of supply and demand ;

2° By the opening of the following trading session for trades executed pursuant to Article 515-2.

Article 515-8

Market operators immediately communicate to the AMF all information pertaining to the trades declared to them by market members.

An AMF decision stipulates the procedures for informing the AMF.

Article 515-9

Market operators archive information pertaining to trades executed on the regulated market that they operate for at least ten years.

The information archived by the market operator in accordance with the first paragraph pertains to each transaction and comprises :

1° The name of the financial instruments bought and sold ;

2° The quantity transacted ;

3° The date and time of the transaction ;

4° The price of the transaction ;

5° The name of the market member(s) that executed the order.

CHAPTER VI - CENTRALISATION OF ORDERS ON REGULATED MARKETS

Article 516-1

Where an investor customarily residing or established in France asks an investment service provider to execute on his behalf an order involving a financial instrument traded on a market recognised as a regulated market pursuant to Article L. 421-1 of the Financial and Monetary Code, the order shall be executed on a regulated market in a State party to the EEA agreement.

Article 516-2

By way of derogation to Article 516-1, the aforementioned investor may ask that the order be executed otherwise than on a regulated market if the following conditions are met :

1° The envisaged trade involves the financial instruments referred to in points 1°, 2° and 3°, Section I, of Article L. 211-1 of the Financial and Monetary Code as well as equivalent financial instruments issued under foreign law, as specified in an AMF instruction ;

2° The amount of the trade exceeds :

a) For the financial instruments referred to in point 1°, Section I, of Article L. 211-1 of the Financial and Monetary Code or for equivalent financial instruments : either 5 per cent of the issuer's market capitalisation or EUR 7.5 million ;

b) For the financial instruments referred to in point 2°, Section I, of Article L. 211-1 of the Financial and Monetary Code, EUR 30,000 ;

c) For the financial instruments referred to in point 3°, Section I, of Article L. 211-1 of the Financial and Monetary Code :

- either 5 per cent of market capitalisation or EUR 7.5 million for "Equity" collective investment schemes admitted to trading on a regulated market ;
- EUR 30,000 for "Bond" collective investment schemes admitted to trading on a regulated market ;

By way of derogation from a of point 2°, service providers authorised to trade for own account can stand as counterparty to their clients for trades outside a regulated market provided two conditions are fulfilled :

- the amount of the envisaged trade is at least EUR 500,000 ;
- the trade is effected, at the client's request, at a pre-arranged price that departs by no more than 1 per cent from the weighted average price of transactions in the security in question on a regulated market for a period of time specified in an agreement and commencing no later than the time that the parties agree on the terms of the order ; such agreement may, should the occasion arise, specify the type of transactions taken into account to establish this reference price.

3° The investor submits a written request to the investment service provider for each envisaged transaction. However, if the investor himself is either an investment service provider or a member of a regulated market, or if he falls into one of the categories of persons or entities referred to in paragraphs 1° or *a* to *e* of 2° of Article L. 531-2 of the Financial and Monetary Code, the request may be submitted in any form. Furthermore, such an investor may submit a single request valid for all transactions in the financial instruments referred to in 2°, Section I, of Article L. 211-1 of the Financial and Monetary Code ; in this case, the request must be submitted in writing, and the derogation cannot exceed one year.

The conditions specified above do not apply to transactions that, included in an agreement other than an outright sale, are a necessary element thereof. In this case, the investor informs the investment service provider that he intends to execute such a trade, and the derogation is granted automatically.

Article 516-3

Transactions in the financial instruments referred to in point 1° of Article 516-2, except for those debt securities referred to in 2°, Section I, of Article L. 211-1 of the Financial and Monetary Code carried out between a single seller or buyer, on the one hand, and several buyers or sellers, on the other hand, can be executed otherwise than on a regulated market provided the following conditions are fulfilled :

1° each investor concerned has requested a derogation, as stipulated in point 3° of Article 516-2 ;

2° the side of the transaction concerning the single seller or buyer conforms to the amounts specified in point 2° of Article 516-2 ;

3° all transactions are executed at the same price and date.

Article 516-4

Where an investment service provider executes an order otherwise than on a regulated market pursuant to Article 516-2, either for own account or on behalf of a person non-resident in France, it shall report the transaction as specified in Articles 141-1 to 141-4.

For transactions in the financial instruments referred to in point 1°, Section I, of Article L. 211-1 of the Financial and Monetary Code, the market operator that admitted the securities to trading shall publish, for each transaction, the number of securities traded and the price, no later than the opening of the session following the trade report. For transactions in other financial instruments, the information published by the market operator and the deadlines for publication are set by an AMF instruction.

CHAPTER VII - SPECIAL PROVISIONS APPLICABLE TO REGULATED MARKETS IN FINANCIAL INSTRUMENTS REFERRED TO IN POINTS 1°, 2° AND 3°, SECTION I, OF ARTICLE L. 211-1 OF THE FINANCIAL AND MONETARY CODE AND IN EQUIVALENT FINANCIAL INSTRUMENTS ISSUED UNDER FOREIGN LAW

Section 1 - General provisions

Article 517-1

Market rules set the conditions for admitting securities to trading on a regulated market.

The rules provide that the market operator does not make its listing decision until it has established that the securities are likely to be traded with a satisfactory degree of liquidity and safety.

Article 517-2

(Repealed by the Order of 30 December 2005)

Section 2 - Orders with deferred settlement and delivery

Article 517-3

The market rules may authorise a buyer or a seller, following execution of such buyer's or seller's order on the market, to defer the payment of the funds or the delivery of the financial instruments until a date set by those rules. The buyer, who is irrevocably bound to pay for the securities once order has been executed, is not required to disburse the funds until the date, set by the market rules, on which the financial instruments securities are registered in his account.

The securities belong to the market member, in whose account they are registered at the date set by the market rules, pending registration in the buyer's account. The seller, who is irrevocably bound to deliver the securities once his order has been executed, delivers them only at the date set by the market rules on which his account is debited. He retains title to the financial instruments as long as they are registered in his account.

Article 517-4

The provisions of Articles 517-4 to 517-15 apply to authorised investment service providers receiving orders for deferred settlement and delivery as well as to authorised custody account keepers.

Where the market rules provide for the possibility referred to in the first paragraph of Article 517-3, an investment service provider who receives an order for deferred settlement or delivery cannot accept such order unless the investor remits a margin deposit, either in the provider's books or in the books of the custody account keeper if the provider does not perform that function.

Article 517-5

An authorised investment service provider who does not keep his client's account cannot consent to transmit or execute an order for deferred settlement and delivery unless he is able, pursuant to an agreement with the client's custody account keeper, to ascertain that the necessary margin has been duly deposited with the custody account keeper before he transmits or executes that order.

The authorised investment service provider who keeps the client's account is subject to the provisions of this section.

Article 517-6

The authorised investment service provider is subject to the rules, set forth in an AMF instruction, governing the posting and composition of clients' mandatory margin deposits.

Margin is calculated as a percentage of the position and according to the type of assets. It shall be at least 20 per cent.

The margin rates referred to in the aforementioned instruction are minimum rates. Authorised investment service providers are entitled to demand higher rates from any client.

Article 517-7

Should a client fail, within the required timeframe, to remit or top up the margin deposit or to fulfil the commitments arising from the order executed on his behalf, the provider liquidates some or all of the client's commitments or positions.

The AMF can, where necessary, set more stringent margin deposit rules for a given financial instrument or market, either temporarily or permanently.

Article 517-8

Where a margin deposit consists of financial instruments, the authorised provider can legally refuse any such instrument :

1° that he considers he would be unable to realise at any time or on his own initiative ;

2° that he deems will not provide adequate collateral, having regard to the type of position to be collateralised.

In any event, long positions in a given financial instrument cannot be collateralised with the same financial instrument.

Article 517-9

Cheques cannot be accepted as margin until they have been cashed.

Article 517-10

An authorised investment service provider must be able to inform his client, upon request, of the value of the margin deposited under the three categories set forth in an AMF instruction and, pursuant to the same article, of the position that may be taken or the increase in an existing position that may be realised.

Article 517-11

The AMF can increase the minimum margin rates provided for in Article 517-6 for one or more designated financial instruments, as specified in that article. The new rates cannot come into force for at least two trading days after they have been published.

