



Annual Report





IMPORTANT NOTE

This annual report covers 2020 and the first months of 2021.

It was prepared by departments at the AMF and the draft version was completed on 31 March 2021

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Letter to the President of the Republic

For the AMF, 2020 was a year of considerable stress, as it was for all French people. The health crisis had a profound impact on the economy and, by extension, on the financial markets. The AMF's teams were called upon to respond urgently to a number of unprecedented situations that involved intense international collaboration and resulted in the AMF using some of its powers for the first time. This related to short selling, with a ban on new net short positions from 17 March to 18 May on all equities under its jurisdiction, and to collective investment management, with the suspension of subscriptions and redemptions imposed on some H2O funds at the end of August.

The unprecedented situations, which in some cases were crisis situations, highlighted the need to thoroughly review a number of issues to enable financial markets to contribute fully to the sound financing of our economy. I have identified five main ones. Our experience since March 2020 must lead us more particularly to:

- provide more support for developing individual shareholding;
- ensure that market mechanisms are functioning better within a transparent framework and with appropriate governance;
- structure the development potential of sustainable finance more effectively;
- adapt the regulatory and supervisory framework of asset management to control the related risks more effectively;
- develop the financial sovereignty of the European Union after the withdrawal of the United Kingdom, while consolidating France's position in this process.

Many countries experienced growth in the number of individual shareholders in 2020. In France, the privatisation of La Française des Jeux at the end of 2019 was a major milestone in the return of retail investors to the stock market, but 2020 saw an influx of new, younger and more active investors. We recorded around 60 million stock market transactions by individuals in 2020, compared with 25 million in previous years.

The AMF now publishes a quarterly dashboard of retail investors active on the stock market.

We are delighted with this trend, which not only creates a more direct link between the public and the development of our companies, but also harnesses our resources to help build their equity capital.

However, it is important that this development should be driven by a longer-term view, should not result in excessive risk-taking and should contribute to the orderly operation of the market. This is why we must know how to reject highly leveraged instruments and not give in to the "zero commission" magic spell, which is an illusion. The quality of advice given to clients when providing this type of service must also be improved. The AMF illustrated the progress that still needs to be made when it recently published a summary of its short SPOT inspections on the suitability of recommended financial instruments for a client's specific situation, namely the client's knowledge, assessment of the client's financial situation and ability to bear losses, and the client's investment objectives and risk appetite.

Confidence in the proper functioning of market mechanisms also needs to be strengthened. The question of how to regulate the free interplay of supply and demand on the financial market has now become a particularly sensitive issue.

Some have questioned the extent of the restrictions on market operations, such as the ban on friendly bids for legitimate sovereignty reasons, the temptation to make hostile bids impossible or to limit the ability of activist funds to act, and the restrictions on short selling and dividend distributions. One of the AMF's top priorities is to defend market integrity. This is reflected in the emphasis placed on transparency, which helps prevent market abuse, and on developing shareholder dialogue, which can help avoid unnecessary conflicts. The AMF has made proposals along these lines and has adapted its policy to strengthen the hand of issuers under public attack.

The restrictions imposed due to the health crisis prompted most companies to hold their 2020 annual general meetings in camera. This in turn required improvements to the ways in which shareholders can participate remotely at these times when exercising their rights is crucial. While the ability to follow the progress of general meetings remotely and in real time now seems to be well entrenched, the same cannot be said of the ability to participate actively in real time. In particular, the ability of shareholders to exercise their right to vote remotely is both essential and complex from an operational perspective, as it must be carried out within a secure environment. This suggests a need to review the issue of the record date (the date on which a snapshot of the shareholder base and

associated voting rights is taken), which should be as close as possible to the annual general meeting but far enough away to ensure the process is managed operationally in a secure way. We believe that significant progress can be made in this area for the annual general meetings to be held in 2022.

The goal of a more sustainable financial sector in France, Europe and the rest of the world took a significant step forward in 2020. The AMF's contribution to this development, which is detailed in this annual report, was particularly important. We drew up the initial elements of a policy on the marketing of collective investment products incorporating non-financial approaches to cut short the trend towards greenwashing in financial products; we contributed to European discussions, in particular with proposals for a framework for providers of non-financial ratings and data; we laid the groundwork for AMF certification of knowledge about sustainable finance; we analysed the reporting of the ten French financial players implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), drew up a first report on the monitoring and evaluation of the climate commitments made by French financial institutions with the Autorité de Contrôle Prudentiel et de Résolution (ACPR), and published our third report on non-financial approaches in collective investment schemes. While Europe is moving quickly to support and manage these developments, the demand for global standards that could serve as common benchmarks for information disclosed by issuers has accelerated. The IFRS Foundation's proposal to establish such a common benchmark has attracted broad support, and it is not impossible that the United

States will sign up to it, contrary to the position it adopted for the accounting standards established by the International Accounting Standards Board (IASB). This genuine attraction to global standards should not, however, delay or dampen European ambitions.

The asset management sector is particularly well developed in France and boasts global players. The sector experienced a very mixed year in 2020, particularly for open-ended funds, with the emergence of liquidity and/or valuation risks. With regard to French funds under the direct responsibility of the AMF, we had to pay particular attention to the large withdrawals from money market funds in March and to difficulties in the valuation of certain unlisted assets, which led to the suspension of some employee savings funds and, most notably, to the suspension of some H2O funds. The suspension of the H2O funds resulted, for the first time, in a fund split with a re-opened part made up of liquid assets whose valuation does not pose a problem and another part ring-fencing illiquid assets with uncertain valuations that is placed into court-ordered administration (a side pocket). This implementation proved the relevance of the improved mechanism included in the PACTE Law. Outside France, while there was also significant pressure on money market funds, this pressure also affected corporate bond funds and real estate funds.

The pressures sparked intense discussion at both the European and international levels (Financial Stability Board and International Organization of Securities Commissions) on the adequacy of regulatory frameworks – do they ensure the openness of funds in times of crisis? – and the possible use of macro-prudential tools to limit pro-cyclical behaviour. The AMF is playing an active role in these discussions, which are essential to financing our economies without jeopardising financial stability. This is all the more necessary at a time when the development of funds investing in unlisted assets appears to be one of the keys to recovery. However, it must be recognised that there are significant differences in analysis in this area among authorities and that the right balance will be difficult to achieve. Unfortunately, the European Union has not yet truly finalised its policy for developing an autonomous financial industry capable of covering the financing needs of its economies and ensuring effective intermediation between providers and seekers of capital. With the UK deciding to leave the European Union almost five years ago, the Capital Markets Union

is still largely a project with a patchwork of national approaches that either fragment the area or establish unhealthy competition where there is full freedom to provide services. A great deal of progress has been made towards ensuring that most financial transactions are carried out within the European Union, as is evident from the relocation of the bulk of European equity trading to the EU. Market infrastructures continue to be strengthened, as demonstrated by the growth of the Euronext group. However, it must be acknowledged that this has not yet helped to improve the competitiveness of the European financial industry. More still needs to be done to establish an efficient European financial market and develop European players with an international dimension in the financial sector.

I cannot close this introduction to our annual report without mentioning the limited resources of the AMF. This situation has been thrown into sharp relief during this health crisis, at a time when international cooperation has increased sharply and a significant effort has been made to strengthen the convergence of European supervision.

Instead of transferring direct supervisory powers to the European Securities and Markets Authority (ESMA), the co-legislators chose to increase its role in ensuring convergence between national supervisors. This objective is of course highly justified, but it is very demanding in terms of human resources. Despite the additional staffing approved in recent years, our resources are still stretched too thinly. Our teams are much smaller than those of our counterparts and we are once again closing our financial statements with a loss, despite the lower expenditure associated with the health crisis. Despite the reorganisation carried out in 2020 and our focus on the digitalisation of processes and improved use of data, this inexorably leads to a reduction in our participation in international groups and limits our ambition to contribute to the French Presidency of the European Union in 2022. Our influence is waning at a time when the stakes are high and the most important decisions are being taken at the European level. I'm therefore calling for a new impetus in this area to ensure that the French regulator has the resources it needs for the EU's largest financial market.

Robert OPHÈLE
Chairman, Autorité des Marchés Financiers

The AMF in profile

THE AMF'S MISSIONS

The Autorité des marchés financiers (AMF) has a remit to ensure:

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

AREAS OF INTERVENTION

The AMF regulates participants and products on French financial markets, including:

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

POWERS AND JURISDICTION

To fulfil its remit, the Autorité des Marchés Financiers:

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

Governance

THE AMF: A COLLEGIAL INSTITUTION WITH AN ENFORCEMENT COMMITTEE AND CONSULTATIVE BODIES

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

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

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

Board in carrying out its regulatory and supervisory functions in matters related to sustainable finance.

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

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

INSTITUTIONAL CHART



AMF Board

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

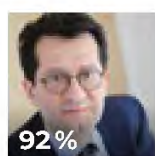
It adopts new regulations, takes individual decisions (compliance of tender offers, authorisation of asset management companies and collective investment schemes, approvals, etc.) and reviews inspection and

investigation reports. As an enforcing body, it can decide to instigate sanction or injunction proceedings. It may also propose the use of the settlement procedure (or transaction arrangement) and approves any resulting agreements obtained in this regard. It signs off the AMF budget and approves its financial statement accounts.

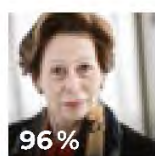
The composition of the Board set by decree of 28 December 2020 is as follows:



ROBERT OPHÈLE
Chairman



JEAN-CLAUDE HASSAN
appointed by the vice-president of the Conseil d'Etat



CLAUDE NOCQUET
Appointed by the chief Justice of the Court of Cassation



ARNAUD OSEREDCZUK*
Appointed by the chief Justice of the Cour des comptes



DENIS BEAU
Appointed by the Governor of the Banque de France



PATRICK DE CAMBOURG
Chairman of the Autorité des normes comptables



PATRICK SUET
Appointed by the President of the Senate



MARIE-CHRISTINE CAFFET
Appointed by the President of the National Assembly



DELPHINE LAUTIER
Appointed by the Conseil économique et social



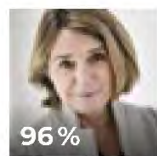
JACQUELINE ELI-NAMER
Appointed by the Minister of Finance



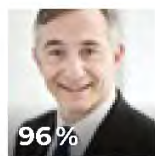
MURIEL FAURE
Appointed by the Minister of Finance



ANNE GOBERT
Appointed by the Minister of Finance



SOPHIE LANGLOIS
Appointed by the Minister of Finance



HELMAN LE PAS DE SÉCHEVAL
Appointed by the Minister of Finance



THIERRY PHILIPPONNAT
Appointed by the Minister of Finance



CHARLES KELLER
Appointed by the Minister of Finance

Attendance rate at meetings of the Board held in 2020 (in %)

The overall average annual attendance rate at Board meetings was 91,6 %.
Number of Board meetings in 2020 : 26

* Jean de Gaulle resigned from his term of office on 7 September 2020 and was replaced by Arnaud Osereczuk on 28 December.

AMF Enforcement Committee












The Enforcement Committee is the judicial body of the Autorité des Marchés Financiers.

It has full autonomy to make decisions. It may impose a penalty on any person whose practices are not compliant with the laws and regulations that fall within the AMF's area of authority and are likely to jeopardise the protection of investors or the orderly

operation of the market. It rules on disputes that are brought before it by the Board of the AMF. It approves agreements for administrative settlement submitted to it by the Board. Finally, it contributes to the AMF's educational purpose by specifying the relevant financial regulations when explaining its decisions and, since the beginning of 2019, by issuing a press release when its decisions are published.

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



1. **Marie-Hélène Tric**, 
Appointed by the Chief Justice of the Court of Cassation, Chairwoman of the Enforcement Committee and its first section,
2. **Jean Gaeremynck**, 
Appointed by the vice-president of the Conseil d'État (French Council of State), Chairman of the second section
3. **Edwige Belliard**, 
Appointed by the vice-president of the Conseil d'État (French Council of State)
4. **Didier Guérin**, 
Appointed by the Chief Justice of the Court of Cassation
5. **Bruno Gizard**, 
Appointed by the Minister for the Economy and Finance
6. **Sophie Schiller**, 
appointed by the Minister for the Economy and Finance
7. **Christophe Lepitre**, 
Appointed by the Minister for the Economy and Finance
8. **Anne Le Lorier**, 
Appointed by the Minister for the Economy and Finance
9. **Sandrine Elbaz-Rouso**, 
Appointed by the Minister for the Economy and Finance
10. **Bernard Field**, 
Appointed by the Minister for the Economy and Finance
11. **Ute Meyenberg**, 
Appointed by the Minister for the Economy and Finance
12. **Lucien Millou**, 
Appointed by the Minister for the Economy and Finance

Attendance rate at meetings of the Enforcement Committee held in 2020 (in %)

Marie-Hélène Tric	100 %
Jean Gaeremynck	100 %
Edwige Belliard	100 %
Didier Guérin	100 %
Bernard Field	71 %
Bruno Gizard	100 %
Christophe Lepitre	80 %
Sophie Schiller	100 %
Lucien Millou	100 %
Anne Le Lorier	100 %
Ute Meyenberg	100 %
Sandrine Elbaz-Rouso	80 %

The overall average annual attendance rate at Board meetings was 96 %. Number of Enforcement Committee in 2020 : 12 (7 for the 1st section, 5 for the 2nd

Consultative commissions

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

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

AN OUTSIDE PERSPECTIVE TO ASSIST THE AMF

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

OPERATING PROCEDURES GOVERNED BY CHARTERS

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

These charters specify:

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



Find out more about
the Consultative
Commissions

Scientific Advisory Board

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

The Scientific Advisory Board has the following remit:

- to provide the AMF with information on ongoing academic research in the financial field;

- to identify developments that may have an impact on the AMF's areas of activity;
- to undertake research projects related to issues of concern to the regulator.

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

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

YOUNG RESEARCHER AWARD

Each year, the AMF awards a prize to a young researcher working on economic and financial topics of interest to the regulator and related to the AMF's jurisdiction. The recipient is awarded €5,000 and is selected by the AMF Board with input from the Scientific Advisory Board, after candidates have been selected by the Scientific Advisory Board and the AMF's departments. In 2020, the prize was awarded to Pauline Gandré for her work on the role of anticipation in financial crises and the effects of post-crisis reform on derivatives markets.



Find out more
about the 2020
Young Researcher
Award in Economics

Financial Skills Certification Board

The role of the Financial Skills Certification Board is to issue opinions to the AMF on certifying professionals' knowledge, to define the content of the minimum knowledge and to ensure that it is kept up to date. It is also responsible for defining and verifying examination procedures and issuing opinions on certifying examinations for bodies requesting their certification. It is composed of at least seven members, four of whom are appointed by the AMF, and is chaired by a member of the AMF Board.

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

CERTIFICATION FOR PROFESSIONALS

Created in July 2010 and placed under the authority of the Financial Skills and Certification Board, the system for verifying the minimum level of knowledge of employees or future professionals of investment services providers (ISPs) was extended to financial investment advisers (FIAs) in 2017. Between 1 July 2010 and 31 December 2020, nearly 90,000 people passed the professional certification examination with one of the training organisations certified by the AMF.

Following work conducted under the guidance of the HCCP, in October 2019 the AMF reviewed its professional certification policy and created two common question bases for the examination, one in French and the other in English. In 2020, the Board called for the minimum knowledge requirements for the mandatory professional certification system, internal assessment and external examination to be strengthened and for an optional sustainable finance certification module to be introduced in 2021.

The AMF reorganises to respond to changes in its environment

At a time when the financial industry and society are transforming at an accelerated pace, the AMF is reviewing its organisation, working methods and tools.

In 2020, the AMF conducted a study to improve its operating procedures. It also continued to digitalise its processes and completed its review of data use, the reduction of processing times for legal enforcement cases and the organisation of its critical IT functions. This approach resulted in changes to its organisation and working methods. In so doing, the AMF is renewing its commitment to its stakeholders to improve its effectiveness in carrying out its remit and to meet the expectations of its employees.