Article 517-12

Initial margin deposits are readjusted, if need be, in view of the daily marking to market of the position and the assets accepted as collateral therefor, so that the deposits correspond at all times to the minimum regulatory requirement.

The authorised provider orders the client, by any and all means, to top up or restore its collateral within one trading day.

If the collateral is not topped up or restored in due time, the authorised provider takes the necessary measures so that the client's position is once again collateralised. Unless the provider and the client have agreed on a different procedure, the authorised provider begins by reducing the position before realising some or all of the collateral.

Article 517-13

Absent a contractual agreement, an authorised provider who wishes to increase the collateral on a client's position by higher rates than those provided for in an AMF instruction shall warn the client of the new rates by registered letter with return receipt. That letter shall be sent at least eight calendar days before the effective date of the increase.

Article 517-14

Where an authorised provider reduces a client's position or realises some or all of its collateral, pursuant to the third paragraph of Article 517-12, it shall send the corresponding trade confirmations and account statements to the client by registered mail.

Article 517-15

Notwithstanding the first paragraph of Article 517-5, a member of a regulated market who does not hold the account of a client is not required to ascertain that margin has been deposited if the order is sent to him by an authorised investment service provider acting as an order receiver-transmitter.

Section 3 - Corporate actions

Article 517-16

Market rules establish the procedures relating to the detachment of rights and other corporate actions that influence the price of financial instruments, and stipulate the respective claims of buyers and sellers.

The rules also lay down the procedures that issuers must follow to inform the market operator of such actions.

CHAPTER VIII - SPECIAL PROVISIONS APPLICABLE TO REGULATED MARKETS FOR DERIVATIVE FINANCIAL INSTRUMENTS

Section 1 - General provisions

Article 518-1

Market rules lay down the conditions for admitting derivative financial instruments to trading on a regulated market.

The rules stipulate the resources and facilities that the market operator must implement to ensure the liquidity and security of trades in such instruments.

As regards the admission of futures contracts on commodities, the market rules provide that the clauses of such contracts, and in particular those concerning delivery, take into consideration the characteristics of the market in the underlying commodity.

Article 518-2

A market operator that operates a regulated market in derivative financial instruments shall arrange for trades in these instruments to be cleared by a clearing house that meets the requirements pertaining to clearing houses of regulated markets.

The AMF can authorise a market operator to have such trades cleared by a clearing house established outside France once it has ascertained that the clearing house meets requirements equivalent to those set out in this Chapter and provided that it receives from the clearing house the information needed to carry out its responsibilities.

Article 518-3

An investment service provider who receives an order for execution on a regulated market in derivative financial instruments cannot accept such order unless the investor remits a margin deposit, either in the provider's books or in the books of the custody account keeper if the provider does not perform that function.

Such margin is equal to or greater than that required by the market rules, if called by market members, or that required by the clearing house rules, if called by clearing house members. The authorised provider shall be entitled at all times to call additional amounts from the client to bring margin to the level that it sets.

The client shall constitute or remit additional margin within the same time limits as those specified in the rules referred to in the second paragraph.

Should a client fail to constitute or remit additional margin within the time limit referred to in the third paragraph, the provider liquidates some or all of the client's commitments or positions.

Section 2 - Preparation and distribution of an information circular concerning regulated markets in derivative financial instruments

Article 518-4

A market operator that operates a regulated market in derivative financial instruments for which France is the home country shall prepare an information circular describing the organisation of that market, the transactions executed on it, and the obligations of the persons that participate in it. The AMF shall review this information circular.

The characteristics of each derivative financial instrument admitted to trading on this market shall be set forth in a term sheet that will be appended to the information circular after it has been reviewed by the AMF.

Article 518-5

The investment service provider shall remit the information circular and the term sheets to each client before opening an account for it or transmitting the first order for a derivative financial instrument admitted to trading on the market.

Article 518-6

If the client does not trade in the market in the normal course of its business, the investment service provider may not accept an order or monies from that client before :

1° a period of seven days has elapsed since the remittal of the information circular ;

2° the client has sent back a signed declaration bearing the phrase "I have read the information circular concerning (name of the regulated market in the derivative financial instruments), the transactions executed on it, and the obligations arising from my participation in these transactions".

Article 518-7

Where, pursuant to the rules of the clearing house of the regulated market, the investment service provider with whom a client opens an account does not afford that client the guarantees extended by the clearing house in the event of a member default, the provider shall inform the client thereof and make a statement to that effect in the declaration referred to in Article 518-6.

CHAPTER IX - MISCELLANEOUS PROVISIONS

Article 519-1

A market operator cannot delegate or subcontract decisions concerning the admission of members or the listing of financial instruments referred to in points 1° , 2° and 3°, Section I, of Article L. 211-1 of the Financial and Monetary Code and equivalent financial instruments issued under foreign law.

Without the agreement of the AMF, it cannot delegate or subcontract the organisation of trading, the recording and publication of trades, the suspension of trading or the functions referred to in Article 513-1. A subcontractor or delegate can be either another market operator, or a company directly controlled, within the meaning of Article L. 233-3 of the Commercial Code, by the market operator in question, or a company or economic interest grouping controlled directly by that operator and one or more other market operators.

The restrictions set forth in the second paragraph of this article do not apply where a market operator commissions a third party to provide it with technical facilities.

Under no circumstances can the subcontracting agreement or delegation relieve the market operator of its responsibility for ensuring orderly trading.

Article 519-2

At the request of a market operator, the AMF can put in place an arbitration procedure to resolve disputes arising between the undertaking and its market members, between market members themselves, or between members and their clients.

Article 519-3

Without prejudice to special regulatory provisions, mandatory sales of the financial instruments referred to in points 1° , 2° and 3°, Section I, of Article L. 211-1 of the Financial and Monetary Code and equivalent financial instruments issued under foreign law are subject to the following provisions :

1° Where the sale involves financial instruments admitted to trading on a regulated market, it is done in compliance with the market rules through a market member designated by the seller. The rules can provide for exceptional procedures that apply if the quantity of financial instruments to be sold exceeds the market's normal capacity, as provided in Article 515-2 of these General Regulations ;

2° Where the sale involves financial instruments that are not admitted to trading on a regulated market and is done through an investment service provider, the latter publishes a notice stipulating the date of sale, the nature and number of financial instruments involved, the selling price and the selling procedure. This information must be published at least fifteen days before the sale in a publication that carries legal notices.

TITLE II - MULTILATERAL TRADING FACILITIES

CHAPTER I - NOTIFICATION TO THE AMF

Article 521-1

Investment service providers authorised for executing orders for third parties and market operators that intend to operate a multilateral trading facility referred to in the fourth paragraph of Article 312-2 shall inform the AMF thereof beforehand. They shall provide the AMF, taking into account the characteristics of each facility, with the following documents or information :

1° the rules of the multilateral trading facility ;

2° the human and material resources implemented, and in particular the technical specifications of the multilateral trading facility and the settlement system for the financial instruments ;

3° agreements for outsourcing the management of the multilateral trading facility, where applicable ;

4° the category or categories of financial instruments involved ;

5° the conditions to be satisfied by issuers prior to the trading of their financial instruments on the facility ;

6° the way in which issuers and facility participants are designated, their characteristics and their duties ;

7° the identity of the participants in the facility, the addresses of their registered offices, their status and their supervisory authority, as well the characteristics of the issuers whose financial instruments may be traded on the facility.

8° the arrangements for ensuring that participants comply with the rules of the facility.

Article 521-2

The AMF shall verify that the documents and information referred to in article 521-1 are in compliance with its General Regulation.

The AMF may ask the managers referred to in the first paragraph of article 521-1 to provide any additional information it considers appropriate. The AMF may require any rule amendments or resource adjustments it deems necessary to ensure that the facility complies with the provisions of this Title.

Article 521-3

The managers shall inform the AMF without delay of any envisaged material change in the items referred to in points 1 to 8 of article 521-1.

The AMF may at any time ask the managers to provide any information it considers appropriate regarding the items mentioned in the first paragraph and require the rule amendments or resource adjustments it deems necessary to ensure that the facility complies with the provisions of this Title.