THE CREATION OF A DATA AND SURVEILLANCE DIRECTORATE TO IMPROVE THE USE OF DATA ACROSS ALL THE AMF'S CORE TASKS

Data is clearly identified as a major challenge in the AMF's Supervision 2022 strategic plan. The coordinated development of the use of data across the AMF's core activities is at the heart of this new organisation because it is essential for analysing risks and making supervision more effective. The new Data and

Surveillance Directorate has been created to support this.

CHANGES IN THE SUPERVISION OF MARKET PARTICIPANTS

One of the ambitions of the AMF's strategic plan is to rethink and strengthen the supervision of market participants. Organisational changes have been made in the following areas:

- The supervision of asset management, which is one of the AMF's priority areas. The distinctive feature of this sector is that there are a very large number of players and products to be regulated. The changes made to the organisation of the Asset Management Directorate and to the working methods of its teams are designed to develop risk-based supervision and strengthen thematic supervision.
- The supervision of intermediaries (market intermediaries and digital asset service providers) and market infrastructures have been brought together under the new Market Intermediaries and Market Infrastructures Supervision Directorate.



17
Place
de la Bourse

A NEW ORGANISATION FOR THE LEGAL ENFORCEMENT TEAMS

Questions around the legal functions and how they are positioned within the AMF is essential. To improve efficiency and clarity, the new structure centralises, within the Legal Affairs Directorate, all interactions with the Board on legal enforcement cases (assistance with decisions, statements of objections, administrative composition, representation of the Board before the Enforcement Committee). The operational teams for investigations and inspections are responsible for providing legal assistance within their respective areas.

CHANGES IN THE WAY THE INVESTIGATION DIRECTORATE OPERATES

The investigations undertaken by the AMF have gradually become more complex, more international and more litigation-intensive. However, keeping turnaround times to a minimum remains a major objective. To achieve this, the Investigation Directorate is adapting the way it operates to reflect the challenges posed by each case. It has set up three teams of investigators, each with specific areas of expertise: quantitative approach, price manipulation, cybersecurity, legal framework, procedures, knowledge management, and financial information and accounting.

BROADENING THE SCOPE OF THE SUPPORT FUNCTIONS TO KEEP PACE WITH THE AMF'S TRANSFORMATION

Like all organisations, the AMF is undergoing a transformation. Its environment, by nature, is changing, and, in response, its remit, systems and operating methods must be adjusted regularly. The Management, IT and Human Resources Directorate has become the Resources, Support and Transformation Directorate to support the AMF's long-term development and provide it with the tools it needs to fulfil its remit.

REPOSITIONING CONTRIBUTION MANAGEMENT WITHIN THE "FINANCE" FUNCTION

The AMF collects contributions from a wide variety of sources. The team responsible for collecting them will be attached to the Administration and Finance Division, which has been responsible for managing the AMF's budget since 1 May 2021. This logical alignment will streamline the management of the AMF's financial resources by managing both expenditure and revenue within the same team. This will make it easier to manage the AMF's budget.

AMF Departments

as of 1st January 2021



CHAIRMAN
Robert Ophèle*



OMBUDSMAN
Marielle Cohen-Branche



GENERAL SECRETARY
Benoît de Juvigny*



REGULATORY POLICY AND INTERNATIONAL AFFAIRS
Natasha Cazenave*



CORPORATE FINANCE & CORPORATE ACCOUNTING
Astrid Milsan*



ASSET MANAGEMENT
Philippe Sourlas*



DATA & MARKETS
Philippe Guillot*



RETAIL INVESTOR RELATIONS AND PROTECTION
Claire Castanet*



LEGAL AFFAIRS
Anne Maréchal*



INVESTIGATION AND INSPECTION
Sophie Baranger*



ENFORCEMENT ASSISTANCE
Maxence Delorme*



RESOURCES, SUPPORT & TRANSFORMATION
François Guillemot*



COMMUNICATIONS
Charlotte Garnier-Peugeot*



CORPORATE ACCOUNTING
Marie Seiller



DATA & SURVEILLANCE
Alexandra Givry



MARKET INTERMEDIARIES, MARKET INFRASTRUCTURES SUPERVISION
Stéphane Pontoizeau



INVESTIGATION
Laurent Combourieu



INSPECTION
Nicolas Patel



INFORMATION TECHNOLOGY
Pascal Artigue,
Interim manager



HUMAN RESOURCES
Anne-Sophie Fior

*Executive Board members

Executive Committee (COMEX)

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

In this respect, it handles proposals that are made to the Board concerning the AMF's general strategy, the annual application of this strategy and the annual supervisory priorities, as well as the AMF's budget. It also deals with the AMF's human resources policy issues (allocation of employees according to the strategic orientations, appointment of senior executives, etc.) and deals with issues related to the proper organisation and smooth functioning of the

Authority, the supervision of its activities and the process for identifying, managing and controlling the main risks.

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

INTERNAL AUDIT

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

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

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

In 2020, Internal Audit conducted assurance and consulting assignments. The resulting conclusions, recommendations and action plans drawn up by the various departments were presented to the Executive and Audit Committees. The main tasks were the monitoring of major IT programmes, the reduction of investigation times and the recruitment process. During the past year, the Internal Audit Department issued 44 recommendations and closed 48 (a recommendation is closed once the action described in the action plan has been implemented). Progress made on these action plans is also reported on a regular basis.

As the health crisis has made the risk environment extremely fluid, Internal Audit has adapted the way it operates to ensure that it can continue to work remotely. The audit plan has been adapted, in agreement with management, to meet new priorities. Internal Audit contributed to strengthening the AMF's business continuity processes by helping the management team to redefine the Business Impact Analysis (BIA) and take stock of the lessons learned from the months spent working remotely.

Management Committee (CODIR)

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

Acting as an intermediary for the Executive Committee, it plays a role of coordination and sharing. For example, it reports on the Board's debates and decisions that are the most defining and crucial for the AMF, topics addressed by the Executive Committee and decisions arising from them, information about the AMF's operations and its IT projects. It also

presents questions relating to the economic environment and changes in financial risks and significant events that could have consequences for regulated market participants and innovation monitoring.



Understanding the AMF staff

AMF SOCIAL DATA

The AMF has **475 employees** (FTEs including fixed-term contracts) from a wide variety of professional backgrounds, who work to fulfil a general interest mission that is both meaningful and highly rewarding. The AMF is bound by an employment authorisation ceiling set each year by the Finance Act. In 2020, this ceiling was 485 FTEs and has been increased to **500** for 2021.

HR DEVELOPMENT

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

The AMF recruited **61 employees** in 2020. Its employee departure (voluntary turnover) rate was **7.75%**. The AMF recruits people with a wide range of experience.

The AMF also hosted **62 trainees** during the year, most of whom were long-term interns (six months). Because of the health crisis, the amount of training organised was lower than in previous years, but the average number of hours per employee was still **25.51 hours**. The AMF maintains a dynamic internal mobility policy. In 2020, **42 employees** moved internally, **27** of whom moved to a new department.

The AMF is also developing a policy of skills training. In 2020, **30 employees** took a diploma or certificate course.

PROFESSIONAL EQUALITY

At the AMF, professional equality is seen as a driver of sustainable performance. Here are a few indicators on gender equality at the AMF:

97/100 gender equality index	54.4% of managers are women
50% of the Executive Committee are women	55.75% of AMF employees are women

475
employees

41,7 years
average age

25,51 hours
Of training per employee

57%
of managers moved internally to their current position

AMF's carbon footprint

In 2020, the AMF carried out a Greenhouse Gas Emissions Audit (BEGES)¹ covering the financial years 2019 and 2020.

The resulting report is available on the AMF website and will be supplemented in 2021 by the publication of an action plan and targets for reducing the AMF's greenhouse gas emissions. The main results of the audit are presented below.

The audit covers the AMF's emissions for Scopes 1, 2 and 3. Therefore, the reporting scope includes the two office buildings occupied by the AMF, the salaried staff and those employed by service providers used by the AMF and working on its premises, and the AMF's two vehicles.

EMISSION SOURCES TAKEN INTO CONSIDERATION FOR THE AMF BEGES

Emissions are estimated from activity data (energy consumption in kWh, kilometres travelled, amounts spent, etc.) and are converted into GHG emissions using emission factors (expressed in CO₂ equivalent per unit of activity data) from the ADEME Carbon Database.

Activity data was collected from the various AMF departments and a questionnaire was sent to employees and service providers working on AMF premises asking them to provide information on their commuting and lunchtime eating habits.

In 2020, the AMF was responsible for 2,347 tonnes CO₂ equivalent (tCO₂e) of emissions, compared with 2,985 tCO₂e in 2019. The 21.4% decrease in emissions is due to the various lockdowns, resulting in a significant drop in emissions related to travel and energy consumption in 2020. Emissions associated with purchasing, however, increased by 10% in 2020.

Purchasing, digital technology and business travel were the most significant sources of emissions in 2019 and 2020.

Purchasing, digital technology and business travel were the most significant sources of emissions in 2019 and 2020.

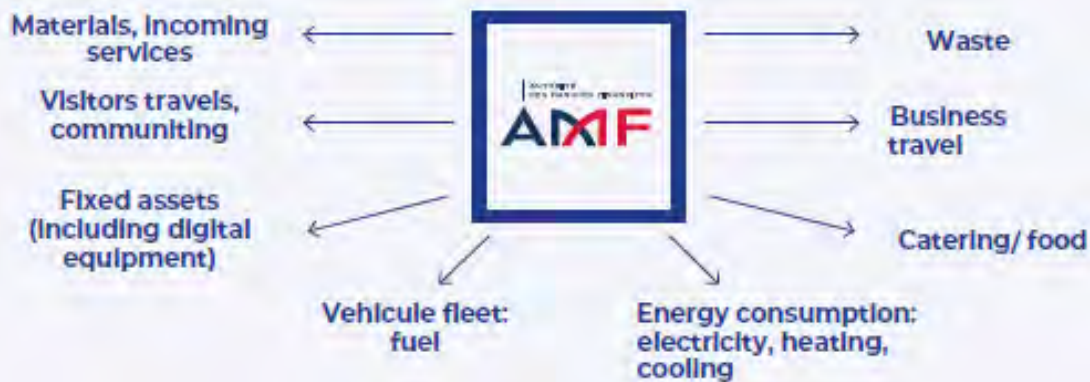
■ GHG emissions related to the purchase of goods and services produced 1,283 tCO₂e in 2020. GHG emissions from this source mainly relate to the

purchase of services: the "multi-technical maintenance of buildings, printing, architecture and engineering" category in which the emissions related to the overhaul of information systems were recorded, followed by the "purchases of furniture and other manufactured goods" for the fitting out of multi-purpose and collaborative spaces in the AMF offices.

- GHG emissions associated with digital technology produced 251 tCO₂e in 2020. The vast majority of these emissions (94%) relate to the manufacture of purchased IT equipment, spread out over the lifespan of the equipment in question. Emissions from usage produced 15 tCO₂e resulting from electricity consumption by external servers (69%) and the sending, receiving and storage (outside the AMF) of reporting data (29%) and emails (2%).
- GHG emissions from business travel produced 25 tCO₂e in 2020, compared with 198 tCO₂e in 2019. Air travel was responsible for almost all of the emissions related to this source.
- Emissions related to energy consumption produced 129 tCO₂e in 2020, compared with 158 tCO₂e in 2019. These emissions are directly related to the electricity, heat (from the district heating network) and cooling (from the district cooling network) consumed by the two AMF buildings.
- Emissions related to travel by AMF visitors produced 206 tCO₂e in 2020, compared with 750 tCO₂e in 2019. These emissions were estimated based on the register of international visitors and assumptions about the breakdown of visitor trips and the distances they travel.
- Emissions related to the lunchtime eating habits of AMF employees and service providers working at AMF offices produced 266 tCO₂e in 2020. They were assessed based on an employee survey. Red meat-based accounted for 61% of these GHG emissions, even though only 19% of the meals eaten contained red meat.

¹ The overall uncertainty of the results is 24%. This uncertainty is mainly due to the uncertainty inherent in the emission factors provided in the ADEME Carbon database; it cannot be reduced. The uncertainty relating to data collection is less, around 5% for most emission sources. Details of the uncertainties by emission factor and by category of data collected are available on the AMF website.

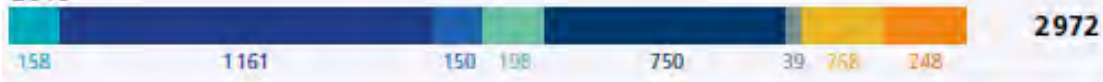
Emission sources taken into consideration for the AMF BEGES



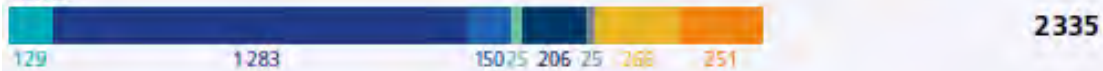
Change in AMF's CO₂ emissions

between 2019 and 2020

2019



2020



	2019 DISTANCES (THOUSANDS OF KM)	2020 DISTANCES (THOUSANDS OF KM)
Plane	1207	142
Train	191	63
Car, taxi, mnl-cab	21	5

2 300 tCO₂e
emitted in 2020

4,76 tCO₂e
emitted per
employee in 2020

95%
Percentage of indirect GHG
emissions in total AMF emissions

The AMF's relationship with Parliament

The AMF maintains regular contact with the Assemblée Nationale and the Sénat, in particular with the parliamentarians on the Finance Committees. Two members of the AMF Board are appointed by the Speakers of the Assemblée Nationale and the Sénat respectively.

The AMF responds regularly to requests from parliamentarians to share its expertise and vision on financial regulation. It presents to Parliament the challenges facing it and its strategy for addressing them (for example, its objectives in terms of retail investor protection, sustainable finance and digital finance). The AMF reports annually on its activities, indicators and budget in its Annual Report and in its Yellow Budget Paper appended to the Finance Bill.

Its very close ties with Parliament were apparent in 2020. The AMF took part in around ten hearings and answered questions, some of which were technical, in the form of preparatory questionnaires. It also responded to specific questions from some parliamentarians.

With regard to Parliament's legislative work, the bills debated during the year required the AMF's expertise in important areas such as adapting to European Union law on economic and financial matters (measures transposing European legislation, in particular on the cross-border distribution of collective investment undertakings) and accelerating and simplifying public policy (simplifying controls on the holding of retirement savings products). The AMF was also able to provide input during the review of the 2021 Finance Bill, both on the AMF's income and employment ceilings and on the reform of contributions payable to the AMF by investment services providers, token issuers and digital asset service providers.

In 2020, the AMF was heard on several occasions, in particular in relation to fact-finding missions and working groups on a variety of subjects, including green finance and the attractiveness of the Paris financial market, the European regulation on market infrastructures, corporate and social responsibility

(CSR), and the financing of the defence industrial and technological base (DITB). The AMF was also heard in relation to the joint working groups of the Economic Affairs and Sustainable Development Committees set up by the Assemblée Nationale and the Sénat on the Suez-Véolia merger. The AMF also responded to a comprehensive questionnaire from the Senate Finance Committee on investor protection.

With regard to the general task of assessing the law vested in Parliament, the AMF took part, along with the Autorité de Contrôle Prudentiel et de Résolution (ACPR), in work to assess the PACTE Law and more specifically to prepare a report assessing the implementation of this Law's new provisions relating to token issuers and digital asset service providers and determine whether these provisions should be amended in light of the progress of European discussions, the recommendations of the Financial Action Task Force (FATF) and the international growth in the digital asset market.

The preparation of hearings and responses to Parliament involves the AMF's teams on a regular basis, reflecting the wide variety of subjects addressed and the sometimes short deadlines involved to meet the constraints of the legislative agenda.

Lastly, as it does every year, the AMF presented its Annual Report to the Finance Committees of the Assemblée Nationale and the Sénat. This presentation was expanded considerably to include the impact of the COVID-19 crisis on the financial markets. The AMF has closely monitored the emergency health bills and amending finance bills passed by Parliament since the crisis began and, at the request of the Ministry for the Economy and Finance, has helped to draft some of the resulting executive orders, in particular on the holding by listed companies of general shareholders' meetings.

The AMF – A European regulator with international reach

Most of the regulatory framework is now being set at the European level. Other key measures are being negotiated within international bodies, particularly in the area/field of financial stability, and then transposed at the European level. European and international efforts have therefore been at the heart of the AMF's strategy for many years. The AMF prioritises its activities at the European level, in particular within the framework of the European Securities and Markets Authority (ESMA), and plays a leading role within international bodies, in particular the Financial Stability Board (FSB) and the International Organization of Securities Commissions (IOSCO), whose importance has increased significantly since the start of the COVID-19 crisis.

With a long-standing commitment to a harmonised body of common supervisory rules and practices for the EU, the AMF seeks to ensure that the voice of a disciplined and constructive European regulator is heard. On a daily basis, the AMF contributes to ESMA's work through its participation in the European Authority's many working groups and committees. It is also actively involved in ESMA's efforts to strengthen supervisory convergence in Europe, by participating, for example, in peer review groups or in dedicated fora such as ESMA's Enforcement Network. The AMF Chairman chairs the Standing Committee on Secondary Markets and the Commodity Derivatives Task Force, and the Secretary General chairs the Standing Committee on Corporate Finance. The AMF Chairman also currently sits on ESMA's Management Board and chaired the committees on clearing houses on an interim basis, from December 2019 to June 2020. Lastly, the AMF Chairman sits on the General Board of the European Systemic Risk Board.

The international level is also essential to ensure convergence in the development of norms and standards, the implementation of reforms and cooperation with its counterparts in the different regions of the world. The AMF is a member of IOSCO and the Financial Stability Board (FSB). The AMF Chairman is an appointed member of the IOSCO Board.² The AMF co-chairs the Financial Stability Engagement Group (FSEG) launched in October 2019

alongside the Chairman of the US Commodity Futures Trading Commission. It also served as vice-chair of the Standing Committee on Asset Management before taking over as chair from October 2020. It is also a member of the steering group of the Sustainable Finance Network created by IOSCO at the end of 2018 and of the IOSCO Sustainable Finance Task Force launched in April 2020, which marks a deepening of the Organisation's involvement in this key area. As a member of the FSB alongside the Directorate General of the Treasury and the Banque de France, the AMF has significantly increased its involvement in this work to analyse the impact of the COVID-19 crisis, study the March-April 2020 shock and examine the resilience of the asset management sector in particular. The AMF sits in plenary session of the Steering Committee on Non-Bank Financial Institutions and the committee responsible for verifying the implementation of the principles (SCSI). It also participates in the Vulnerability Assessment Committee (SCAV) and the committee on Supervisory and Regulatory Cooperation (SRC) as part of IOSCO's involvement in financial stability (FSEG). Lastly, the AMF plays a key role in the work of the Institut Francophone de la Régulation Financière (IFREFI), which it established more than fifteen years ago to bring together French-speaking regulators from nearly thirty countries.

The AMF also regularly signs bilateral cooperation agreements with its counterparts abroad. In 2020, the Multilateral Memorandum of Understanding (MMoU), to which the AMF is a signatory, was published between each of the European Economic Area (EEA) regulatory authorities and the UK FCA for the purposes of supervisory cooperation, monitoring and information exchange.

More than **80**
members of staff involved
in European or
international groups

13
Chairs or co-chairs of
international groups in
2020, including four
standing committees or
equivalent

² Permanent membership, as France is one of the jurisdictions with an ex officio presence on the IOSCO

Board due to the size of its financial market as measured by a set of indicators.

#SUPERVISION2022

Progress on the AMF's strategy In 2020

To implement the #Supervision2022 strategy, the AMF publishes both its priorities for action and its supervisory priorities each year. For 2020, the AMF has set itself five priority areas for action: attractiveness of financial markets, asset management regulation, preparation for the post-Brexit era, sustainable finance and digital finance. To these, the AMF added the pursuit of its internal transformation objectives. Despite the exceptional circumstances, the AMF was able to deliver on most of its 2020 priorities, while adapting its activities to focus on responses to the crisis.

THE ATTRACTIVENESS OF FINANCIAL MARKETS: CORPORATE FINANCING AND GREATER MOBILISATION OF SAVINGS

Just as it was essential to keep financial markets open and functioning properly during the crisis, the AMF is giving priority to making this financing channel attractive to companies and investors alike. This priority is particularly important now because companies need equity capital to finance a sustainable recovery.

In light of this, the AMF supported the targeted changes to the prospectus regime proposed by the European Commission in summer 2020 to simplify new equity and debt issuances. The AMF also made proposals as part of the MiFID II review to revive investment research into small and mid caps. Work has also been undertaken with ESMA to identify ways of streamlining the regulatory framework for listed SMEs.

Turning to retail investors, the AMF noted a marked upturn in interest in equity investments following the spring 2020 price drop. According to transaction reporting data from French financial institutions, more than 150,000 new investors bought SBF 120 shares in March 2020. Providing these new investors with some key insights was one of the challenges of the

educational initiatives undertaken in 2020. Prominent examples of this were the 40 webinars organised in the autumn with the ACPR during the *Rendez-vous de l'Épargne* and the AMF's first MOOC, which was set up in conjunction with the Institut National de la Consommation (French National Institute for Consumer Affairs) (see page xxx).

#SUPERVISION2022: THE AMF'S STRATEGY

Finalised at the beginning of 2018, the #Supervision2022 strategic vision sets out how the AMF intends to fulfil its remit until the end of 2022, structured around four main guidelines:

- The establishment of an integrated and competitive Capital Markets Union in Europe.
- A renewed approach to supervision, more reactive and focused on the most challenging issues, using all available data.
- Supporting market participants and a commitment to innovation and the attractiveness of the markets and the French financial centre.
- A modernised, more open and agile regulator.



Download
#Supervision2022

ASSET MANAGEMENT RESILIENCE

The turmoil of spring 2020 was a real stress test that the asset management industry as a whole managed to withstand. With the support of the AMF, asset managers were able to mobilise the liquidity management tools offered by the domestic regulatory framework, including the side pocket mechanism introduced by the 2019 PACTE Law. As it committed to do in its 2020 priorities, the AMF actively contributed to European and international work on financial stability issues in the industry, drawing on the close monitoring of asset managers and funds that it set up during the crisis.

The AMF also worked on strengthening its anti-money laundering and combating the financing of terrorism (AML/CFT) measures, which also contribute to the resilience of the industry. The AMF updated its guidelines in accordance with the fifth European AML/CFT Directive and strengthened its monitoring and control policy in partnership with TRACFIN (see page xxx).

SUSTAINABLE FINANCE: ENSURING THE CREDIBILITY OF THE GREENING OF THE FINANCIAL SECTOR

The transformation of the financial sector towards sustainable development remains a central issue for the AMF, which has made it a priority every year since the publication of its #Supervision2022 plan and sustainable finance roadmap in 2018. The health crisis did not stem the rise of sustainable finance products and services or the far-reaching changes in financial regulation. The AMF played a key role in these developments in 2020, defining a policy to ensure that investors are properly informed about ESG funds, monitoring the climate commitments made by asset management companies, contributing to European work on non-financial disclosures of financial institutions and corporates, and proposing a framework for rating agencies and ESG data providers (see page 72).



[Download
2020 AMF Priorities](#)

THE AMF, FROM DIGITAL TRANSFORMATION TO TRANSFORMATION PURE AND SIMPLE

The projects initiated several years ago and those launched in 2020 have boosted the AMF's digital transformation. With the various lockdowns, the digitalisation of practices has intensified and has provided each employee with an optimised remote working environment and conditions.

The computerisation of all 236 validation processes has now been completed, with the departments using the available applications to create, distribute, validate and sign their documents without using paper.

Support for employees through the digital transformation was strengthened with the continuation and development of the Digital Pass programme: 70 new e-learning modules were designed and deployed and 54 workshops were organised to train nearly 200 employees in the thinking behind and the implementation of the change at the AMF.

The network of "digital champions" has cemented its essential role in providing support on the ground for the digital transformation challenges faced by the AMF's directorates. In 2020, dozens of projects were facilitated by the 16 digital champions and their intermediaries, such as helping to deploy tools, testing new applications and implementing new practices (organising workshops, retrospective meetings, leading remote meetings, etc.).

Alongside this digital transformation, discussions on a more comprehensive transformation emerged, and the AMF implemented a major reorganisation project to improve its efficiency, optimise its processes and review its operating procedures. New needs in terms of team support were identified as a result, and the team responsible for digital transformation was transformed into the Organisation, Consultancy, Transformation and Support team (OCTA). Its goal is to provide a range of services covering all aspects of the transformation (digital transformation, transformation of organisations and processes, and managerial and cultural transformation). At the end of 2020, OCTA began several optimisation initiatives with the Asset Management Directorate and the legal enforcement teams, which will continue and expand in 2021.

Highlights

JANUARY

8 JANUARY

The AMF unveils its 2020 priorities

27 JANUARY

The AMF publishes its action plan to promote investment research

FEBRUARY

10 FEBRUARY

Squeeze-out and fairness opinion: the AMF amends its regulations

28 FEBRUARY

COVID-19: The AMF reminds listed companies of certain disclosure rules

MARCH

5 MARCH

The AMF publishes an in-depth legal analysis on the application of financial regulation to security tokens

6 MARCH

COVID-19: The AMF reminds listed companies of the conditions under which they can hold their AGMs remotely. Throughout the year, the AMF provides guidance to issuers on financial communication and holding AGMs

11 MARCH

The AMF publishes an initial policy on investor information for funds incorporating non-financial criteria

17 MARCH

COVID-19: The AMF restricts net short positions. This measure ends on 18 May

19 MARCH

COVID-19: The AMF sets out its expectations for the continuity of market activities during the crisis. Throughout this period, it supports financial firms in running their businesses

26 MARCH

COVID-19: The AMF and the ACPR urge investors to be alert to the increased risk of scams

27 MARCH

Summary of SPOT inspections on real estate services

APRIL

7 APRIL

The AMF responds to the EC consultation on the establishment of a European framework for crypto-assets

24 APRIL

Summary of SPOT inspections on AIFM reporting

27 APRIL

COVID-19: the AMF publishes a study on the behaviour of retail investors on the stock market in the wake of the health crisis

28 APRIL

The AMF proposes several targeted measures on shareholder activism

30 APRIL

Summary of SPOT inspections on MiFID II discretionary management

MAY

7 MAY

The AMF updates its policy on side pockets

20 MAY

The AMF takes an initial look at the transparency introduced by MiFID II in the bond market

AGM: Annual General Meetings

EC: European Commission

MiFID: Markets in Financial Instruments Directive

CMU: Capital Markets Union

UCITS: Undertaking for Collective Investment in Transferable Securities

ACPR: French Prudential Supervisory and Resolution Authority

MOOC: Massive Open Online Course

INC: French National Institute for Consumer Affairs

DASP: Digital Asset Service Provider

JUNE

10 JUNE

Market transparency, financial analysis and investor protection: AMF proposals for safer, more efficient and competitive markets

11 JUNE

AMF study on the opportunities and risks of the financial index market

12 JUNE

The AMF responds to the EC consultation on the review of the non-financial directive

30 JUNE

The AMF responds to the call for contributions from the High-Level Forum mandated by the EC to prepare the new CMU action plan

JULY

7 JULY

The AMF sets out its guidelines for digital finance in Europe

16 JULY

The AMF publishes a guide to asset freezing

21 JULY

Summary of SPOT inspections on recording telephone conversations and electronic communications and on retaining those recordings

24 JULY

EC publishes package of legislative proposals to boost economic recovery

AUGUST

28 AUGUST

The AMF calls for the suspension of subscriptions and redemptions of French-domiciled funds managed by UK-based H2O Asset Management LLP

SEPTEMBER

10 SEPTEMBER

Rendez-Vous de l'Épargne: a series of conferences organised throughout France by the AMF and the ACPR

16 SEPTEMBER

The AMF signs a cooperation protocol with the French Anti-Corruption Agency

17 SEPTEMBER

The AMF launches its first MOOC in partnership with the INC

22 SEPTEMBER

Digital assets: the AMF describes its requirements for DASP registration or approval

24 SEPTEMBER

[EC publishes a new action plan for the CMU and its strategy on digital finance, accompanied by three legislative proposals in this area](#)

29 SEPTEMBER

Summary of SPOT inspections on the valuation of complex financial instruments

OCTOBER

9 OCTOBER

The AMF responds to the EC public consultation on the future European green bond standard

12 OCTOBER

Fintech Forum organised by the AMF and the ACPR

29 OCTOBER

Initial report by the AMF and the ACPR on the monitoring and assessment of French financial market participants' coal policies

NOVEMBER

24 NOVEMBER

2020 AGM season, executive compensation: the AMF publishes its annual report on corporate governance

25 NOVEMBER

The AMF awards its Young Researcher Award in Economics to Pauline Gandré

26 NOVEMBER

Summary of SPOT inspections on outsourcing internal controls

DECEMBER

1 DECEMBER

The AMF reviews its organisation to improve the effectiveness of its work

14 DECEMBER

The AMF publishes its report on non-financial approaches in collective investment schemes

15 DECEMBER

The AMF and Dutch AFM call for a European framework for the provision of non-financial ratings, data and services

18 DECEMBER

The AMF publishes a study on the implementation of the recommendations of the Taskforce on Climate-related Financial Disclosures by a sample of financial institutions

18 DECEMBER

Final report by the AMF and the ACPR on the monitoring and assessment of the climate commitments of financial institutions of the Paris financial centre

31 DECEMBER

[Brexit: The United Kingdom leaves the European Union](#)

1



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2020 AMF'S ACTION



- 30 THE HEALTH CRISIS BECOMES A FINANCIAL CRISIS: THE AMF'S RESPONSE IN ITS AREAS OF RESPONSIBILITY
- 72 SUSTAINABLE FINANCE
- 75 INNOVATION
- 77 EUROPE
- 80 MARKET SUPERVISION, INSPECTIONS AND INVESTIGATIONS
- 92 SETTLEMENTS, SANCTIONS, AND APPEALS

The health crisis becomes a financial crisis: the AMF's response in its areas of responsibility

IMPACT ON MARKET OPERATIONS AND INFRASTRUCTURES

The health crisis and subsequent lockdown measures had a significant impact on the operational functioning of market infrastructures and financial institutions. More generally, the health crisis resulted in very high volatility and transaction volumes on the financial markets. In March 2020, for example, trading volumes increased by a factor of 2.5 on the equity markets according to Euronext Paris. To cope with the extreme volatility and the market free fall, circuit breaker mechanisms were triggered more than 3,000 times on Euronext during the 16 March 2020 trading session.

Taking the view that the exceptional circumstances posed a serious threat to market confidence, the AMF decided to place a temporary ban, from 18 March to 18 May 2020, on any creation of a net short position and any increase in an existing net short position to avoid a pro-cyclical impact in a severely deteriorated market environment.

On a like-for-like basis, net short positions therefore fell from 1.03% of market capitalisation on 16 March (before the ban) to 0.54% on 31 March 2020. Despite this unprecedented situation, characterised in particular by widespread working from home, the

infrastructures held up well and enabled the market to operate under satisfactory conditions.

KEEPING THE MARKETS RUNNING SMOOTHLY

The AMF took a number of measures to ensure that infrastructures and markets continued to run smoothly and to provide financial firms with the best possible support during the unprecedented health crisis. Some of these measures, which were submitted to ESMA, were adopted at the European level to ensure the necessary harmonisation between the various markets.

REMINDER OF MANDATORY LEGAL OBLIGATIONS

Firstly in terms of communication, the AMF reminded market participants of the obligations to which they were still subject despite the measures taken at national level to impose lockdown and remote working. While noting that there is no provision prohibiting market professionals from working remotely, the AMF urged them to be vigilant about specific aspects of this situation. These included the possibility of conflicts of interest (with other people at home) and the potential risk of latency in monitoring trading activities in real time.