CHAPTER II - RULES OF THE MULTILATERAL TRADING FACILITIES

Section 1 - Rules of the multilateral trading facility

Article 522-1

The rules of the multilateral trading facility provide for :

1° the human and material resources implemented, and in particular the technical specifications of the trading system and the settlement system for the financial instruments ;

2° the arrangements for outsourcing the management of the system, where applicable ;

3° the category or categories of financial instruments involved ;

4° the conditions to be met by issuers and facility participants ;

5° The conditions for trading the financial instruments, in particular :

a) procedures for bringing together buying and selling interests, along with trading days and hours ;

b) disclosures to participants and issuers, and disclosures to the public about buying and selling interests as well as transactions executed ;

c) trading halt procedures ;

d) time limits and conditions for transaction settlement.

6° the way in which issuers and facility participants are designated, their characteristics and their duties

7° the requirements regarding periodic and ongoing financial information ;

8° the arrangements for ensuring that participants and issuer comply with the rules of the facility ;

9° the liability incurred by the different participants and issuers.

These rules shall ensure that participants, as well as issuers, are treated equally.

Article 522-1-1

Where the rules of the facility provide for the signature of an admission agreement between the manager and issuers, this agreement shall refer to the rules of the facility and define, insofar as necessary, the requirements relating to :

1° the general conditions for application

2° the designation of one or more investment service providers or entities approved by the manager and who shall participate in the initial admission of the financial instruments to the facility ;

3° the duties to be performed by the participants referred to in 2° ;

4° the conditions relating to the trading of the financial instrument and their sale to the public ;

5° the procedure to be followed and the documentation to be supplied at the time of the admission and as long as the financial instruments are traded on the facility.

Section 2 - Fair and orderly trading ; market integrity

Article 522-2

The human and material resources implemented by investment service providers and market operators operating a multilateral trading facility, as well as the MTF rules and, where appropriate, their implementing provisions, shall ensure fair price formation and orderly trading.

Investment service providers and market operators shall guarantee that participants obtain the best available prices, having regard to the size of their orders and the time at which they are produced. They must not jeopardise the integrity of the market in the financial instruments concerned.

Section 3 - Disclosure of market information to participants

Article 522-3

Investment service providers and market operators operating a multilateral trading facility shall provide participants with the following information, as a minimum, on a continuous basis :

1° buying and selling interests, represented by the five best bids and asks for each financial instrument. This provision does not apply to systems matching orders on the basis of prices taken from regulated markets or other multilateral trading facilities. The AMF may waive this rule, case by case, for auction-based systems that trade instruments not admitted to trading on a regulated market, if such waiver is warranted by a lack of participants or thin trading volumes ;

2° the price and quantity recorded for each trade.

Section 4 - Publication of market information

Article 522-4

Investment service providers and market operators operating a multilateral trading facility shall make public, as a minimum, the following information regarding financial instruments admitted to trading on a regulated market :

1° as regards buying and selling interests : the five best bids and asks for each financial instrument, stipulating the proposed quantity and price. This provision does not apply to systems matching orders on the basis of prices taken from regulated markets or other multilateral trading facilities. Furthermore, the AMF may waive this rule, case by case, for auction-based systems that trade instruments not admitted to trading on a regulated market, if such waiver is warranted by a lack of participants or thin trading volumes ;

2° as regards the transactions effected : the price and quantity recorded for each trade..

Such publication shall be made promptly during trading hours and on a reasonable commercial basis.

Section 5 - Clearing and settlement

Article 522-5

The rules of the multilateral trading facility shall make provision for the financial instrument payment and delivery system(s) used to settle transactions.

Where applicable, the MTF rules shall specify the clearing house involved in the clearing of transactions effected through the MTF.

Section 6 - Rules of conduct

Article 522-6

Investment service providers and market operators operating a multilateral trading facility shall provide participants with all relevant information, in particular about the characteristics of the financial instruments traded on the system and the risks inherent in using it.

Investment service providers operating a multilateral trading facility cannot trade for own account on that facility. Pursuant to Article 321-23-3, the business of managing an MTF must be separated from the remainder of the business of third-party order execution

CHAPTER III - PARTICIPANT OVERSIGHT, REPORTING AND RETENTION OF TRANSACTION-RELATED DATA

Section 1 - Participant oversight

Article 523-1

Investment service providers and market operators operating a multilateral trading facility shall ensure that facility participants comply with the rules of the facility, and implement appropriate resources and procedures for this purpose.

They shall also sign a membership agreement with each participant providing inter alia for :

1° the obligation for the participant to comply at all times with the rules of the facility and their implementing measures, to answer all requests from the manager for information, to submit to on-site inspections by the manager and bring itself into line with requirements at the manager's request.

2° the undertaking by the manager to take measures, in the event of poor performance or breach by the participants of its contractual obligations, that may include the suspension of the participant or the cancellation of the agreement.

Section 2 - Reporting and retention of transaction-related data

SUB-SECTION 1 - REPORTING TRANSACTION-RELATED DATA

Article 523-2

Investment service providers and market operators operating a multilateral trading facility shall report transactions executed through the system to the AMF in the following manner :

1° With regard to the financial instruments referred to in points 1°, 2° and 3°, Section I, of Article L. 211-1 of the Financial and Monetary Code and equivalent financial instruments issued under foreign law admitted to trading on

a regulated market, the report shall be sent to the market operator that admitted the securities to trading, as provided for in Article 141-3 and stipulated in an AMF instruction ;

2° With regard to other financial instruments admitted to trading on a regulated market, the report shall be sent to the AMF using the so-called Direct Transaction Reporting procedure (RDT) provided for in an AMF instruction ;

3° For financial instruments not admitted to trading on a regulated market, the report shall be sent to the AMF according to the procedures established individually for each multilateral trading facility.

Such reports shall disclose, inter alia, the identity of the participants who effected the transaction, specifying whether they were trading for own account or for a third party.

Participants are exempt from the reporting requirements provided for in an AMF instruction as regards transactions executed through the multilateral trading facility.

SUB-SECTION 2 - RETENTION OF TRANSACTION-RELATED DATA

Article 523-3

Investment service providers and market operators operating a multilateral trading facility shall retain data relating to transactions executed through the facility for at least five years, as specified in Article 515-9.

CHAPTER IV - ELECTRONIC TRADING SYSTEM

Article 524-1

The electronic trading system used by investment service providers and market operators operating a multilateral trading facility, including those components installed for MTF participants, must comply with current standards of data security, particularly in the financial sector.

In particular, the electronic trading system must :

1° guarantee response times that are compatible with the business of trading ;

2° have sufficient spare capacity, verified on a regular basis, to cope with a large-scale inflow of orders from participants ;

3° ensure the integrity of the data it manages and the processing routines it implements ;

4° guarantee the confidentiality of exchanges of data with participants and third parties ;

5° keep a chronological record of any incidents affecting it..

Article 524-2

Investment service providers and market operators operating a multilateral trading facility shall protect the electronic trading system by means of daily monitoring as well as by independent audits carried out at intervals established by said providers on justifiable grounds.

They shall install a backup solution that is capable, at minimum, of retrieving close-of-trading data from the session prior to the one where the interruption or operating anomaly occurred in the electronic trading system. They shall conduct periodic tests to ensure that the solution is working properly.

Where they outsource, partially or fully, the management of the electronic trading system to a third party, they shall sign an agreement that outlines such party's commitments in terms of security and that permits the service provider to monitor compliance with those commitments by inspecting the subcontractor's computer facility.

CHAPTER V - ORGANIZED MULTILATERAL TRADING FACILITIES

Article 525-1

Multilateral trading facilities whose organizational rules are approved by the AMF at their request, who submit to the provisions of Book VI on market abuse and who provide for a mandatory tender offer in the event of an abrupt change of control in an issuer, are organized multilateral trading facilities.

Article 525-2

The provisions common to all multilateral trading facilities included in Chapters 1 to 4 of this Title shall apply to organized multilateral trading facilities.

Multilateral trade facilities are also subjected to the following provisions.

Article 525-3

The information and documents to be sent to the AMF in accordance with article 521-1 also relate to the arrangements implemented in order to supervise compliance with the obligations taken from the provisions of Section III of Chapter 1 of Title II of Book III and the provisions of Book VI.