All firms were reminded of the importance of maintaining an audit trail and recording conversations in order to comply with these regulatory obligations, even in a home-working situation. The most complex aspect during this time was the request made to firms to deploy large-scale technical solutions and appropriate measures rapidly to ensure they met with these obligations despite the degraded operational conditions.

Similarly, the AMF emphasised the importance of maintaining regular, high-quality transmissions of EMIR and MiFID II transaction reports in accordance with regulatory deadlines. These reports are essential to the AMF's task of supervising market participants and markets, especially in times of crisis when market operations and activity are disrupted. However, the AMF was fully aware of the difficulties that market participants might face, and it tried to be accommodating in the event of one-off or repeated

problems with data transmissions. Any firm affected was asked to get in touch with their usual AMF contacts to inform them of the nature of the problem(s) and a projected time frame for a return to normal operations.

Lastly, the AMF reiterated the importance of suspicious transaction reports (STRs) under the Market Abuse Regulation (MAR) and the associated regulatory obligations to which market participants were still subject. Under normal circumstances, the financial firms concerned are required to have detection systems, tools and procedures in place that enable them to identify alerts that could trigger a report being sent to the AMF. However, during periods of high volatility, there is typically a significant increase in the number of alerts. In these circumstances, the regulator urged firms to be more discerning in their handling of alerts and to prioritise those that they considered to be the most sensitive.

EASING AND POSTPONING CERTAIN OBLIGATIONS

The AMF maintained the regulatory requirements that are essential to keeping the markets running smoothly. However, it also took measures to relieve market participants of certain constraints and enable them to manage their operational contingencies more effectively.

For example, the implementation of SFTR reporting for credit institutions, investment firms, central counterparties and central securities depositories, initially scheduled for 13 April 2020, was pushed back by three months. The AMF, together with other European regulators and ESMA, considered that the restrictions put in place as a result of the health crisis did not allow the affected parties to achieve a sufficient level of preparedness by this date and therefore “deprioritised” their SFTR reporting supervisory action so that the deadline was in effect extended to 13 July 2020. ESMA issued a statement to this effect.

Similarly, the timetable for collecting the annual Investment Services Compliance Officer (RCSI) questionnaire was also adjusted to reflect the circumstances surrounding the health crisis. The campaign opened on 20 March 2020, allowing firms that so wished to begin completing the questionnaire. The deadline for submitting the questionnaire, which is usually 30 April 2020, was first extended to 15 May and then to 30 June 2020.

The AMF also moved the deadline for asset protection reports from 30 June to 30 September 2020 and informed custody account-keepers that they should focus on key operational processes. The regulator also urged them to be particularly vigilant in dealing with settlement fails and all those functions contributing to the smooth running of shareholder meetings. More generally, the AMF informed custodians that they could reasonably postpone the submission of questionnaires or reports so that they could focus on the operational continuity of their businesses.

Where appropriate, the regulator also informed market participants of similar measures taken by ESMA, particularly with regard to the public reports on best execution (RTS 27 and RTS 28). ESMA extended the original deadlines of 31 March and 30 April 2020 to 30 June 2020.

BANNING NET SHORT POSITIONS: A NECESSITY

To respond as quickly as possible to the circumstances created by the health crisis and the serious threats it posed to market confidence, the AMF took steps on 17 March 2020 to ban short selling.

In a market with a steady downward trend and no clear indication of the extent of the movement, an increase in short selling could have had a pro-cyclical impact that the AMF wanted to avoid. As a result, as of 18 March 2020, all new net short positions and all increases in existing net short positions were banned for a period of 30 days.

This decision applied to any person established or residing in France or outside France if the position related to an equity admitted to trading on a trading platform in France and subject to the jurisdiction of the AMF as defined by the European Regulation on short selling. However, it did not concern market activities carried out by persons who benefit from an exemption (pursuant to Article 17 of the aforementioned Regulation).

Recognising that market conditions were gradually returning to normal, with a reduction in losses and a return to normal volatility and trading volumes, the AMF suspended this measure – which was extended in mid-April for a further month – on 18 May 2020.

At the European level, the national regulators of Austria, Belgium, Spain, Greece and Italy also took similar measures. On 16 March 2020, ESMA also announced a decision on the reporting of net short positions. The European regulator required holders of net short positions to report their positions to the competent national authority as soon as they exceeded the 0.1% threshold. This measure, which is essential not only to market supervision and, where appropriate, to the implementation of measures to ensure their smooth running, but also to financial stability and investor protection, was still in force at the end of 2020.

ALERTING FINANCIAL FIRMS TO THE INCREASED RISK OF MONEY LAUNDERING AND TERRORIST FINANCING: ENHANCED DUE DILIGENCE

At the same time, the AMF has issued a statement on the threats and risks of money laundering and terrorist financing during the health crisis.

It urged asset management companies, financial investment advisers (FIAs), crowdfunding investment advisers (CIAs) and digital asset service providers (DASPs) to tighten up their procedures and exercise greater due diligence.

The publication of two analysis reports by the Financial Action Task Force (FATF) and TRACFIN in June prompted this specific communication. The first report highlighted an increase in fraudulent activities fuelled by the health crisis situation and certain related factors (increase in remote transactions, financial instability and massive State support measures).

In addition to this FATF report, TRACFIN published its typological analysis of the risks, drawn up on the basis of the reports it had received since the beginning of the crisis. Alongside offences linked to trading in medical supplies, TRACFIN mentions fraudulent calls for donations and fraud involving the misuse of the State-guaranteed loans system (PEG).

ADAPTING THE WAY ITS TEAMS WORK

The health crisis and the resulting measures had a significant impact on the AMF's teams. A specific work-from-home arrangement was introduced to enable them to continue to carry out their regulatory and market supervision duties despite the operational difficulties. First introduced in the summer of 2019, the

work-from-home arrangement was rolled out extensively and without difficulty during the health crisis, enabling all staff to adapt quickly to the conditions imposed by the lockdown and thus ensure the continuity of the AMF's work.

In a disrupted environment, the teams focused on gaining a better understanding of market phenomena, identifying risks and paying particular attention to monitoring unusual or even suspicious transactions. Particular attention was paid to issuer communications regarding the impact of the health crisis on their business and forecasts, decisions regarding dividend payments and the implementation of share buy-back programmes.

In general, this enhanced monitoring led to the implementation of systems that provide monitoring indicators in a reactive manner. These systems also meant that the level of settlement fails, the fail ratio of central depositories and margin calls by clearing houses could be monitored on a daily basis. This enhanced monitoring proved to be a decisive factor in ensuring that the markets operated normally.

At the same time, these arrangements provided a large volume of information that was made available to market participants, infrastructures and even other regulators. In addition to its supervisory, regulatory and oversight role, the AMF made a special effort to communicate with market participants as quickly as possible in response to the many questions raised by this unprecedented situation.

ONGOING REGULATION AND MONITORING OF INTERMEDIARIES AND MARKET INFRASTRUCTURES

Digital asset service providers

Since 2020, the AMF has been registering and authorising digital asset service providers (DASPs). This new category was introduced by the PACTE Law, which required service providers providing digital asset custody services for third parties or the service of buying/selling digital assets for legal tender to be registered with the AMF. This mandatory registration requirement was subsequently extended to the services of trading digital assets for other digital assets and operating a digital asset trading platform by Order 2020-1544 of 9 December 2020.

In 2020, the AMF registered seven DASPs. The white list of registered DASPs is available on the AMF website. Six of these DASPs obtained registration for the service of buying or selling digital assets for legal tender, five for providing digital asset custody services for third parties and one for the service of trading digital assets for other digital assets. These early registrations include businesses that have been active for several years and have significant resources (from around 30 employees to almost 200 for the largest) and start-ups that began operating in 2020 after their registration and have fewer resources (fewer than five employees).

Of the thirty or so applications still in progress at the end of December 2020, including active providers who had to suspend their activity because they were not registered by 18 December 2020 and others whose activity had not yet begun, almost all the applicants are seeking registration for the service of buying or selling digital assets for legal tender and about twenty for digital asset custody services.

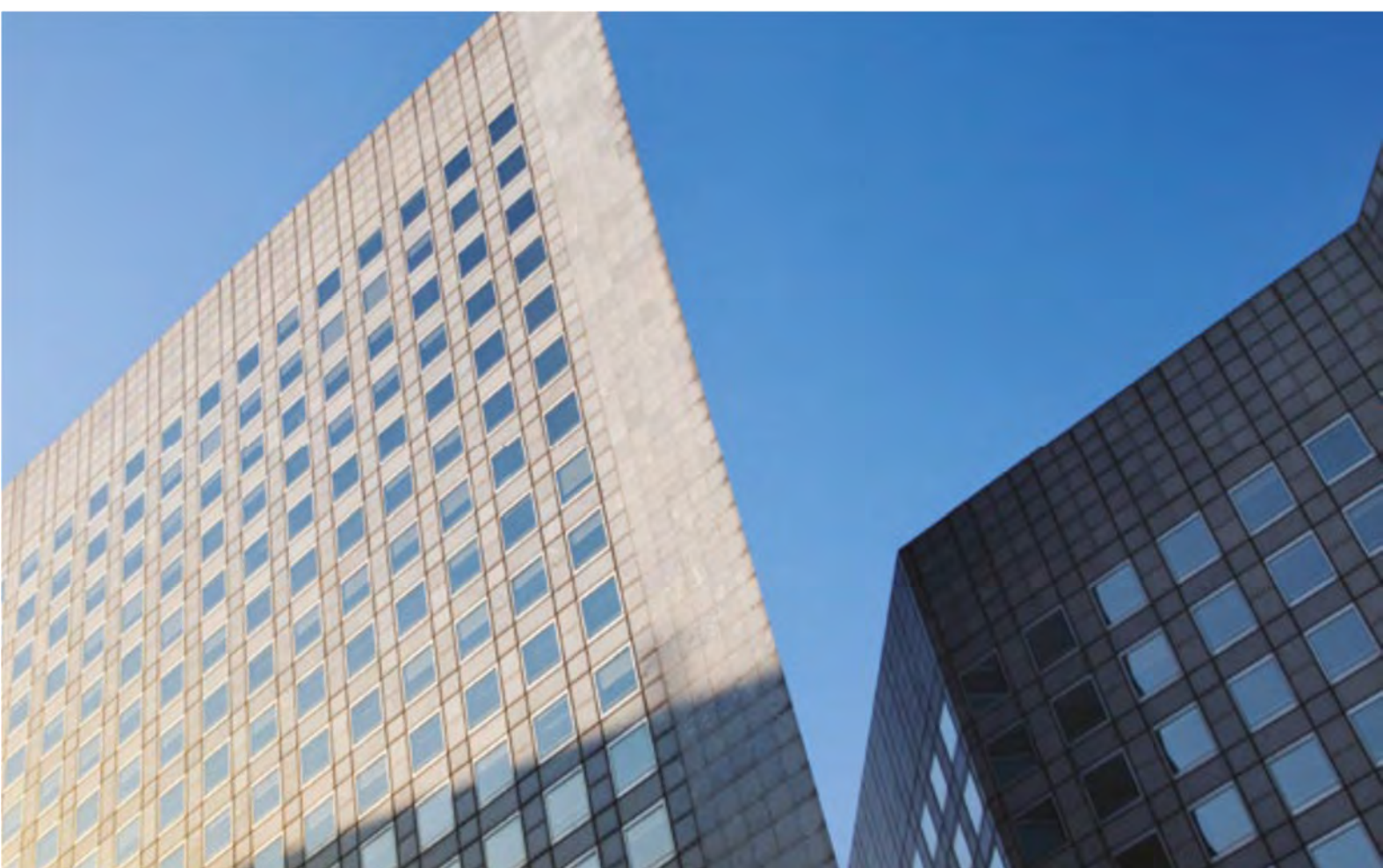
Of the three applications for authorisation, all applicants are seeking authorisation for custody services, two for the service of buying or selling digital assets for legal tender and one for operating a digital asset trading platform.



MARKET INTERMEDIARIES

The supervision of market intermediaries was shaped in 2020 by the health crisis and its impact on the markets (see page xxx) and by the continued support given to market participants in their preparations for Brexit.

Since the end of 2018, Brexit has led to a significant increase in market activities in Paris, with some twenty new firms authorised in France to provide investment services (authorisations granted by the ACPR after approval of the firms' programmes of activity by the AMF), carrying out a variety of activities. The range of services provided by some firms already based in Paris was extended to include new investment services and new asset classes. The Paris financial market welcomed the subsidiary of a major US investment bank, one of Europe's most active electronic market makers for equities, several trading platforms (four multilateral trading facilities and five organised trading facilities), five systematic internalisers operated by investment firms, and brokers covering all asset classes.



The relocation of the staff concerned was complicated by the health crisis and still had to be finalised at the beginning of 2021, but around 700 people, including a majority of front office operators, will be employed by these new market participants, in Paris or in their branches within the European Union. In addition, several hundred people have either joined the Paris branches of European firms (which are themselves subsidiaries of large Anglo-Saxon banks) or joined French banks, which have also repatriated some of their activities previously located in London to Paris. The AMF has ensured that these new market participants have implemented the human and technical resources set out in the authorisation. In 2021, the AMF will pay particular attention to supervising the start-up and ramp-up of their post-Brexit activities.

The implementation of the supervisory priorities announced for 2020 had to be adapted because of the health crisis and the scope of the work related to Brexit. Supervisory actions focused on the application of several MiFID II provisions (transaction reporting, post-trade transparency, best execution obligation), on the provision of cross-border services through branches or under the freedom to provide services (a topic addressed by ESMA as part of its convergence work) and on transition plans for benchmarks established by

French intermediaries. The AMF also continued the work it had begun in previous years on the robustness of vote processing systems used in general meetings at custody account-keepers and conducted a study of how registers of shareholders of Essentially Registered Securities are maintained, in light of the malfunctions observed during the year.

Lastly, it should be noted that the AMF's supervision of intermediaries is increasingly part of the work coordinated by ESMA at the European level to strengthen the convergence of practices. The AMF's supervisory teams once again took part in the Supervisory Coordination Network (established in 2017 to promote a common approach to authorisation in the wake of Brexit), the Senior Supervisor's Forum bringing together those responsible for supervision from all the competent authorities (this forum helped to identify the main risks requiring coordinated supervisory action, in particular the strategic supervisory priorities for the European Union) and two Voluntary Supervisory Colleges bringing together the supervisors of large financial groups based in several European countries (one of these two colleges is chaired by the AMF). The work initiated in 2019 as part of a Coordinated Supervisory Approach on the client-knowledge tests provided for in MiFID II also continued in 2020.

Euronext regulated markets

As a member of the Euronext College of Regulators,³ the AMF continued its supervision work to ensure that the markets continued to operate smoothly in the wake of two major events in 2020: the integration of the Oslo stock exchange into the Euronext group's federal model and the serious incident that occurred on 19 October 2020.

Following the acquisition in June 2019 of the Norwegian group Oslo Børs VPS, Euronext proceeded with its integration project by migrating the trading of cash and derivative instruments to the Optiq trading platform. This migration took place in December 2020, after completion of the College of Regulators' no-objection procedure. The College of Regulators also verified that this integration did not affect market supervision and control functions. Euronext also proposed integrating the Norwegian market's operating rules into the harmonised rules of the group's regulated markets, while retaining the rules specific to the local market in a dedicated book.

All of Euronext's markets were affected by a serious incident on 19 October 2020, which resulted in trading being suspended for several hours and problems with the closing fixing, leading Euronext to cancel all trades made after 5.30 p.m. Euronext drew up an action plan to remedy the shortcomings identified, and its implementation is being monitored by the competent authorities. The plan aims to make the trading system more resilient and robust and improve the procedures for managing serious incidents and crisis communications to all market participants.

The AMF and its counterparts on the College of Regulators have also been monitoring Euronext's bid to acquire the Borsa Italiana group, a deal made possible by the ongoing merger between the London Stock Exchange Group and Refinitiv. This large-scale transaction, which began in the last quarter of 2020, is subject to numerous regulatory approvals, including that of the AMF, which could be granted in 2021.