Article 525-4

The AMF shall verify that the documents and information referred to in articles 521-1 and 525-3 are in compliance with its General Regulation.

The AMF may ask the managers to provide any additional information it considers appropriate. The AMF may require any rule amendments or resource adjustments it deems necessary to ensure that the facility complies with the provisions of this Title.

Multilateral trade facilities may not come into operation until the AMF has approved the above-mentioned compliance.

Article 525-5

The managers shall inform the AMF without delay of any envisaged material change in the items referred to in points 1° to 8° of article 521-1 and in article 525-3.

The AMF may at any time ask the managers to provide any information it considers appropriate regarding the items mentioned in the first paragraph and require the rule amendments or resource adjustments it deems necessary to ensure that the facility complies with the provisions of this Title.

The changes may not be implemented until the AMF has approved them.

Article 525-6

The managers notify the AMF without delay of any difficulties encountered in the performance of their obligations and of any facts known to them that may jeopardize the proper functioning of the facility.

They shall in particular provide to the AMF without delay all appropriate information where such facts may indicate market abuse as defined in Book VI as well as any failure by an issuer to comply with the obligations it has undertaken toward the managers in respect of financial information.

Article 525-7

The rules of organized multilateral trading facilities also provide for :

1° The procedures to be implemented in the event of the acquisition of the control of an issuer whose financial instruments are traded on these facilities ;

2° The arrangements implemented in order to supervise compliance by issuers and participants with the obligations taken from the provisions of Section III of Chapter 1 of Title II of Book III and the provisions of Book VI.

Article 525-8

The agreement referred to in article 522-1-1 also defines the obligations relating to the procedures to be implemented in the event of the acquisition of the control of an issuer whose financial instruments are traded on these facilities.

TITLE III - CLEARING HOUSES

CHAPTER I - COMMON PROVISIONS

Section 1 - Approval and publication of clearing house rules

Article 531-1

Clearing houses submit their operating rules to the AMF for approval.

The AMF makes its ruling on the basis of the activities that the clearing house intends to perform and the resources and facilities that it intends to implement.

The AMF gives its ruling within three months of receiving the application or within one month in the case of amendments to existing rules.

Article 531-2

The AMF publishes decisions relating to the approval of a clearing house's operating rules, or amendments thereto, in the official gazette (BALO) and on its website. The approved rules or amendments are annexed to the AMF's decision.

Article 531-3

A clearing house must permit any person who so wishes to access its operating rules at its registered office and to take away or receive, at that person's expense, a copy of the said rules.

Section 2 - Rules of conduct applicable to clearing houses and their staff

Article 531-4

Clearing houses and the persons referred to in the second paragraph of Article 531-30 shall perform their activities diligently, honestly and impartially.

Article 531-5

The clearing house shall remind the persons acting under its authority or on its behalf that they are bound by the rules of professional secrecy, under the terms and penalties provided by law.

Such persons may not use any confidential information in their possession other than to perform their functions within or on behalf of the clearing house.

Article 531-6

Clearing houses shall draw up internal regulations establishing the rules of conduct applicable to persons acting under their responsibility or on their behalf.

These internal regulations shall stipulate the conditions in which a person may execute trades in financial instruments for his own account. They give due regard to the provisions of Article 531-5.

Section 3 - Issuance of professional licences to certain members of clearing house staff

Article 531-7

The clearing house shall appoint the following persons :

1° a person responsible for supervising clearing ;

2° a person responsible for supervising clearing house members ;

3° a head of compliance.

Article 531-8

The responsible persons referred to in Article 531-7 must have the requisite independence of decision-making as well as the technical and human resources needed to carry out their duties. The resources must be suited to the clearing house's volume of business.

Article 531-9

The responsible persons referred to in Article 531-7 are required to hold professional licences, which are issued by the AMF on the clearing house's proposal.

In preparation for the issuance of this licence, the clearing house shall forward to the AMF for each of the persons concerned, an application containing the elements specified in an AMF instruction.

The AMF can ask the clearing house or the persons concerned for any further information it deems appropriate.

The AMF rules within one month of receiving the application or, where such is the case, the additional information it has requested.

Article 531-10

The clearing house informs the AMF when the holder of a professional licence referred to in Article 531-9 ceases to perform the function requiring that licence.

The AMF then revokes the licence. The AMF informs the clearing house whenever it revokes a professional licence in connection with the disciplinary proceedings referred to in Article L. 621-15 of the Financial and Monetary Code.

Article 531-11

The responsible persons mentioned in Article 531-7 draw up a yearly report on the conditions in which they carry out their duties. This report is submitted to the executive body of the clearing house, as well as to the AMF, no later than four months after the close of the financial year.

This report includes :

1° A description of how supervision and monitoring are organised ;

2° A description of the tasks performed in carrying out these duties ;

3° Any observations made by the responsible person ;

4° Measures adopted as a result of such observations.

Section 4 - Membership of clearing houses

Article 531-12

The operating rules of each clearing house stipulate the conditions for membership.

Where the rules provide for several categories of member, they stipulate the membership requirements for each category.

Article 531-13

Membership of credit institutions, investment firms and legal persons whose principal or sole purpose is the clearing of financial instruments, which are not established in France, shall be subject to the prior authorization of the AMF.

The AMF shall ascertain that such organisations are subject in their home State to rules governing the conduct of clearing business and supervision that are equivalent to those in effect in France.

The absence of objection by the AMF within one month of receiving the membership application forwarded by the clearing house shall imply authorization.

Where the AMF requests further information from the applicant or the clearing house, this time period shall be suspended until such information is received.

Article 531-14

The AMF enters into agreements with the competent authorities of the home State referred to in Article 531-13 in order to define the distribution of supervisory powers and facilitate the exchange of information needed to coordinate such supervision.

The AMF can extend the time period referred to in the third paragraph of Article 531-13 where this is warranted by the conclusion of an agreement with home State authorities.

An agreement may provide for an exemption from prior authorization for a category of institutions.

Article 531-15

Where, in connection with its supervisory duties as defined in this Title, a clearing house ascertains that one of its members is not complying with the AMF's rules, it so informs the AMF.

Article 531-16

The operating rules of clearing houses determine minimum capital requirements and, if need be, minimum guarantees required of members.

The minimum requirements may vary according to the category of member. If the need arises, they may be increased at the clearing house's behest.

At least once yearly, clearing members provide the clearing house with written information, including their financial statements and documents concerning any relevant guarantees. They inform the clearing house immediately should their capital or guarantees fall below the minimum requirement applicable to them.

Article 531-17

The operating rules of clearing houses may require members to acquire, prior to admission, a minimum number of equity securities of the clearing house.

The minimum requirement may vary according to the category of clearing member.

Article 531-18

Clearing houses ensure that members comply with their operating rules

Clearing houses conclude an agreement with each member whereby the member agrees to :

1° comply with the rules established by the clearing house at all times ;

2° reply to any request for information made by the clearing house ;

3° submit to inspections conducted by the clearing house ;

4° rectify, at the behest of the clearing house, any situation in which it no longer meets the conditions for membership.

Article 531-19

Clearing members conclude an agreement with each trader whose trades they clear.

The operating rules of clearing houses define the list of clauses that must appear in such agreements, which stipulate, inter alia, the procedures for registering trades and the procedure to be followed in the event of default by either signatory.

Article 531-20

The operating rules of clearing houses may authorise a clearing member to subcontract clearing operations to another clearing member.

The rules may also authorise a clearing member to subcontract clearing operations to an entity that it controls, or by which it is controlled, within the meaning of Article L. 233-3 of the Commercial Code, provided that such entity fulfils the conditions of Article 531-12 and submits to inspection by the clearing house in question.

A subcontracting agreement does not alter the liability of a clearing member vis-à-vis third parties with regard to the subcontracted activities.

Article 531-21

The clearing house shall specify the conditions in which it ensures, directly or indirectly, the availability of the necessary training for natural persons who are to fulfil clearing functions.

Section 5 - Clearing house functions

Article 531-22

Clearing houses record the trades they are to clear.

Clearing houses supervise the commitments and positions of clearing members.