Multilateral Trading Facilities (MTFs) and Organised Trading Facilities (OTFs)

Euronext Access

Euronext has decided to transfer trading in its warrants and certificates admitted to trading on the group's regulated markets to the Euronext Access MTF, primarily in response to growing competition from other platforms in this segment. In this regard, Euronext modified the MTF's operating rules to, for example, allow trading in warrants and certificates, extend trading hours to 10 p.m. (instead of 6.30 p.m.) and reduce the number of settlement instructions by removing intermediation by the clearing house given the specific characteristics of this market.

Euronext Growth

In parallel with the changes to the harmonised rules of the group's regulated markets as part of the integration of Oslo Børs VPS, Euronext has undertaken to amend the harmonised rules of the Euronext Growth MTFs so that they can be transposed to the Norwegian NMS Merkur Market, which will be renamed Euronext Growth Oslo.

MTS France

MTS France is an MTF authorised by the Market Committee of Primary Dealers (SVT), on which participants fulfil their listing obligations on debt securities issued by the French government.

The AMF approved an amendment to the MTF operating rules proposed by MTS France concerning the procedure for cancelling a transaction, in particular the time limits for cancelling transactions and the rules for excluding extreme quotations. These amendments enable MTS France to comply with the market rules of the Market Committee of Primary Dealers.

³ The Euronext College of Regulators comprises, in addition to the AMF, the Belgian, British, Irish, Dutch, Norwegian and Portuguese market authorities.

NOW CP

The AMF approved an amendment to the operating rules of the NOW CP MTF to allow the admission to trading of other categories of money market instruments than the already authorised NEU CPs.

TRAD-X

The AMF approved the lifting of the conditions precedent applicable to the Trad-X MTF, operated by TSAF OTC, which offers interest rate derivatives for trading, thus enabling it to become operational before the United Kingdom left the European Union.

Sigma X Europe

Goldman Sachs Paris applied for and obtained an extension to its authorisation to operate an MTF, Sigma X Europe, in 2020. The AMF approved the MTF's operating rules and programme of activity. This new platform, created to meet the needs of participants after the UK's departure from the European Union, has two components: a periodic auction system and a trading system based on an imported reference price.

Griffin Markets Europe

In the wake of the UK's Brexit referendum, the Griffin group created an entity in France, Griffin Markets Europe SAS (GME). This entity was authorised as an investment services provider in 2019 specifically to manage an organised trading facility (OTF) for commodity derivatives, emission quotas and options on quotas.

The contracts initially admitted to the OTF were gas and electricity energy contracts. Griffin applied to the AMF in 2020 to extend its scope of trading to include agricultural contracts and amended the OTF's operating rules accordingly.

The firm began operating in France in January 2021.

Clearing houses

LCH SA

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

In particular, the clearing house expanded its clearing service offering to:

- certain types of credit derivatives
- equity futures contracts with physical delivery traded on Euronext trading platforms
- listed derivatives traded on Euronext Oslo
- euro-denominated lending and borrowing transactions on bonds issued by the European Commission as part of the emergency measures taken in response to the COVID-19 pandemic.

LCH SA also recently offered its services to Canadian clearing members, and in this regard, the AMF approved membership to the clearing house of the Royal Bank of Canada and Toronto-Dominion Bank.

The AMF worked with the UK's Financial Conduct Authority and the Prudential Regulation Authority to ensure that its 32 UK clearing members would continue to have access to LCH SA after Brexit.

Lastly, in August 2019, the London Stock Exchange Group (LSEG) announced its desire to buy data provider Refinitiv from a consortium in a deal valued at \$27 billion. This transaction results in a change of indirect shareholders for LCH SA, which the French authorities approved under Articles 31 and 32 of EMIR in December 2020. This change of shareholders also affects the British clearing house, LCH Ltd, and the Italian clearing house, CC&G.

The clearing house's EMIR College met in October 2020, allowing the authorities forming it to discuss the clearing house's activity and supervision with one another.

The EMIR colleges

Pursuant to the EMIR Regulation, the AMF takes part in the regulator colleges of several European clearing houses: ATHEXClear, BME Clearing, Eurex Clearing, European Commodity Clearing, EuroCCP, KDPW_CCP, OMIClear, and until Brexit, ICE Clear Europe, LCH Ltd and LME Clear.

In 2020, these colleges gave their opinion on various extensions of activity or significant changes in the risk models of the clearing houses in question.

Moreover, the authorities of the clearing houses have gradually established Crisis Management Groups to conduct work on the firms' resolution plans; the AMF contributes to this work.

Since 2020 the AMF has also taken part in two new committees set up by ESMA on the supervision and regulation of clearing houses under the revised EMIR: the CCP Supervisory Committee and the CCP Policy Committee.

Central securities depositories

Euroclear France

In accordance with the provisions of Regulation (EU) 909/2014 on central securities depositories (CSDR), the AMF and the Banque de France jointly conducted the annual review and assessment process for Euroclear France SA. This work was carried out in close cooperation with the Belgian and Dutch authorities, which conducted the same exercise for Euroclear Belgium and Euroclear Nederland respectively. The authorities ensured that the firms complied with the CSDR requirements.

Euroclear France was also able to obtain approval from the appropriate competent authorities for its requests for freedom to provide services within the European Union.

ID2S

The AMF and the Banque de France also conducted the annual review and assessment of the central securities depository ID2S SA required under the CSDR and ensured that it complied with this regulation.

The AMF also approved an amendment to ID2S's operating rules to extend the scope of financial instruments admitted to the central securities depository to include Euro CPs, in addition to the NEU CPs already admitted.

ONGOING DIALOGUE WITH LISTED COMPANIES

In common with other market participants, issuers were not spared the consequences of the health crisis. The restrictions and lockdowns halted some of their activities and, for many of them, weakened their financial situation, despite the government's support plans. In these circumstances, to preserve investor confidence and, ultimately, ensure that the markets continued to operate smoothly, listed companies remained subject to almost all their obligations, particularly with regard to financial communication. Aware of these constraints and of the operational difficulties that listed companies had to face, the AMF did its utmost to assist them. In practical terms, this assistance involved sending out regular reminders of its expectations regarding periodic and ongoing disclosures and on the arrangements for general meetings.

IMPORTANCE OF FINANCIAL COMMUNICATION

In response to this unprecedented situation, the AMF made it a priority to assist issuers in fulfilling their obligations, particularly in terms of financial communication.

Reliable information, as specific and detailed as possible, is essential for confidence in the markets and their orderly operation. To ensure compliance with this fundamental principle, particularly in a climate of great turbulence and uncertainty, the regulator moved quickly to take a proactive approach to financial communication. The aim of this approach was to simultaneously anticipate investors' needs, prevent issuers from experiencing difficulties and answer their questions on the subject. This work, which began before the first wave of the epidemic in Europe and the first lockdown in France, involved making specific recommendations to issuers and closely monitoring the relevant market participants. This led to increased interaction between the AMF's teams and issuers.

RISK-SPECIFIC COMMUNICATION

Anticipating the economic consequences of the epidemic, the AMF reminded issuers in February 2020 of the rules to which they were still subject in relation to financial communication. It pointed out that the European regulation on market abuse requires issuers to make public, as soon as possible, any inside information that directly or indirectly concerns them and is likely to have an effect on their share price. Any information relating to a material impact of the epidemic on their business, performance or outlook must be communicated specifically and without delay. To this end, the publication of press releases ensured that investors had equal access to information.

The AMF also encouraged issuers to communicate about the crisis and its impact on their business when presenting their annual results. For example, companies wishing to communicate 2020 forecasts to the market were encouraged to specify the assumptions on which they were basing their forecasts with regard to the potential impact of the epidemic. In addition, the AMF recommended that information on any exposure to the impact of the health crisis be mentioned when describing the main risks and uncertainties in the management report, included as part of the financial report.



UNIVERSAL REGISTRATION DOCUMENT (URD)

Furthermore, in a climate of uncertainty about the extent and duration of the crisis, issuers were asked to periodically reassess the significance and/or scale of its impact (known or forecast) on their business and financial outlook. For those who chose to prepare a Universal Registration Document (URD), the section on “Risk Factors” could be used to address in more detail the company’s economic exposure to the COVID-19 epidemic and any measures taken. The information provided under this heading had to be detailed and tailored to each issuer’s specific situation.

The risks presented had to be material, specific and substantiated, as specified by ESMA in its guidance on risk factors under the Prospectus Regulation. In other words, there had to be a clear and direct link between the risk factor and the issuer. Issuers were asked to describe, as far as possible, the effects of the pandemic on their business and to mention not only the specific uncertainties that affected them because of their

business, their geographical location, but also those of their main customers and suppliers. They were also asked to describe the risk management measures put in place.

In terms of the information provided on financial outlook, the AMF reminded issuers that the Prospectus Regulation (EU Regulation 2019/980) contains certain provisions. These include the obligation to check whether the COVID-19 crisis casts any doubts on the previously announced financial outlook based on reasonable assumptions. Current and valid profit forecasts and estimates had to be included in the URD, and those that were no longer valid had to be declared obsolete. Where a significant consequence was identified or anticipated, previous outlook-related communications that included a “no coronavirus impact” assumption were to be reformulated. Lastly, when the URD was submitted, any change in the financial outlook had to be accompanied by an effective and full press release, in accordance with the Market Abuse Regulation.



ADAPTING THE PRESENTATION OF HALF-YEARLY FINANCIAL STATEMENTS

In addition to helping issuers address the risks associated with the health crisis in their financial communication, the AMF also assisted them in presenting their half-yearly financial statements. This approach was especially important given that, in an environment fraught with uncertainty, this milestone at the end of the first half of the financial year was eagerly awaited and would be closely watched by the market. This deadline was even more crucial than the previous ones for investors as they awaited information on the impact of the epidemic.

At the end of March, the AMF clarified the expectations of the European Securities and Markets Authority (ESMA), the European Banking Authority (EBA) and the International Accounting Standards Board (IASB) regarding the accounting implications of the COVID-19 epidemic. In general, it emphasised the importance of implementing IFRS 9 and therefore the flexibility when classifying and assessing the credit risk of financial instruments to ensure that the financial statements faithfully reflect the exceptional circumstances of the COVID-19 pandemic and the legislative and regulatory measures implemented to support economies in these circumstances.

The AMF pointed out that, in France, certain government measures that had been implemented, including payment holidays and moratoria or the granting of additional loans, did not automatically constitute an indicator of a significant increase in the credit risk of the relevant financial assets as such. The classification of instruments (in buckets 1 and 2 – IFRS 9) affected by these exceptional measures was maintained as the measures were a response to a temporary liquidity constraint and no other factor or information had arisen to indicate a significant increase in credit risk over the lifetime of the instrument. In this context, it was left to issuers to assess in particular the extent to which the specific circumstances and relief measures constitute justification for rebutting the presumption of a significant increase in credit risk in the case of delays in payment. In addition, in the forward-looking macro-economic data used to determine the longer-term estimates of expected credit losses, issuers were advised to take into account the positive effects of the relief measures granted by the public authorities. Given the uncertainties surrounding COVID-19, companies were also advised to consider giving greater weight to long-term stable outlook when calculating their expected credit losses. In general, it was also stated that the guarantees of certain exposures granted by the public authorities were to be generally considered as credit enhancements. As an integral part

of the instruments, these guarantees were to be taken into account when assessing the expected credit losses.

RECOMMENDATIONS FOR THE HALF-YEARLY FINANCIAL REPORT

As the period for publishing half-yearly results approached, the AMF issued several related communications. The AMF made itself available to issuers and their statutory auditors for discussions on the subject, stressing the importance of greater involvement by governance bodies to ensure that the exercise is carried out properly. It also published a series of Q&As on financial statements prepared under French GAAP and IFRS. Lastly, it reminded issuers of certain principles and made recommendations to help them prepare for the deadline and meet market expectations as effectively as possible.

As a continuation of the annual results, the half-yearly financial statements are usually an opportunity to explain the events of the past six months. They provide an insight into changes in the company's situation and financial performance (present and future). However, the unprecedented circumstances surrounding the health crisis forced issuers to make judgements and assumptions that were potentially more important than usual. Issuers were asked to explain how certain government measures, impairments of assets, fair value measurement, recognition of deferred taxes and any provisions were taken into account and accounted for. Similarly, issuers were also asked to explain debt renegotiations, new financing, covenant breaches, credit and liquidity risk exposure and sensitivities, and risk management.

PRESENTING PERFORMANCE INDICATORS PROPERLY

To keep the markets better informed, the AMF also suggested that reports include comments on the impact of the epidemic on strategic directions, performance, cash flows and balance sheet aggregates. Issuers were also asked to specify the measures put in place to mitigate the effects of the crisis and the status of these measures, together with the risks and uncertainties involved. Lastly, issuers were asked to describe any strategic or operational decisions made (or, where applicable, anticipated) in relation to their business and, as far as possible, their expected consequences. In this respect, the AMF encouraged companies to explain the assumptions made and provide details on the analysis of the figures presented.

More generally, the AMF made recommendations on the presentation of financial statements. In line with ESMA's Q&A on alternative performance indicators, the AMF pointed out that presenting the effects of the epidemic within non-current items could be detrimental to a proper understanding of the company's financial performance. For many companies, the effects of the epidemic were spread throughout the income statement, and some items could not be isolated either because the consequence was a drop in revenue (such as turnover) or because the impact of COVID-19 could not be reliably determined. To ensure that the results were presented in a consistent way, the AMF recommended that these effects be disclosed in a specific note in the financial statements. For each of these effects, the AMF recommended that issuers include the line or subtotal for the primary financial statements affected and, where applicable, the underlying assumptions used in the calculation.

SPECIFIC REQUESTS FOR WEAKENED ISSUERS

Recommendations were also made for companies that were particularly affected by the lockdown measures during the first half of the year and for which liquidity problems might arise over the next twelve months. These companies were advised to consider whether or not they should reconsider the going concern principle in preparing their financial statements. For those whose business model could be reconsidered and could change significantly, the AMF suggested it would be useful to provide an explanation of the assumptions used.

For companies that had identified indications of impairment of some of their assets (tangible or intangible) resulting from the consequences of the epidemic, impairment tests had to be carried out at the time of their half-yearly financial statements. For those with a high level of risk and significant lack of visibility, preventing them from providing forecasts, a value-in-use calculation based on different weighted scenarios was required. In this respect, the AMF stressed the importance of taking into account not only the short-term impacts on cash flows, but also the effects on long-term projections based on their best estimate.

More generally, the AMF emphasised the educational effort that companies should make and the need to provide as much information as possible to help

understand their financial situation. This information, which is closely watched by the market, must be as transparent as possible in relation to the key assumptions used and the explanations given for significant changes in these assumptions.

INVESTORS PAY ATTENTION TO OUTLOOK, CASH FLOW AND DIVIDENDS

The AMF also continued to assist companies with their financial communication throughout the year. For example, in light of the practices adopted for the half-yearly results, the regulator published its findings in September to clarify its points of attention. The findings showed that, during the health crisis, investors' interest was focused on financial outlook, cash position and dividends.

With regard to financial outlook, it was found that, as of 30 June 2020, three quarters of SBF 120 companies were unable to provide financial targets (guidance) for the second half of the year. However, this situation subsequently improved, as 60% of the companies that were in this position finally delivered guidance at the time they presented their half-yearly results. Moreover, more than half of them had changed the nature of the indicators used. On this point, the AMF reiterated the importance of ensuring that the market understands the forward-looking information provided. This information must be clear, and changes in indicators must be defined and justified. Lastly, companies must describe the assumptions on which the targets are based.

With regard to cash flow or solvency, around 30% of companies published half-yearly reports that included changes to their usual indicators. In more than half these cases, this change concerned the presentation of the liquidity position and, to a lesser extent, the addition of the net debt-to-equity ratio (gearing). In some cases, the gearing indicator was dropped from the half-yearly announcements because of a significant deterioration in the first half of the year. The AMF stressed the importance of maintaining at least the same level of information on a subject as sensitive as liquidity and reminded issuers of their obligation to mention any factor that could weaken the company's medium-term viability. Similarly, it urged issuers to include, in the information about their cash position, the amount of drawn and undrawn lines of credit, including debt maturities and cash flow projections.