Article 531-23

Clearing houses calculate and call the sums of money that clearing members must remit to cover or guarantee their commitments or positions. Such sums encompass initial margin, variation margin and, generally, all types of security deposit.

The operating rules of clearing houses establish the principles for determining these sums as well as the assets or guarantees accepted in lieu thereof.

The funds deposited by clearing members with the clearing house to cover their commitments are invested in liquid assets with little risk of principal.

Article 531-24

The operating rules of clearing houses provide that, should a clearing member fail to fulfil its obligations with regard to the settlement of market transactions or to the security deposits referred to in Article 531-23, and in particular should it be the subject of any of the proceedings under Title II of Book VI of the Commercial Code, the clearing house can :

1° liquidate some or all of the commitments or positions taken by the defaulting clearing member for its own account, in the market conditions prevailing at the time. Subsequent to such liquidation, the clearing house can, if necessary, settle its remaining claims on the clearing member by means of the margin or other security deposits lodged by that member ;

2° transfer the positions of the defaulting clearing member's clients, together with the associated assets or guarantees, to another clearing member.

Article 531-25

The operating rules of clearing houses stipulate the method used by the clearing house to establish the settlement price or reference price which is used to calculate the sums referred to in Article 531-23 and also to settle commitments at maturity.

However, if the settlement price or reference price is set by the market operator, these provisions are included in the market rules.

Section 6 - Relations between clearing members and their clients

Article 531-26

The operating rules of clearing houses may contain provisions relating to the minimum amounts that clearing members must call from clients whose accounts they keep in order to cover or guarantee those clients' commitments or positions, as well as the assets or guarantees accepted in lieu thereof.

However, if the market rules so provide, such amounts may be called by the members of the regulated market whose trades are cleared by the clearing house.

A clearing house may require that its members transfer to it the amounts mentioned in the first paragraph of this article.

Article 531-27

The operating rules of clearing houses provide that clearing members may at their own initiative liquidate some or all of the commitments or positions of a client that has not met its obligations with regard to the settlement of market transactions or to the security deposits referred to in Article 531-26, and in particular if it has been the subject of any of the proceedings under Title II of Book VI of the Commercial Code.

The rules stipulate, in particular, the procedures for winding up failed trades in the financial instruments referred to in points 1°, 2° and 3°, Section I, of Article L. 211-1 of the Financial and Monetary Code and in equivalent financial instruments issued under foreign law.

Article 531-28

Clearing members enter into a written agreement with each of their clients, as provided in Article 321-68 of these General Regulations.

Section 7 - Miscellaneous provisions

Article 531-29

The operating rules of clearing houses stipulate the nature and scope of the guarantee that the clearing house gives to its members and, where appropriate, to their clients.

Article 531-30

A clearing house cannot delegate or subcontract decisions concerning the admission of members or the admission of financial instruments to clearing.

Without the agreement of the AMF, it cannot delegate or subcontract the functions referred to in Articles 531-22 to 531-25, or those assigned to the persons referred to in Article 531-7. Such subcontractor or delegate can be either another clearing house or a company directly controlled, within the meaning of Article L. 233-3 of the Commercial Code, by the clearing house in question. With regard to the recording of trades, the subcontractor or delegate can be the market operator in question.

The restrictions set forth in the second and third paragraphs of this article do not apply where a clearing house entrusts a third party to provide it with technical facilities.

Under no circumstances can the subcontracting agreement or delegation relieve the clearing house of its responsibility for the functions concerned.

Article 531-31

At the request of a clearing house, the AMF can put in place an arbitration procedure to resolve disputes arising between the clearing house and its members, between clearing members themselves, or between clearing members and their clients.

CHAPTER II - SPECIAL PROVISIONS APPLICABLE TO THE CLEARING HOUSES OF REGULATED MARKETS

Section 1 - General provisions

Article 532-1

The operating rules of clearing houses of regulated markets provide that clearing members are del credere agents with regard to the clients whose accounts they keep.

In their capacity as del credere agents, clearing members are answerable to the clearing house for their clients' commitments.

Article 532-2

The operating rules of clearing houses of regulated markets provide that the clearing house shall call the sums referred to in Article 531-23 and determine the settlement price or reference price referred to in Article 531-25 at least once each trading day. The rules further specify the time limit for remitting these sums to the clearing house.

Article 532-3

The operating rules of clearing houses of regulated markets contain the provisions relating to the minimum amounts referred to in the first paragraph of Article 531-26.

Section 2 - Special provisions regarding the clearing of trades in the financial instruments referred to in points 1°, 2° and 3°, Section I, of Article L. 211-1 of the Financial and Monetary Code and in equivalent financial instruments issued under foreign law

Article 532-4

The operating rules of clearing houses of regulated markets in the financial instruments referred to in points 1°, 2° and 3°, Section I, of Article L. 211-1 of the Financial and Monetary Code and in equivalent financial instruments issued under foreign law provide that the payment of funds and delivery of financial instruments between clearing members shall take place reciprocally and simultaneously under the supervision of the clearing house.

Article 532-5

The operating rules of clearing houses of regulated markets in equity or debt securities provide that the clearing house can limit the positions of a client in a given financial instrument if the market situation of that financial instrument so requires.

The rules require clearing members to inform the clearing house, upon request, of the identity of their clients.

When a clearing house decides to limit a client's positions, it justifies its decision and informs the AMF thereof.

Section 3 - Special provisions applicable to the clearing of trades in derivative financial instruments

Article 532-6

The operating rules of clearing houses define the way in which the clearing house records the positions of clearing members.

The rules identify at least two categories of account, which correspond to :

1° transactions made by the clearing member for its own account,

2° transactions made by the clearing member on behalf of its clients.

The clearing house calculates the sums referred to in Article 531-23 separately for each account category.

Article 532-7

The operating rules of clearing houses of regulated markets in derivative financial instruments establish the principles for delivery, if any, of financial instruments or commodities.

Article 532-8

Where the clearing house of a regulated market in derivative financial instruments guarantees to clients the performance of their trades, it monitors the exposure of those clients.

The operating rules of clearing houses require members to inform the clearing house, upon request, of the identity of the clients whose positions they record.

Article 532-9

The clearing house of a regulated market in derivative financial instruments sets the position limits and limits on risk exposure applicable to market members. It can also set limits applicable to all market participants.

When these limits are reached, the clearing house can decide to increase the amount of margin that the market member or client must deposit with the clearing member to cover or guarantee the positions that have been taken. The clearing house may also refuse to record any transaction that would increase the open position of the market member or client in question.

TITLE IV - CENTRAL DEPOSITORIES OF FINANCIAL INSTRUMENTS

Article 540-1

The conditions for authorising central depositories and for approving their operating rules are set forth in this Title.

The functions of a central depository are to :

1° record in a specific account the entirety of the financial instruments making up each issue accepted for deposit by the depository ;

2° open current accounts for custody account-keepers, other central depositories and French and foreign institutions that the depository has accepted as members under the conditions set by its operating rules ; in the case of institutions from a country outside the European Economic Area, their membership must not have been opposed by the AMF within one month following the date at which the AMF was notified by the central depository ;

3° ensure the circulation of financial instruments by book-entry transfer from one account to another ;

4° verify that the total amount of each issue accepted by the depository is equal to the sum of financial instruments recorded on member accounts ;

5° take all steps necessary to enable the exercise of rights attached to the financial instruments recorded in current accounts,

6° transmit registration information regarding holders of financial instruments between members and issuers ;

7° issue certificates representing French-law financial instruments for use abroad.

A central depository may accept for deposit financial instruments for which it does not hold the account of the issue. In such a case, it must at all times make sure that the quantity of financial instruments deposited with it is equal to the sum of financial instruments recorded on the accounts of its members.

A central depository may organise and operate any system for the purpose of effecting delivery of financial instruments between its members as well as, if applicable, the corresponding cash payment, in accordance with the provisions of this Title.

Article 540-2

Any entity applying to be a central depository must be incorporated as a commercial company.

The applicant shall transmit to the AMF a filing that includes :

1° its articles of association,

2° its bylaws,

3° its operating rules,

4° the identity of any shareholders that directly or indirectly hold an interest greater than or equal to 10 per cent of its equity, as well as the amount of their interest ;

5° with regard to the activities in which it proposes to engage, a description of the human, technical and financial resources at its disposal or that it plans to commit, and in particular the resources assigned to risk management ;

6° the curricula vitae of its main executives,

7° the operating rules of any payment and settlement system it operates, if appropriate.