SHARP DECLINE IN DIVIDEND POLICIES

For more than two thirds of SBF 120 companies, the crisis resulted in the dividend payment planned for the first half of 2020 being either reduced or completely cancelled. By contrast, fewer than ten of them communicated their intention to distribute an interim dividend, whether ordinary or exceptional, before the end of the financial year. This information is particularly sensitive and could have a potentially significant impact on the valuation of related financial instruments and derivatives. The AMF therefore set out its expectations. Any change in the payment date had to be announced in a press release. Similarly, the timetable had to take into account the impact on derivatives so that the issuer avoided making announcements shortly before a quarter-end deadline.

AMF RECOMMENDATIONS FOR THE 2020 FINANCIAL STATEMENTS

In addition to these findings, the AMF published – as it does every year in the autumn – a series of recommendations for the 2020 financial statements. The exceptional circumstances surrounding the health crisis, its economic consequences and the operational difficulties that it caused for issuers inevitably shaped the AMF’s recommendations this year.

On the whole, these recommendations returned to the specific points of attention (stated above) that are essential for investors to understand fully the financial situation of companies in a highly disrupted economic and market environment. This was an opportunity for the AMF to reiterate the importance of providing specific information in the most transparent way

possible on the judgements and assumptions made by the company in preparing its financial statements and issuing forecasts. In essence, the AMF again focused on a number of factors. Firstly, it emphasised the relevance of the decision not to ring fence certain effects of the health crisis under current operating result. Secondly, it highlighted the importance of updating and describing key assumptions, particularly operational assumptions, and their sensitivity in the context of impairment tests. Thirdly, it repeated the specific expectations of the market regarding the liquidity position, the management of working capital requirements and the going concern assumption. Lastly, a section was given over to financial institutions and the methodology for determining credit risk and the level of transparency expected in this area.

OTHER ACTIONS AND INITIATIVES IN THIS CONTEXT

In an unprecedented crisis, the AMF's remit extends beyond reminding issuers of the market rules in force, making recommendations and providing general support. It also undertook initiatives to ensure the continuity and orderly operation of the market despite an erratic and uncertain environment.

A more flexible policy as regards the monitoring of publication deadlines

At the end of March, the AMF reminded issuers of the rules of the European Transparency Directive and asked them to inform the AMF (and the market) of any delays in filing financial reports, explain the reasons for the delay and provide a later date for publication. At the same time, it rescheduled its monitoring policy for issuers that fail to publish on time. This was extended by two months for annual financial reports relating to a financial year ending between 31 December 2019 and 31 March 2020 and by one month beyond the deadline for half-yearly financial reports.

Closed-door annual general meetings

Government measures restricting or banning mass gatherings for health reasons clearly had consequences for issuers in terms of holding their annual general meetings (AGMs). In accordance with the emergency law of 23 March 2020, several provisions were adopted to simplify and modify the rules for convening, informing, meeting and deliberating at general meetings. Part of the AMF's core remit is to protect investors and provide them with information. To this end, the AMF issued a statement on the conditions for holding in camera general meetings (meetings with no shareholders present) and reminded investors of how they could exercise their remote voting rights before the AGM. They could do this by sending a voting form preferably by e-mail, or by giving a proxy to another person or to the issuer, or by voting online via a secure platform.

CORPORATE GOVERNANCE: AN OVERALL POSITIVE BUT MIXED PICTURE

In the autumn, the AMF published its annual report on corporate governance and executive compensation, issuing new recommendations for companies and suggesting ways to strengthen good practices. The report gives a broadly positive but mixed picture of the 2020 general meeting season. Most of these meetings were held in camera (110 of the 118 companies in the sample). More than 80% provided live and/or recorded broadcasts of their annual general meetings. A quarter of them allowed additional time for shareholders to submit written questions in advance of the meeting. Some issuers set up platforms to facilitate dialogue and many opted for a platform-based tool for voting. However, none of them gave their shareholders the opportunity to vote live during the meeting. Lastly, the report highlights that only postal or proxy voting was possible for fewer than twenty companies this year.

In light of these findings, the AMF reiterated its commitment to the principle of shareholder voting rights. The AMF stressed how important it is for issuers to make it easy for shareholders to vote and participate, regardless of whether the meeting is held

in person or remotely. The report also provided the AMF with an opportunity to revisit a number of important corporate governance issues, such as taking account of abstentions, shareholder activism, diversity in executive management and climate change resolutions.

With regard to compensation, the AMF highlighted this year's lack of information on the extent to which performance criteria are being met overall. It also pointed out that some 30 companies did not comply with the recommendation in the AFEP-MEDEF Code on having an employee director on the compensation committee. Lastly, in view of the exceptional circumstances caused by the health crisis, the regulator noted that some listed companies had changed some of their components of compensation or pre-established performance criteria. Highlighting that a company may not award or pay components of compensation that do not comply with the policy approved at a general meeting, the AMF reminded issuers that any major change in this area must be voted on by shareholders.

Protecting shareholder rights

Since these exceptional circumstances required issuers to make special preparations, the AMF set out the key points to be followed when deploying a remote system. These included clear, precise and accessible information for shareholders in advance of the meeting. This communication had to cover the specific conditions under which the general meeting was to be held and the various ways in which shareholders could remain informed and participate.

Furthermore, issuers were asked to highlight on their websites a link to the page(s) specifically related to the general meeting so that shareholders could easily access all the relevant information. Where issuers had sufficient time, they were encouraged to provide a secure online voting platform.

Where appropriate, they also had to inform shareholders prior to the meeting that they could not vote or propose new resolutions during the meeting. Issuers were obliged to provide shareholders, upon request by e-mail, with a copy of documents that were not directly accessible on the website so that they could review these documents. The general meeting had to be broadcast live (audio and video) from the issuer's website. Wherever possible, the issuer was encouraged to deal with written questions submitted within the time limits set out in the regulations. A dedicated e-mail address had to be created for this purpose. Finally, issuers were encouraged to publish the minutes on their website as soon as possible.

The AMF remained fully committed to supporting and guiding issuers in fulfilling their regulatory obligations, even in the midst of the upheaval that its teams faced. Compliance with these obligations was essential for maintaining investor confidence and, therefore, for the orderly operation of the market, particularly in an environment experiencing such unprecedented disruption. Moreover, well aware of the operational difficulties caused by the health crisis, the AMF chose to adopt a supportive approach rather than a repressive approach that could have proved inadequate and counterproductive. The AMF's approach was welcomed by the financial marketplace, and the feedback it received from issuers was positive in terms of the initiatives it took and the way it managed the crisis overall.

SUPPORT FOR MARKET PARTICIPANTS IN UNDERSTANDING THE EUROPEAN REGULATIONS

The Prospectus Regulation was published on 21 July 2019 and supplemented by delegated regulations updated in 2020.

The AMF has published two guides related to this subject:

- Guide to preparing prospectuses
- Guide to preparing universal registration documents (publication in progress)

The purpose of these guides is to present the applicable regulations and to update and consolidate the positions and recommendations of the AMF and ESMA in this area.

At the same time, the AMF continued to organise workshops for SMEs.



FINANCIAL TRANSACTIONS

Initial public offerings

Weak momentum on the regulated market

The health and economic crisis had an impact on initial public offerings (IPOs). Some planned transactions had to be postponed. The number of IPOs and the number of companies listed on the regulated market therefore decreased in 2020.

A total of 5 IPOs were recorded on the regulated market and 21 on Euronext Growth in 2020.

Source: AMF

The IPO of a special purpose acquisition company (SPAC) – 2MX Organic – is noteworthy. This acquisition vehicle has no commercial objectives other than to acquire one or more companies operating mainly in the consumer goods sector. This is the second SPAC listed on the Paris stock exchange, Mediawan being the first.

Euronext Growth strengthens its appeal

Euronext Growth registered 21 new listings in 2020, five more than the previous year. As a market with its own dedicated rule book rather than a regulated market, this trading platform for small and medium-sized companies is more attractive because of the fewer constraints it imposes on issuers. The number of transfers from the regulated market to Euronext Growth has risen from five in 2019 to 13 in 2020. Furthermore, five companies made a public offering of more than €8 million and obtained an AMF approval, compared with two the previous year.

Issues despite an unsettled market

Capital increases remain strong

The number of listed company equity issues approved by the AMF rose in 2020 (28 transactions compared with 27 in 2019). As the financial markets recovered, many companies recapitalised (e.g. Solocal, Technicolor, Orapi, Financière Marjos and EuropaCorp). But the market was also buoyed by mergers and acquisitions, such as the raising of €2 billion by Alstom to finance the purchase of Bombardier Transport. Lastly, the biotech sector remains as dynamic as ever in terms of the number of approvals.

A number of issues were also made without prospectus approval. These concerned:

- large companies issuing ESG convertible securities on Euronext Access
- medium-sized issuers financing themselves through equivalent lines of securities on the regulated market or on Euronext Access.

A buoyant bond market

The bond market remained very buoyant in 2020. The number of debt issues/admissions on the regulated market fell from 146 in 2019 to 140 in 2020. The explanation for this marginal decline is that local authorities (municipalities, departments, regions and special-status authorities) can no longer produce prospectuses on a voluntary basis as they did in the past. The high number of approvals in 2018 (155) was due to several prospectuses being prepared for the admission to the regulated market of medium-term negotiable securities (MTNs) issued by banks pending the appeal of the product issued by Generali.

FIGURE 1

Initial public offerings in 2020



FIGURE 2

Listed company equity issues



prospectuses on a voluntary basis as they did in the past. The high number of approvals in 2018 (155) was due to several prospectuses being prepared for the admission to the regulated market of medium-term negotiable securities (MTNs) issued by banks pending the appeal of the product issued by Generali.

A large proportion of the transactions for which prospectuses were submitted to the AMF for approval related to the refinancing of existing debt. For example, several debt issues were made in conjunction with tender offers for existing debt. As in the previous year, a significant number of approved prospectuses concerned deeply subordinated perpetual notes that enable issuers to improve their debt ratios.

In 2020, the base prospectuses of the vast majority of the French financial market were brought into line with the new European provisions on prospectuses. This compliance was achieved within the agreed timetable. The large number of supplements approved (293 compared with 266 in 2019) also reflects this market's buoyancy in 2020 (the vast majority of supplements were approved for bond issues).

Still featuring a significant proportion of green issues, in addition to the previously mentioned convertible bond issues, the social bond market is dominated by agencies and supranational entities, while the sustainable bond market is dominated by companies and financial institutions.

Lastly, 2020 saw the revamping of prospectuses for social shares and mutual certificates. This followed the AMF's publication in 2019 of new instructions specifying the minimum information expected. The number of transactions remained stable (73 compared with 75 in 2019).

In July 2020, the AMF warned issuers and investors about the risks associated with financing through issuing bonds convertible into shares with warrants (OCABSAs) and other forms of equity financing. While it may appear attractive, this type of financing sometimes involves very significant risks for the issuer, shareholders and investors. The financing is ultimately provided by the market, leading to shareholder dilution and even downward pressure on share prices. In such cases, the issuer may be required to pay contractual indemnities that are potentially higher than the amount it received through this financing. This may clearly lead to a worsening of the issuer's financial position rather than an improvement. The issuer must therefore be very careful in its financial communication.

FIGURE 3

Issues/admissions of debt securities on a regulated market



PUBLIC OFFERS

Derogations to the filing of a public offer

In 2020, the AMF delivered 18 decisions derogating to the obligation of filing a proposed public offer. Nine decisions were also delivered relating to reviews conducted pursuant to Article 234-7 of the General Regulation (consequence of acting in concert or a change in the concert). Note that three decisions were delivered relating to Article 236-6 of the General Regulation (review of the implementation of a buyout offer notably following a merger or a disposal of most of the assets).

Takeover bids

In 2020, 29 compliance decisions were taken by the AMF relating to public offers launched during the year, i.e. a number similar to 2019 (30 decisions).

The number of public offers involving a takeover (in the sense of owning more than 50% of the share capital and voting rights of the target company) was 17⁴ in 2020 (versus 16 in 2019); these included ten changes in control prior to a mandatory public offer and seven changes in control following a public offer made by the normal procedure.

The number of offers under the normal procedure (seven in 2020) was identical to 2019. Three of these offers concerned a company listed on Euronext Growth (one in 2019). Of the normal procedure offers made in 2020, none of those submitted was unsolicited, as in 2018 and 2019.

In 2020, the number of offers under the simplified procedure (18 offers) was higher than the number in 2019 (12 offers).

The number of delistings in 2020 following a public offer amounted to 20 in all (12 in 2019), including 18 in the form of a squeeze-out following another offer (irrespective of the preceding type of offer⁵), and two delistings without the implementation of a squeeze-out.⁶

Public offers targeting companies listed on Euronext Growth increased slightly: the number of offers was ten (versus five in 2019). Of these, four were mandatorily submitted simplified takeover bids and three were voluntarily submitted takeover bids.

Bourrelier Group

In its decision of 17 March 2020, published on 19 March 2020, the AMF granted the request of one of the minority shareholders of Bourrelier Group (formerly Bricorama; it became Bourrelier Group SA following the sale of its French activities in 2018), whose shares have been traded on Euronext Growth (formerly Alternext) since it was transferred from Euronext Paris in June 2011. The minority shareholder asked the AMF to request that the Bourrelier family group make a public buyout offer on the basis of Article 236-1 of its General Regulation pursuant to Article L. 433-4 I, 1° of the Monetary and Financial Code. This Article was amended by the Law of 22 May 2019 on business growth and transformation (known as the PACTE Law), which changed the threshold for majority shareholder ownership from 95% of voting rights to 90% of capital or voting rights. This threshold is one of the conditions for making such a public offer.

On 26 November, the Paris Cour d'Appel handed down a ruling confirming the AMF's analysis of the conditions for applying the provisions of Article 236-1 of its General Regulation to the facts of the case.

⁴ Takeover bids involving acquisition of control: offers under the normal procedure leading to a change in control, and offers under a simplified procedure following the acquisition of shares resulting in a majority holding in capital and voting rights.

⁵ Of the 18 squeeze-outs that took place in 2020, six were made possible by the enactment of Law 2019-486 of 22 May 2019 on

business growth and transformation (the PACTE Law), which lowered the trigger threshold.

⁶ Simplified takeover bid targeting the shares of the Cameroonian company Brasseries de Cameroun and simplified takeover bid targeting the shares of the Swiss company Agta Record (the regulations applicable to each of these companies do not provide for a squeeze-out procedure).

TABLE 1

Derogations to the filing of public offer

Type of decision	2016	2017	2018	2019	2020
Derogation decision	24	22	24	34	18
Art. 234-7 concert reviews	5	3	4	9	9
Art. 236-6 reviews	5	1	5	0	3

TABLE 2

Public offers

Public offers launched in the year under review	2017	2018	2019	2020
Offers under the normal procedures including public exchange offers	5	2	7	7
Offers under the simplified procedure	26	13	12	18
Buyout offers	1	1	6	4
Buyout offers followed by a squeeze out	6	6	2	—
Share buyback offers	3	2	3	0
Squeeze-outs with compliance	0	0	0	0
Squeeze-outs without compliance	17	6	9	18
Total (excluding squeeze-outs without compliance)	41	24	30	29

7 Since the entry into force of the changes entailed by the PACTE Law, there is now only a single type of squeeze-out following any public offer. As a consequence, the buyback offer followed by a squeeze-out resulting from the introduction of the squeeze-out in French regulations in 1993 no longer exists as such.

First, applying Article 1 of the Civil Code, the Paris Cour d'Appel ruled that the provisions of Article 75 of the PACTE Law, which introduces into Article L. 433-4 I, 1° of the Monetary and Financial Code the thresholds of 90% of capital or voting rights, instead of the 95% threshold of voting rights previously set in Article 236-1 of the AMF General Regulation, were sufficiently precise to be applied as soon as the PACTE Law came into force, i.e. on 24 May 2019, without having to wait for the Order amending Article 236-1 of the AMF General Regulation to be published in the Official Journal on 21 June 2019, the purpose of that Order being to replace the regulatory threshold in that Article with the new legal threshold. Therefore, on the dates that the AMF had been notified, i.e. 24 May and 6 June 2019, the legal thresholds of 90% of the capital or voting rights were applicable.