The AMF may ask the applicant to provide any additional information that the AMF deems useful.

The AMF shall ensure that the operating rules submitted to it comply with the provisions of these General Regulations and that all of the envisaged activities are compatible with the functions of a central depository.

The AMF shall approve the rules within three months from the date of receipt of the filing or the date of receipt of any additional information that was requested. For changes in the rules, the time period shall be reduced to one month. The approval decision shall be published in the official gazette (BALO) and on the AMF website. The approved rules shall be annexed to the decision.

Article 540-3

Central depositories promptly inform the AMF of any modification in the elements mentioned in points 1° to 6° of Article 540-2.

The AMF determines the measures to be taken as a result of such modifications.

Article 540-4

The central depository shall ensure adequate supervision of the performance of the functions specified in Article 540-1.

For this purpose, it appoints a supervisor responsible for ensuring compliance with the central depository operating rules approved by the AMF pursuant to Article 540-2.

Article 540-5

The supervisor referred to in Article 540-4 draws up a yearly report on the conditions in which he carries out his duties. This report is submitted to the central depository's executive body and to the AMF no later than four months after the end of the financial year.

The report includes :

1° a description of how supervision and monitoring are organised ;

2° a description of the tasks performed in carrying out these duties ;

3° any observations made by the supervisor ;

4° measures taken as a result of such observations.

Article 540-6

The supervisor referred to in Article 540-4 shall have the requisite independence of decision-making as well as the technical and human resources they need to carry out their duties.

The resources must be suited to the nature and volume of the business done by the central depository.

Article 540-7

Relations between the central depository and its members shall be governed by a membership agreement.

This membership agreement shall oblige members to :

1° respond to any request for information from the central depository ;

2° obey the operating rules of the central depository at all times ;

3° rectify any irregularity at the request of the central depository if the latter finds the member to be in breach of its rules, of current regulations, or of conditions of membership.

Article 540-8

If a central depository finds that one of its members is not in compliance with the rules set forth in this Title, it shall so inform the AMF.

The central depository shall communicate any information or any document requested by the AMF.

TITLE V - PAYMENT AND SETTLEMENT SYSTEMS FOR FINANCIAL INSTRUMENTS

Article 550-1

In accordance with point 3°, Section VI, of Article L. 621-7 and Article L. 330-1 of the Financial and Monetary Code, the AMF shall determine the general principles of organisation and operation of payment and settlement systems for financial instruments and shall approve the operating rules of such systems, without prejudice to the authority conferred upon the Banque de France by Chapter I, Title IV, Book I of the Financial and Monetary Code.

The principal function of a payment and settlement system for financial instruments is to process the instructions of its participants in order to ensure delivery of the financial instruments by the central depository concerned and simultaneous payment, where applicable, on the books of the payment agent.

The participants in a payment and settlement system are account-keeping institutions, central depositories, and other French and foreign institutions ; in the case of institutions from a country outside the European Economic Area, their membership must not have been opposed by the AMF within one month following the date at which the AMF was notified by the system.

Article 550-2

Any entity wishing to operate a payment and settlement system for financial instruments must be incorporated as a commercial company. If it has not already addressed to the AMF the items referred to in Article 540-2, the applicant shall transmit to the AMF a filing that includes :

1° its articles of association ;

2° its bylaws ;

3° the operating rules of the system ;

4° the identity of any shareholders that directly or indirectly hold an interest greater than or equal to 10 per cent of its equity, as well as the amount of their interest ;

5° with regard to the activities in which it proposes to engage, a description of the human, technical and financial resources at its disposal or that it plans to commit, and in particular the resources it devotes or intends to devote to risk management ;

6° the curricula vitae of its main executives ;

7° the names of the classes of financial instruments accepted in the system and the method of custody of each class.

The AMF may request that the applicant provide any additional information that the AMF deems useful.

The AMF shall verify that the system meets the definition given in Article L. 330-1 of the Financial and Monetary Code and that the rules submitted to it comply with the provisions of these General Regulations governing payment and settlement systems for financial instruments. It shall also verify that the applicant has or plans to have at its disposal suitable resources for operating a payment and settlement system for financial instruments.

The AMF shall approve the rules within three months from the date of receipt of the filing or the date of receipt of any additional information that was requested. For changes in the rules, this time period shall be reduced to one month. The approval decision shall be published in the official gazette (BALO) and on the AMF website.

The approved rules shall be annexed to the decision.

Article 550-3

The operator of a payment and settlement system promptly informs the AMF of any modification relating to the elements referred to in points 1° to 7° of Article 550-2.

The AMF determines the measures to be taken as a result of such modifications.

Article 550-4

The operator of a payment and settlement system shall ensure adequate supervision of the performance of the functions specified in Article 550-1.

For this purpose, it appoints a supervisor responsible for ensuring compliance with the operating rules approved by the AMF pursuant to Article 550-2.

Article 550-5

The supervisor referred to in Article 550-4 draws up a yearly report on the conditions in which he carried out his duties. This report is submitted to the executive body of the operator of the payment and settlement system, and to the AMF no later than four months after the end of the financial year.

The report includes :

1° a description of how supervision and monitoring are organised ;

2° a description of the tasks performed in carrying out these duties ;

3° any observations made by the supervisor ;

4° measures taken as a result of such observations.

Article 550-6

The supervisor referred to in Article 550-4 shall have the requisite independence of decision-making as well as the technical and human resources he needs to carry out their duties.

The resources must be suited to the nature and volume of the business done by the operator of the payment and settlement system for financial instruments.

Article 550-7

Relations between the operator of a payment and settlement system for financial instruments and the participants in that system shall be governed by a participation agreement.

This participation agreement shall oblige participants to :

1° obey the operating rules of the system at all times ;

2° respond to any request for information from the system operator ;

3° rectify any irregularity at the request of the system operator if the latter finds the participant to be in breach of its rules, of current regulations, or of the conditions of participation.

Article 550-8

The operator of a payment and settlement system for financial instruments shall engage in no other activity that may create a conflict of interest with the operation of the said system.

Article 550-9

The operator of a payment and settlement system for financial instruments shall implement the procedures necessary to ensure that the number of financial instruments corresponding to each issue is identical to the number of financial instruments in circulation.

Article 550-10

A payment and settlement system for financial instruments must have appropriate risk management procedures to safeguard the rights of system participants in the event of a default on delivery or payment by one or more participants.

Article 550-11

The operating rules of a payment and settlement system for financial instruments shall establish the conditions, including the time, under which an instruction in the system is considered to be irrevocable, in accordance with Article L. 330-1 of the Financial and Monetary Code.

The operating rules of a payment and settlement system for financial instruments referred to in Article L. 330-1 of the Financial and Monetary Code shall also determine the conditions under which the settlement of transactions effected outside a regulated market and pertaining to financial instruments kept on account with a custody account-keeper participating in such payment and settlement system shall be deemed irrevocable within the meaning of Article L. 431-2 of the Code.

TITLE VI - TRANSFER OF OWNERSHIP OF FINANCIAL INSTRUMENTS ACCEPTED BY A CENTRAL DEPOSITORY OR SETTLEMENT SYSTEM

Article 560-1

As soon as an order is executed, the buyer is definitively bound to pay for, and the seller is definitively bound to deliver, the financial instruments at the date mentioned in Article 560-2.

The service provider to which the order is transmitted may, upon receipt of the order or as soon as it is executed, require that a guarantee provision be made in its books, in cash in the case of a purchase and in financial instruments in the case of a sale.

Article 560-2

For a trade involving financial instruments mentioned in points 1, 2 and 3 of I of Article L. 211 of the Financial and Monetary Code, on a market mentioned in Title or Title II of Book V, the transfer of ownership mentioned in Article L. 431-2 of the Financial and Monetary Code shall result from the entry of the transaction in the account of the buyer.

This account entry takes place on the effective trade settlement date specified in the operating rules of the settlement system, when the account of the buyer's custody account-keeper, or the account of the agent of this custody account-keeper, is credited on the books of the central depository.