Second, with regard to the admissibility of the request submitted to the AMF, confirming its case law of 5 February 2002 in the matter of Cauval Industries, the Paris Cour d'Appel noted that the formal condition of holding 90% of capital or voting rights is assessed at the time the request is submitted to the AMF, even before the AMF rules on the request in view of the conditions prevailing on the market for the securities concerned and the information provided by the requester of a buyout offer as defined by Article 236-1 of the AMF General Regulation. In this regard, the Paris Cour d'Appel noted that subsequent changes in shareholding conditions resulting from new circumstances are

irrelevant to the assessment of those conditions. It also recognised that it was up to the AMF, when examining the request, to assess the change in the distribution of voting rights in order to determine its impact on market conditions for the security concerned. In this case, the Court recognised that the fact that voting rights fell below the 90% threshold because registered shares had been converted into bearer shares had no impact on the liquidity of the market for the security concerned.

Third, as the Commercial Division of the Cour de Cassation had already ruled on 6 May 1996 in the matter of Caves de Roquefort, the Cour d'Appel noted that, as defined by Article 236-1 of the AMF General Regulation, the fact that the formal conditions of ownership and listing are met is not sufficient to make it mandatory for the majority shareholder to file a buyout offer. The purpose of a buyout offer is to enable the minority shareholder filing the request, whose shares have lost their liquidity on a narrow market because of the relative weight of the majority shareholders, to sell his/her holding subsequently under normal conditions of time and price. However, in this case, the Court noted that for the shareholder whose request was declared admissible, it would have taken him 27 years to dispose of his holding.

Fourth, the Cour d'Appel ruled that the AMF does not have to rule on all the requests submitted to it once it has declared one of them admissible.



Finally, the Cour d'Appel did not accept the argument that the spirit of the PACTE Law had been violated and that there had been an abuse of rights that may defeat the validity of the requests to implement a buyout offer, as the Cour d'Appel had ruled on 7 April 1998. In this regard, in addition to the lack of proof of the argument put forward, the Paris Cour d'Appel ruled that the minority shareholder's refusal to respond to the public offer initiated in 2007 did not constitute conduct contrary to the spirit of Article 236-1 of the AMF General Regulation, given that the offer was made more than thirteen years ago, which meant that its request to implement a buyout offer was not admissible.

Altran Technologies

In its decision of 8 October 2019, the AMF declared that the proposed takeover bid filed by Capgemini for the shares of Altran Technologies was compliant. On 13 March 2020, the Paris Cour d'Appel rejected the appeal for annulment lodged by the Association for the Defence of Minority Shareholders (ADAM) against the AMF's compliance decision and its approval issued for the reply document prepared by Altran Technologies.

On the appeal for annulment of the decision, the Court rejected the two arguments raised by the ADAM alleging that the board of directors had been "manipulated" given the favourable opinion on the bid issued before the bid was filed and the severance payment made to the Chairman and CEO. Regarding the target company's disclosure of the reasoned opinion of its board of directors before the bid was filed, the Court ruled that the provisions of Articles 231-16, III and 231-17 of the AMF General Regulation in no way require that this opinion be published only after the bid has been filed. Moreover, with regard to the €75 million severance payment stipulated in the agreement to be paid by Altran Technologies, the Court noted that it was up to the AMF alone to check that this amount was not such as to in any way hinder the free play of bids and outbids and that it did not exceed, in accordance with its usual practice, a 2% increase in value before it could declare an outbid or competing bid compliant as defined by Article 232-7 of the AMF General Regulation.

On the appeal for annulment of the approval issued for the reply document prepared by Altran Technologies on the grounds that the information was inconsistent, irrelevant and incomplete, the Court noted that the information included in the reply document prepared by Altran Technologies complied with regulatory requirements.

The Court also noted that the reply document in question mentioned the appointment of the independent expert and included his report in compliance with the provisions of Articles 261-1 and 231-19 of the AMF General Regulation. Moreover, the Court found that the ADAM had no basis for claiming that the information in the reply document was inconsistent with the communications from Altran Technologies' senior management prior to the filing of the proposed bid and concerning the implementation of the company's strategic plan. In this respect, the Court noted that this reply document, the purpose of which is to inform the market and shareholders of the position of Altran Technologies with regard to the takeover bid of which it is the target, set out both the objectives pursued by the company's senior management and the critical analysis of the independent expert appointed, which was based on an objective and balanced approach involving good judgement and moderation, such that, in the Court's view, the information provided in the reply document prepared by Altran Technologies did not conceal any information and took care to indicate the different points of view in a coherent manner.

Regarding the information about the relationship between the Apax Group and the directors of Altran Technologies, the Court ruled that the AMF was not required to ask for more details about the agreement between the Chairman and CEO of Altran Technologies and a former shareholder, nor was it required to question the relationship between the directors of Altran Technologies and some of its shareholders or former shareholders, such as the Apax Group, pointing out that the said shareholders were not the initiators of the takeover bid in question.

Lastly, and for the sake of completeness, the Court ruled that the ADAM had no grounds for invoking the HCGE report to challenge the agreement relating to the compensation of the Chairman and CEO of Altran Technologies, which was entered into in 2015 to complete the company's exit from the Apax Group, and that the reference to repealed texts relating to the consultation with the Social and Economic Committee did not affect the legality of the approval issued for the reply document prepared by Altran Technologies, insofar as the said committee was consulted during the summer of 2019, i.e. at a time when the provisions of the Labour Code cited in the reply document were applicable, and finally that the reply document did not have to include the work of the consultants appointed by the ADAM, since Article 231-19 of the AMF General Regulation refers only to the independent expert's report, while noting that in this case, the independent expert's report also responded to the analysis of the firm appointed by the ADAM.

CLOSER MONITORING OF ASSET MANAGEMENT COMPANIES

The asset management sector is often quoted as one of the hotbeds of systemic risk, and the COVID-19 crisis was a full-scale test of its resilience. Liquidity issues and difficulties in valuing certain asset classes were all challenges that it successfully overcame. And it achieved this at a time when the AMF had strengthened its monitoring tools and support.

MONEY MARKET FUNDS: A CONTAINED LIQUIDITY RISK

During the crisis, the existence of a liquidity risk surfaced in two ways. The first of these resulted in significant withdrawals from money market funds, as some companies anticipated unexpected cash needs. Money market funds domiciled in France recorded outflows of around €50 billion between the end of March and the beginning of April. This raised concerns about their ability to face these massive redemption requests in deteriorating market liquidity conditions. It is worth noting that the other asset classes did not experience any significant client base movements over the same period. The second gave rise to unusually large margin calls on derivative positions owing to the scale and speed of market movements. However, these movements were only problematic for a limited number of funds.

REAL ESTATE FUNDS: CLARIFYING AN INDUSTRY WIDE MEASURE

To help very small enterprises (VSEs) hit by an administrative closure measure as part of the health emergency, the Minister for the Economy and Finance asked associations and federations representing landlords in March 2020 to cancel three months' rent. They responded favourably on behalf of their members. The AMF Chairman was then asked by the French Asset Management Association (AFG) whether this cancellation measure was compatible with the obligation to act in the interests of investors that applies to companies managing retail real estate funds (OPCIs, SCPIs and OPPCIs – real estate collective investment undertakings, real estate investment companies and professional real estate collective investment undertakings). In his response of 17 April 2020, the AMF Chairman concluded that the rent cancellation, if limited to three months, was compatible with the obligation to act in the interest of investors. This measure was an acceptable pragmatic solution given that situations of unpaid rent or unoccupied premises could be more damaging to the interests of investors. In addition to this measure, Article 20 of the Finance Act for 2021 provides, subject to conditions, for a tax credit for lessors who waive the November 2020 rent.

Ultimately, this asset class proved resilient and did not experience any significant defaults or other major problems. In fact, it even recorded a net increase in assets under management of €81 billion in 2020. It is also the asset class with the largest increase of assets under management in 2020.

DIFFICULTIES IN VALUING CERTAIN ASSETS

The valuation issues were just as significant as the liquidity issues, but they were characterised by very different situations depending on the asset class. These issues involved certain bond products, particularly at the short end of the yield curve and the high-yield segment, but also the entire unlisted companies segment. Between the end of March and the beginning of April, unlisted companies became difficult to value, especially those heavily affected by the health and economic crisis. For these companies, there was a lack of visibility to their near future and the valuation methods based on their financial statements for the year 2019 no longer provided a meaningful picture. This raised the question of the valuation of employee savings scheme funds (FCPEs) invested partly in unlisted assets, especially those invested entirely in unlisted company shares. Given the context, and quite understandably to protect investors' interests, subscriptions and redemptions of many FCPEs were suspended on the initiative of their management companies. At its peak, this represented a total of €4 billion in assets. The suspensions on most of these funds were lifted during the year once the experts were able to calculate their value.

Lastly, the AMF was compelled to demand the UK company H2O Asset Management LLP to suspend subscriptions and redemptions of three French undertakings for collective investment in transferable securities (UCITS) due to valuation uncertainties. These funds held positions in illiquid securities that were difficult to value, the proportion of which had increased significantly as a result of the market downturn in the first half of 2020, and which could not be sold. On this occasion, the asset management company decided to extend the suspension to all funds exposed to these illiquid assets and to set up side pockets (for the first time under the new regime introduced by the PACTE Law) on seven UCITS to isolate these illiquid assets and allow subscriptions and redemptions to resume on these funds' remaining assets.

NEW SIDE POCKET REGIME

Since 2008, asset management companies have been able to ring-fence certain assets in a side pocket collective investment scheme if the disposal of these assets is not in the interest of investors. This provision allows the asset management company to continue to manage and establish a net asset value on the “healthy” assets and consequently continue to process subscription/redemption requests on these assets.

The way in which side pockets work was revised in 2019 by the PACTE Law, which changed the technical arrangements. Now, the initial UCITS (or AIF) is split to keep the illiquid assets within this UCITS (or AIF), which is placed into liquidation – thus becoming the side pocket – while the healthy assets are transferred to a new UCITS (or AIF of the same type) created for this purpose. The law has retained the requirement that this new mechanism may only be implemented “*when exceptional circumstances require it and if the interests of investors or the public demand it*”.

ACTIONS IMPLEMENTED IN RESPONSE TO THE CRISIS

Fund monitoring stepped up...

Following the large-scale withdrawals from money market funds, the AMF stepped up its daily monitoring of liquidity in these products and the market participants concerned. However, after the first lockdown, these funds again attracted subscriptions that more than offset the outflows of €50 billion previously recorded.

One of the AMF’s monitoring activities for funds is based on data on net asset values and the number of units in circulation, which are used in a well-established process. This data can be used to detect abnormal subscription/redemption movements and identify potentially unusual performance. The crisis highlighted the need for real-time information to be available to help the regulator respond more quickly and proactively to potential problems requiring immediate attention. Between mid-March and July, one of the AMF’s main monitoring activities was to ask the main depositories to collect daily data on subscriptions/redemptions and net asset values of French funds. In addition to this data, information was also collected on non-compliance with the investment rules and restrictions applicable to the fund, enabling the regulator to identify those funds that might be experiencing liquidity stress. The ongoing use of this process, which was implemented as an exceptional measure, is currently under review.

... the use of liquidity management tools...

In addition to subscription/redemption flows and compliance with investment restrictions, the AMF encouraged the use of liquidity management tools. These include all measures that can be taken to ensure that investors are treated equally and that their interests are protected in the event of large-scale redemptions – which did not materialise – or restricted liquidity. Feedback from depositories shows that no gates (a mechanism for capping redemptions so that they can be temporarily spread over several net asset values) were activated, while the proportion of funds that include this mechanism in their prospectuses is still relatively low. Similarly, no side pockets (a mechanism for ring-fencing assets that are difficult to sell or value) directly related to the crisis was set up (*see sidebar*), with the exception of one specific situation. Furthermore, no malfunctions were noted for funds that used swing pricing and anti-dilution levies. These mechanisms are designed to ensure that investors in a fund do not bear the costs of a significant change in the position held by another investor. When the net new money flow is positive (or negative), these mechanisms are used to adjust upwards (or downwards) the net asset value (swing pricing) or the amount of the entry and exit fees paid to the fund (anti-dilution levies) and charged to the investor.

... and support for market participants

Despite unprecedented working conditions, with almost all AMF staff working from home, the AMF did continue to interact with asset management companies and industry associations to gather information on what was happening on the markets, in the funds and with investors. This also helped the AMF to understand the needs of market participants at the height of the crisis. The AMF provided support to asset management companies by publishing a document that was regularly expanded and updated to answer the questions raised by some participants and their industry associations. It also provided a degree of tolerance on the submission deadlines for certain documents, such as the annual disclosure sheet and the annual audit report for asset management companies and FIAs. The aim was to recognise the exceptional circumstances facing asset management companies and ensure that they could continue to do business. This was made possible by setting up a specific organisational structure for the AMF staff to ensure that they could continue to process asset management cases. This arrangement worked effectively, since no major problems were reported by any financial firm.

INCREASING DIGITALISATION OF COMMUNICATION

In 2021, the AMF will increase the digitalisation of its communication with asset management companies by upgrading the tool it uses to communicate with market professionals. This tool – known as ROSA – is designed to modernise interactions and communication between the AMF, its institutional partners (Banque de France, ESMA, Directorate General of the Treasury, etc.), asset management companies and other third parties. Eventually, ROSA will also feed into the AMF's extranet. In parallel with the deployment of this tool, the departments at the AMF will continue to implement its strategic plan, which aims to strengthen the "downstream" monitoring and supervision activities, while streamlining the initial "upstream" authorisation work in accordance with a risk-based approach and the regulations. The approach to supervision will therefore be tighter and more risk-based, enabling the AMF to allocate human and technical resources even more effectively.

Coordination with regulators within and outside France

From the outset of the crisis and throughout its course, the AMF continued to liaise with stakeholders such as the French Prudential Supervisory and Resolution Authority (ACPR), the Banque de France and the Directorate General of the Treasury. It also held bilateral discussions with its European counterparts, especially in Ireland and Luxembourg, and with ESMA, which organised discussions on issues related to the situation. The crisis revealed that European regulations on asset management and the supervision of these activities when they cross borders make it difficult to gather and share information with stakeholders and other regulators. This led the AMF to propose, as part of the European Commission's consultation on the review of the AIFM Directive, a new approach to allocating responsibilities among regulators, based on assigning a "lead regulator" in cross-border situations.

LESSONS TO BE LEARNED FROM THE CRISIS

Although the circumstances were exceptional, it is important to note that there were no major problems for either asset management companies or investment funds, even though a limited number of participants were more particularly affected and had to make use of the exception measures made available (suspension of certain funds, creation of side pockets, etc.).



The crisis prompted the AMF to strengthen its supervisory tools, information gathering and reporting. This approach was extremely useful in understanding how the crisis was playing out. Furthermore, while the AMF encouraged the use of liquidity management tools during the crisis, it calls for a much wider use by market participants of these tools, especially gates, in French funds. This will require changes to fund prospectuses, since the use of these tools must be clearly specified in them.

Lastly, because asset management activities are largely cross-border, the crisis highlighted the variety of national approaches, with different transpositions of EU directives, and the practical difficulties of exchanging information in situations where several regulators were likely to have jurisdiction over the same issue (e.g. in the case of an asset management company managing funds domiciled in another Member State under the EU passport regime). This highlights the lack of harmonisation in regulation and supervision at the European level, making the collection and sharing of information complex.

OTHER PROGRESS ON THE FRINGES OF THE CRISIS

Although the AMF's teams were heavily involved in the crisis, they also undertook other work.