Barring the exceptions provided for in Articles 560-3 to 560-8 and 332-65, the date on which the trade is effectively settled and, simultaneously, the account entry is made at the central depository, shall occur no earlier than three trading days after the order execution date.

The same date shall apply when the financial instruments of the buyer and the seller are recorded on the books of the same custody account-keeper.

Article 560-3

The trade shall be recorded in the accounts of the buyer and the seller as soon as the custody account-keeper is informed that the order has been executed. This accounting record shall be regarded as book entry registration and imply transfer of ownership as of the date mentioned in Article 560-2.

In the case of a sale that is not settled in full within a time period set by the rules of the clearing house or the settlement system, the accounting record shall be cancelled.

In the case of a partial settlement affecting multiple buyers, the accounting records shall be cancelled in part in proportion to the rights of each buyer.

Such cancellation of accounting records shall be without prejudice to action brought by the parties concerned.

Article 560-4

In the case of a transaction covered by Book II, the initiator of the transaction shall specify the date on which entries will be made in the accounts of the buyers and sellers and the corresponding movements will be made in the accounts kept in the name of the custody account-keepers on the books of the central depository, in compliance with the rules of the market or multilateral trading facility concerned.

Article 560-5

The operating rules of a market or multilateral trading facility may provide that, for some types of transactions, the date on which entries are made in the buyers' accounts and, simultaneously, the corresponding movements are made in custody account-keepers' accounts at the central depository shall be less than three trading days after the trading date.

Article 560-6

For trades on a regulated market or multilateral trading facility, the buyer shall have title from the day of order execution to any financial rights detached between the trade date and the date of entry in the buyer's account.

By exception, the rules of a regulated market or multilateral trading facility may provide that, for some or all of the debt securities admitted to trading thereon, the buyer shall have title to such rights only after ownership of the said financial instruments has passed to him.

Article 560-7

When, following a sale of financial instruments, payment and delivery are effected by a system that provides continuous settlement finality, the parties shall agree on the date on which the settlement transactions are scheduled to be made, within the limits allowed by the operating rules of the system.

Article 560-8

In the case of a sale made outside a market mentioned in Title I or Title II of Book V, or an equivalent trade, as specified in an AMF instruction, and excluding the case provided for in Article 560-7, the transfer of ownership referred to in Article L.431-2 of the Financial and Monetary Code results from entry in the account of the buyer, which takes place when the account of the buyer's custody account-keeper is credited on the books of the central depository.

This account entry date shall occur no earlier than three trading after the sale date, unless the parties agree otherwise.

The same date shall apply when the financial instruments of the buyer and the seller are recorded on the books of the same custody account-keeper.

GENERAL REGULATION OF THE AUTORITÉ DES MARCHÉS FINANCIERS

BOOK VI - MARKET ABUSE : INSIDER DEALING AND MARKET MANIPULATION

TITLE I - GENERAL PROVISIONS

CHAPTER 1 - SCOPE

Article 611-1

Unless otherwise specified, this Book shall apply to :

1° All natural or legal persons and other entities ;

2° The financial instruments referred to in Article L. 211-1 of the Financial and Monetary Code :

a) which have been admitted to trading on a regulated market within the meaning of Article L. 421-1 of the same Code or for which a request for admission to trading on such a market has been made ; or

b) which have been admitted to trading on on an organised multilateral trading facility referred to in article 525-1.

c) which have been admitted to trading on a regulated market of another European Community Member State or a State party to the European Economic Agreement, or, in the cases referred to in d) of point II of Article L. 621-15 of the Financial and Monetary Code, for which an application for admission to trading on such a market has been made ;

3° Transactions in instruments referred to in point 2° a), regardless of whether they have been executed on a regulated market, and transactions executed on an organised multilateral trading facility.

Articles 622-1 and 622-2 shall also apply to financial instruments not admitted to trading on a regulated market or an organised multilateral trading facility, but whose value depends on a financial instrument that has been admitted to trading on such a market or multilateral trading facility.

CHAPTER 2 - ACCEPTED MARKET PRACTICES

Article 612-1

"Accepted market practices" shall mean practices that are reasonably expected on one or more financial markets and are accepted by the AMF.

Article 612-2

I. - When assessing whether a market practice is acceptable, the AMF shall take at least the following criteria into account :

1° the level of transparency of the relevant market practice to the whole market ;

2° the need to safeguard the operation of market forces and the interplay of supply and demand ;

3° the degree to which the relevant market practice has an impact on market liquidity and efficiency ;

4° the degree to which the relevant practice takes into account the trading mechanism of the relevant market and enables market participants to react properly and in a timely manner to the new market situation created by that practice ;

5° the risk inherent in the relevant practice for the integrity of, directly or indirectly, related markets, whether regulated or not, in the relevant financial instrument within the European Community ;

6° the outcome of any inspection or investigation of the relevant market practice by the AMF, by any other authority or market operator with which the AMF cooperates, by any other authority or market undertaking acting on behalf or on the authority of the AMF, or by the courts acting on a referral from the AMF, in particular whether the relevant market practice breached rules or regulations designed to prevent market abuse, or codes of conduct, be it on the market in question or on directly or indirectly related markets within the European Community ;

7° the structural characteristics of the relevant market including whether it is regulated or not, the types of financial instruments traded and the type of market participants, including the extent of non-professional investor participation in the relevant market.

Having regard to point 2°, the AMF takes account in its assessment of how the relevant practice will affect market conditions, with particular reference to daily weighted average prices or daily closing prices.

II. - The AMF periodically reviews accepted market practices, in particular taking into account significant changes to the relevant market environment, such as changes to trading rules or to market infrastructure.

Article 612-3

Where an organisation representing companies making public offers of securities, investment service providers, investors or a market operators seeks the AMF's acceptance of a market practice, the AMF shall consult the other organisations concerned before deciding whether to accept or reject such practice.

The AMF shall also consult other competent authorities in respect of existing practices, notably on markets that are comparable in terms of structures, volumes or types of transaction.

Where inspections or investigations of specific cases have already started, the consultation procedure referred to in the first and second paragraphs may be delayed until the end of such inspections or investigations and possible related sanctions.

A market practice that was accepted following the consultation procedure shall not be changed without using the same procedure.

Where appropriate, an AMF instruction shall specify the arrangements for implementing the market-practice acceptance procedure.

Article 612-4

The AMF publishes its decision to accept or reject a market practice in the official gazette (Bulletin des Annonces Légales Obligatoires, BALO) and on its website, together with an appropriate description of such practice. It describes specifies the factors taken into account in determining whether the practice is regarded as acceptable, in particular where different conclusions have been reached regarding the acceptability of the same practice on comparable markets of other Member States of the European Community.

The Committee of European Securities Regulators shall be informed as quickly as possible of the AMF's decision.

TITLE II - INSIDER DEALING

CHAPTER 1 - INSIDE INFORMATION : DEFINITIONS

Article 621-1

Inside information is any information of a precise nature that has not been made public, relating directly or indirectly to one or more issuers of financial instruments, or to one of more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of the relevant financial instruments or on the prices of related financial instruments.

Information is deemed to be precise if it indicates a set of circumstances or event that has occurred or is likely to occur and a conclusion may be drawn as to the possible effect of such set of circumstances or event on the prices of financial instruments or related financial instruments.

Information which, if it were made public, would be likely to have a significant effect on the prices of financial instruments or related derivative financial instruments is information that a reasonable investor would be likely to use as part of the basis of his investment decisions.

Article 621-2

For commodity derivatives, inside information shall mean precise information that has not been made public, that concerns, directly or indirectly, one or more such derivatives, and that users of markets on which the derivatives are traded would expect to receive, in accordance with accepted practices in such markets, where such information :

1° is routinely made available to their users ; or

2° is made public, pursuant to law, market rules or regulations, contracts or customary practice on the market in the underlying commodity or on the market in the relevant commodity derivative.

Article 621-3

For persons charged with the execution of orders concerning financial instruments, inside information shall also mean information conveyed by a client and related to the client's pending orders, which is of a precise nature, which relates directly or indirectly to one or more issuers of financial instruments or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.

CHAPTER 2 - ABSTENTION REQUIREMENTS

Article 622-1

Persons mentioned in Article 622-2 shall refrain from using inside information they possess by acquiring or disposing of, or by trying to acquire or dispose of, for their own account or for the account of a third party, either directly or indirectly, financial instruments to which that information relates.

Such persons shall also refrain from :

1° disclosing such information to another person otherwise than in the normal course of his employment, profession or duties, or for a purpose other than that for which the information was disclosed to them ;

2° advising another person to buy or sell, or to have bought or sold by another person, on the basis of inside information, the financial instruments to which such information pertains or related financial instruments.

The abstention requirements set forth in this article do not apply to transactions effected in discharge of an obligation that has become due to acquire or sell financial instruments, where such obligation stems from an agreement entered into before the person concerned held inside information.

Article 622-2

The abstention requirements provided for in Article 622-1 apply to any person holding inside information by virtue of :

1° his membership of the administrative, management or supervisory bodies of the issuer ;

2° his holding in the issuer's capital ;

3° his access to such information through the exercise of his employment, profession or duties, as well as his participation in the preparation or execution of a corporate finance transaction ;

4° his activities that may be characterised as crimes or offences.

These abstention requirements apply also to any person who holds inside information and who knows, or should know, that is inside information.

Where the person referred to herein is a legal person, these abstention requirements shall also apply to natural persons taking part in the decision to effect the transaction on behalf of said legal person.

TITLE III - MARKET MANIPULATION

CHAPTER 1 - PRICE MANIPULATION

Section 1 - Abstention requirements

Article 631-1

All persons must refrain from manipulating prices.

Price manipulation consists of :

1° transactions or orders to trade that :

a) give or are likely to give false or misleading signals as to the supply of, demand for, or price of financial instruments, or ;

b) secure, by a person, or persons acting in collaboration, the price of one or several financial instruments at an abnormal or artificial level,

unless the person who entered into the transactions or issued the orders establishes that the reason for effecting such transactions or issuing such orders are legitimate and conform to accepted market practices on the regulated market concerned ;

2° transactions or orders to trade that employ fictitious devices, or any other form of deception or contrivance ;

The following, in particular, shall constitute price manipulations :

a) conduct by a person, or persons acting in collaboration, to secure a dominant position in the market for a financial instrument, which has the effect of fixing, directly or indirectly, purchase or sale prices or creating other unfair trading conditions,

b) the issuing, when the market opens or closes or, if such is the case, when a periodic auction is held, of orders to buy or sell financial instruments with the intention of hindering price formation on such market or of misleading investors acting on the basis of the prices concerned.

Article 631-2

The AMF considers the following factors, which shall not constitute an exhaustive list or be deemed in themselves to constitute price manipulation, when assessing the practices referred to in the point 1° of Article 631-1 :

1° the proportionate share of daily trading volume represented by orders given or transactions undertaken in the financial instrument concerned, especially where such trading results in a significant change in the price of this instrument or the underlying instrument ;

2° the extent to which orders issued or trades undertaken by persons with significant short or long positions in a financial instrument lead to a significant change in the price of this instrument or corresponding underlying instrument or derivative admitted to trading on a regulated market ;

3° transactions that do not result in a change of beneficial ownership of a financial instrument admitted to trading on a regulated market ;

4° position reversals in a short period resulting from orders given or trades undertaken on the regulated market in the financial instrument concerned, together with any significant changes in prices of a financial instrument admitted to trading on a regulated market ;

5° the extent to which orders given or transactions undertaken are concentrated within a short time span in the trading session and lead to a price change that is subsequently reversed ;

6° the impact of orders given on the best bid or offer prices in the financial instrument, or more generally on the representation of the order book available to market participants, that are removed before they are executed ;

7° price changes resulting from orders given or transactions undertaken at or around a specific time when reference prices, settlement prices and valuations are calculated.

Article 631-3

The AMF considers the following factors, which shall not constitute an exhaustive list or be deemed in themselves to constitute price manipulation, when assessing the practices referred to in point 2° of Article 631-1 :

1° whether orders given or transactions undertaken by persons are preceded or followed by dissemination of false or misleading information by the same persons or persons linked to them ;

2° whether orders are given or transactions are undertaken by persons before or after the same persons or persons linked to them produce or disseminate research or investment recommendations that are erroneous or biased or demonstrably influenced by material interest.

Article 631-4

Any person that has transmitted orders to the market must be able to explain publicly, if the AMF so requests during an investigation or inspection, the reasons for and characteristics of such transmission.

Section 2 - Exemptions

SUB-SECTION 1 - TRADING BY ISSUERS IN THEIR OWN SECURITIES

Article 631-5

Section 1 of this chapter does not apply to transactions undertaken by an issuer in its own securities in connection with buy-back programmes, provided that such transactions :

1° comply with European Commission Regulation 2273/2003 of 22 December 2003 ;

2° conform to an accepted market practice and comply with the conditions set forth in the aforementioned Regulation 2273/2003, except for those provisions to be disapplied because of the decision to accept such practice, referred in Article 612-4.

The securities acquired under point 1° shall be allocated immediately on the basis of their objective and may not be reallocated to objectives other than those provided for in the aforementioned Regulation.

Article 631-6

Pursuant to Article 6 of European Commission Regulation 2273/2003 of 22 December 2003, an issuer shall refrain from trading in its own securities :

1° during the period between the date at which the company is cognisant of inside information and the date at which such information is made public ;

2° during the fifteen-day period prior to the dates of publication of its annual consolidated financial statements or, failing this, its annual individual financial statements, as well as its interim financial statements (half-yearly and quarterly if any).

These provisions can be disapplied if an accepted market practice is implemented, provided this is permissible in light of the decision to accept that practice, referred to in Article 612-4.

SUB-SECTION 2 - STABILISATION OF A FINANCIAL INSTRUMENT

Article 631-7

Section 1 of this chapter does not apply to transactions undertaken by investment service providers for the purpose of stabilising a financial instrument, as defined in indent 7 of Article 2.7 of European Commission Regulation 2273/2003 of 22 December 2003, on condition that such transactions comply with the provisions of the aforementioned Regulation.

Article 631-8

The issuer or offeror, as the case may be, or the entity undertaking the stabilisation, whether or not it is acting on behalf of these persons, must publicly disclose the information referred to in Article 9.1 of European Commission Regulation 2273/2003 of 22 December 2003 before the opening of the offer period of the financial instruments, through a news release to be disseminated effectively and fully and posted on the AMF website and on the website, if any, of the issuer.

This requirement will be deemed to have been fulfilled if this information is included in the prospectus submitted to the AMF for review.

Article 631-9

The issuer or offeror, as the case may be, or the entity undertaking the stabilisation, whether or not it is acting on behalf of these persons, shall provide the AMF with details of all stabilisation transactions, as provided for in an AMF instruction, no later than the seventh trading day after the execution date.

Article 631-10

The information referred to in Article 9.3 of European Commission Regulation 2273/2003 of 22 December 2003 concerning the existence of and arrangements for stabilisation must be made public within one week of the end of the stabilisation period, through a news release that will be posted on the AMF website and on the website, if any, of the issuer.

The exercise of the greenshoe option referred to in Article 11 of the aforementioned Regulation 2273/2003 must be made public under the same conditions as in the first paragraph.

CHAPTER 2 - BREACHES IN RELATION TO THE DISSEMINATION OF INFORMATION

Single section - Dissemination of false information

Article 632-1

All persons must refrain from disclosing or knowingly disseminating information, regardless of the medium, that gives or may give false, imprecise or misleading signals as to publicly issued financial instruments, within the meaning of Article L. 411-1 of the Financial and Monetary Code, including the spreading of rumours and false or misleading information, where the persons making the dissemination knew or ought to have known that the information was false or misleading.

In particular, dissemination of false information shall include voicing, by whatever medium, an opinion about a financial instrument, or indirectly about its issuer, while having previously taken positions in this financial instrument and profiting subsequently from the resulting situation without having simultaneously disclosed that conflict of interest to the public in a proper and effective way.

Non-compliance with the prohibition referred to in the first paragraph by journalists acting in a professional capacity is to be assessed taking into account the rules governing their profession. However, such non-compliance may in itself constitute a breach if the interested parties derive, directly or indirectly, an advantage or profits from the dissemination of such information.

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