Common supervisory actions

Since 2019, ESMA has been deploying Common Supervisory Actions (CSAs) based on the needs identified by its standing committees. These are joint activities coordinated between national supervisory authorities and defined according to a common theme and methodology. In 2020, the theme chosen – defined before the start of the health crisis – was the management of liquidity risk for UCITS managers in the European Union. Using questionnaires developed jointly by ESMA and the regulators, the regulators agreed to assess whether the UCITS managers under their jurisdiction were complying with the rules in their daily management activities. The first stage of the CSA involved each supervisor asking the vast majority of UCITS managers to provide quantitative data to gain an overall understanding of the prudential risks involved. The second stage involved conducting more in-depth prudential analyses, focusing on a sample of UCITS and UCITS managers. The results of this exercise are

expected to be reported back to market participants by ESMA in the first quarter of 2021. In general, ESMA's approach to CSAs is in line with its desire to play an active role in building a common supervisory culture among regulators and to ensure that this culture is consistent and effective throughout the European Union.

Guidelines on liquidity stress testing

Applicable since September 2020, ESMA's guidelines on liquidity stress testing scenarios are primarily aimed at UCITS and AIF managers. They clarify provisions in the UCITS and AIFM Directives on how liquidity stress testing programmes should be conducted by asset management companies. Money market funds are therefore also covered by them, but their specific guidelines prevail in case of conflicting standards.

The guidelines provide details over 16 sections on how liquidity stress testing programmes should be conducted by asset management companies. Some provisions also apply to depositories, which must ensure that these programmes are properly implemented, and to competent authorities, which may request a fund manager to provide them with its liquidity stress tests or any other related information.

The AMF guide on the use of stress tests in risk management and the AFG guide on compliance with the liquidity risk framework may help asset management companies comply with the guidelines, but they are primarily educational tools.

BREXIT

The bulk of the relocations of asset management companies took place in 2018 and 2019, ahead of the original Brexit date of 29 March 2019. At the end of 2020, 21 asset management companies had been incorporated in France as a direct result of the UK's exit from the European Union. This figure does not include the possible expansion of pre-existing entities in France. Furthermore, with the full effect of Brexit being felt on 1 January 2021, the AMF reminded the asset management industry of the consequences of the end of the transition period, including the end of passports for UK-based entities and funds.

SUPERVISION OF MARKET PARTICIPANTS

Asset management companies

The number of asset management companies saw a significant increase in 2020, as in 2019. This number increased to 680, compared with 657 at the end of 2019 and 633 at the end of 2018. This is a new all-time high for the number of asset management companies domiciled in France.

This trend is due to new company creations: 43 in 2020 (compared with 45 in 2019).

This renewed vigour, despite the health situation in 2020, is due to creations of private equity and infrastructure asset management companies, which account for 35% of the total, closely followed by real estate (30%), which returned to the levels seen in 2018 after a slump in 2019. After declining for three years in a row (2016-2018), entrepreneurial projects cemented their return and once again represented the majority of company creations (72%), while the proportion of creations by financial groups fell sharply to 28%. This strong showing had little to do with the Brexit effect in 2020 as, while a total of 21 asset management companies have been authorised since 2018 based on a project made necessary by the United Kingdom's exit from the European Union, almost all of them had anticipated this exit and set up their projects during the previous years.

The trend noted in 2019 and 2020 is also due to stagnation in the number of authorisation withdrawals (final or pending). This number, which has remained stable, tends to confirm once again the ongoing consolidation in the sector: 45% of authorisation withdrawals were due to a group alliance or reorganisation, compared with 55% on economic grounds related to lack of business, a higher figure than in 2019, although this increase cannot be attributed to the economic and health situation, given the small number of companies involved.

Furthermore, 74 extensions to programmes of operations were granted in 2020 with a continuing upward trend in the granting of loans and the use of complex derivatives.

AIF managers below the thresholds

Since 2014, the AMF has registered unauthorised AIF managers as asset management companies. This option results from the AIFM directive and is only available to managers, very often in the form of self-managed funds, that do not exceed the thresholds for assets under management provided for in the directive and that target only professional investors as defined by the MiFID directive. At the end of 2020, 33 fund managers were registered, compared with 32 the previous year.

Financial Investment Advisers

At the end of 2020, 5,617 financial investment advisers (FIAs) were registered with the French Insurance Intermediaries Registration Body (ORIAS), compared with 5,428⁷ a year earlier, representing 3.5% growth. As regards their total revenues, all business activities combined, based on the data collected by the AMF in 2020 for the financial year 2019, they posted a 5% growth to €2.9 billion. While the total revenues of FIAs have grown steadily over the past five years, the revenues reported for business activities covered by FIA status have been more volatile. While the total revenues of FIAs have grown steadily over the past five years, the revenues reported for FIA business have been more volatile. In 2019, there was an increase of 2.2% following two years of decline. The proportion of revenues coming exclusively from the FIA business remained stable at 24% in 2019.

Certification and annual training obligation of financial investment advisers

Previously exempted from this requirement, from 1 January 2020 new entrants to the profession must obtain AMF certification by passing an examination to confirm that they have the minimum knowledge required.

⁷ The file listing FIAs sent to the AMF in 2019, and included in its 2019 annual report, contained duplicates.

The number of FIAs in existence at the end of 2019 has been corrected accordingly in this 2020 annual report.

TABLE 3

Summary of asset management company authorisation

Companies existing on 31/12/2019	657
New AMCs (companies fully authorised on 31/12/2020)	43
Withdrawals decided in 2020	20
Of which final authorisation withdrawals announced in 2020	14
Of which pending authorisation withdrawals announced in 2020	6
Companies existing on 31/12/2020	680

Figure 4

Nature of initial authorisations

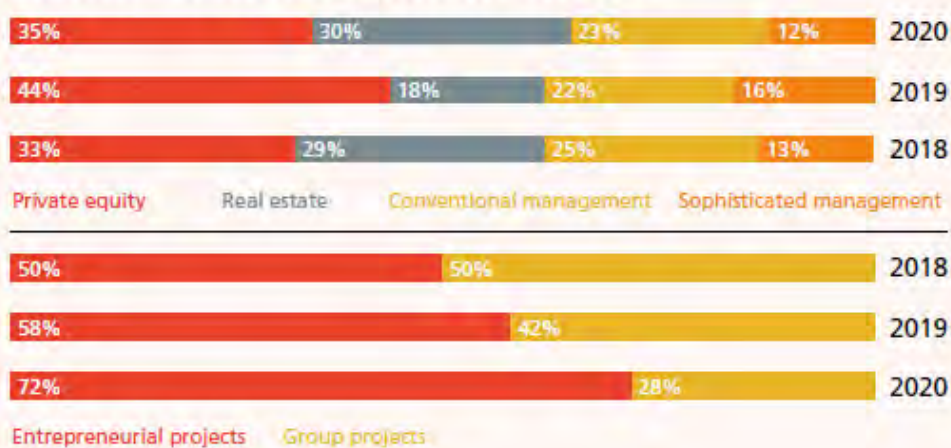


TABLE 4

Summary of registered fund managers in 2020

Companies existing on 31/12/2019	32
2020 registrations	4
2020 deregistrations	3
Companies existing on 31/12/2020	33

In addition to obtaining professional certification, financial investment advisers must take annual training courses specific to their business and experience, in accordance with the procedures laid down by their professional association, to keep their knowledge up to date. The topics covered in these training courses are those referred to in AMF Instruction DOC-2020-04. Two topics were added in 2020: sustainable finance and digital monitoring of the FIA's identity in order to raise awareness and protect investors from the upsurge in FIA identity theft.

Educational support system for FIA professional associations

At the end of 2019, the AMF updated the supervisory grids used by professional associations to supervise their members, incorporating the new rules applicable to FIAs following the implementation of the corresponding MiFID II regime for FIAs. The AMF took advantage of the update to set up a support system for professional association supervisors in 2020 to harmonise supervisory practices between the associations and the AMF. This system will enable the professional associations to ensure that their supervisory practices are more closely aligned with a risk-based approach, based on an analysis of the atypical products marketed by FIAs, the information provided to their clients particularly on the risks of these products, their sources of income and any conflicts of interest that may arise.

Strengthening communications between the AMF and FIA professional associations

At the instigation of the AMF, and to establish the information transmission framework agreed between them and the AMF, the professional associations strengthened their organisation and their conflict of interest management policy. To this end, the AMF amended its General Regulation in February 2020 in order to legally establish, within each association, a function responsible for the information sharing mechanism with the AMF. The system was launched during the summer. Its purpose is to inform associations of identified potential regulatory breaches by their members, which they can then check or monitor appropriately.

Crowdfunding investment advisers

As at 31 December 2020, ORIAS counted 65 crowdfunding investment advisers (CIAs) with eight new approvals in 2020 (compared with seven in 2019). European Regulation (EU) 2020/1503 of 7 October 2020 on European crowdfunding service providers for business, creating a single European status for crowdfunding service providers, will come into force on 10 November 2021.

Anti-money laundering and combating the financing of terrorism

The anti-money laundering and combating the financing of terrorism (AML/CFT) initiatives launched in 2019 were completed in 2020. Based on data from AML questionnaires and the resulting increased understanding of AML/CFT risks, on a sector-by-sector basis and at the level of each management company, the AMF developed its risk-based supervision policy for 2020, in accordance with the European guidelines on risk-based supervision published by the European supervisory authorities.

The four guidelines that make up the AMF's AML/CFT policy were updated to reflect the Order and Decrees transposing the EU's Fifth AML Directive. The aim of these updates is to help the professionals under its supervision to understand the regulatory changes. The guidelines now require regulated entities to consult the register of beneficial owners of client companies, except in the case of low risk, and eliminate the additional client due diligence measures in the event of remote entry into a business relationship. They also take into account the regulatory adjustments made in cases where the services of a third party are used to implement due diligence obligations before entering into a business relationship, or those aimed at reinforcing the enhanced due diligence measures when the transaction involves a high-risk country. Lastly, they include a recommendation that regulated entities include in their internal procedures a methodology for assessing the level of equivalence of the AML/CFT



obligations of third countries, based in particular on the lists and mutual evaluation reports published by the FATF. The AMF published its initial guide to asset freezing in summer 2020.

At the European level, since January 2020, the AMF has sat alongside the ACPR on the European Banking Authority's Standing Committee on Anti-Money Laundering, which has met five times. The AMF played an active part in the work on revising the European guidelines on risk factors applicable to asset management and in the first colleges of anti-money laundering supervisors, which involved the major European banking and insurance groups and their asset management company subsidiaries, for which the AMF is the regulator.

At the national level, the AMF remains committed to improving France's AML/CFT system through its advisory board on anti-money laundering and combating the financing of terrorism (COLB) and to preparing for the visit of FATF evaluators, which has been postponed several times because of the health crisis.

PRODUCT MONITORING

At the end of 2020, assets under management in French collective investment undertakings (CIUs) had increased by 9%. The increase in assets under management is more significant for AIFs excluding retail investment funds (FIVGs) (+12% in 2020) than for undertakings for collective investment in transferable securities (UCITS, +7% in 2020) and FIVGs (+9% in 2020). The number of CIUs has also increased overall, driven by the number of these same AIFs excluding FIVGs created, which offsets the decrease in the number of UCITS and FIVGs over the period.

Over the period, the upward trend in the creation of new vehicles in the real estate and private equity sectors observed in previous years continued.

Private equity was driven by a sharp increase in the number of approved funds created over the period, with 45 new approved products. This enthusiasm is the result of two factors. The first is the emergence of a new category of funds open to subscriptions and redemptions, known as "Evergreen" funds, which were made more attractive by Law 2015-990 of 6 August

2015 on economic growth, activity and equal opportunities (known as the Macron Law), which allows redemptions in kind in life insurance policies, and by the PACTE Law, which relaxed the investment rules for these vehicles. The second is the increase to 25% of the tax reduction for investments in SMEs, which has encouraged the creation of new retail local investment funds (FIPs) or real venture capital funds (FCPIs) that had been sidelined in 2019. However, these creations did not offset the liquidation of expired funds, resulting in a slight decrease in the total number of private equity funds.

The number of new employee savings scheme funds (FCPEs, 130 new funds authorised over the year) returned to the level seen in previous years after the sharp increase in 2019 (156 new funds). The actual launch of some of these new funds was nevertheless postponed or cancelled due to the impact of the COVID-19 crisis on the valuation of companies and therefore on planned capital increases.

Money market funds, which experienced a temporary decline during the year during the first lockdown (see page xxx), increased sharply over the full year, with almost 25% more amounts under management, even though the number of funds decreased. This increase was driven by the period of uncertainty and volatility in which money market funds were a safe haven investment that benefited from arbitrage against other traditional equity and bond asset classes.

Real estate continues to grow, both in terms of assets under management and the number of funds. Nevertheless, some real estate investment company (SCPI) launches could not be completed during the health crisis due to insufficient fundraising, resulting in their liquidation and reimbursement of early investors.

Lastly, there was a sharp decrease in cross-border mergers in 2020, in contrast to previous years which saw the transfer of the Amundi, ABN Amro and Lyxor International AM ranges in particular.

MARKETING OF FINANCIAL INSTRUMENTS BY INVESTMENT SERVICES PROVIDERS

Monitoring the distribution of financial instruments was one of the supervisory priorities for 2020, and action was taken to assess the compliance of investment services providers (ISPs) providing investment services with the rules governing such marketing activities (mainly resulting from MiFID II).

This monitoring took the form of a Common Supervisory Action initiated by ESMA at the European level (see page xxx), which focused on due diligence in terms of the suitability of products for investors' needs. This CSA consisted of a survey of a representative panel of firms subject to this regulation and was conducted using SPOT inspections.

Marketing was also monitored through several one-off thematic studies on the state of practices in the market.

TABLE 5

Review by product category

	2018	2019	2020	VAR	VAR %
CIU AUM (€ billions)	1 536	1 644	1 788	144	9 %
Number of CIUs	11 348	11 379	11 486	107	1 %
UCITS AUM (€ billions)	801	831	892	61	7 %
Number of UCITS	3 301	3 180	3 167	-13	0 %
Retail investment funds ('FIVG') AUM (€ billions)	321	332	360	28	9 %
Number of 'FIVG'	2 488	2 465	2 405	-60	-2 %
AIF AUM (excluding 'FIVG' funds in € billions)	413	481	536	55	12 %
Number of 'FIVG'	5 559	5 734	5 914	180	3 %

TABLE 6

Review by asset class

ASSET CLASS	NET ASSETS (IN € BILLION)				NUMBER OF FUNDS			
	2018	2019	2020	VAR (EN %)	2018	2019	2020	VAR % 19/20
Equities	282,9	323,7	327,2	1,1 %	1 887	1 837	1 740	-5,3 %
Euro Area equities	97,7	110,1	108,2	-1,7 %	507	505	477	-5,5 %
EU equities	31,5	36	34,5	-4,3 %	298	291	260	-10,7 %
French equities	22,7	23,3	21,1	-9,6 %	142	135	128	-5,2 %
International equities	131,0	154,3	163,4	5,9 %	940	906	875	-3,4 %
Bonds	261,7	277,2	286,6	3,4 %	1 150	1 143	1 122	-1,8 %
Euro bonds	182,2	193,8	206,9	6,7 %	797	782	783	0,1 %
International bonds	79,5	83,4	79,7	-4,4 %	353	361	339	-6,1 %
Mixed funds	366,2	393,4	417	6 %	3 846	3 801	3 910	2,9 %
Money market funds	339,9	334,2	415,5	24,3 %	273	230	217	-5,7 %
Real estate	111	124,6	134,2	7,7 %	608	633	645	1,9 %
Private equity	64,7	72,8	77,5	6,5 %	2 026	2 031	2 021	-0,5 %
Other	109,2	117,7	130,2	10,6 %	1 558	1 704	1 831	7,5 %
Total	1 535,6	1 643,6	1 788,1	8,8 %	11 348	11 379	11 486	0,9 %

PROVIDING INFORMATION AND STRENGTHENING PREVENTION AMONG RETAIL INVESTORS

More than ever before, the AMF used 2020 as an opportunity to prevent, inform, alert and educate the general public about investment issues. The health crisis and its impact on financial markets had a major impact on retail investors. They had to deal with a fall in stock prices, a drop in the value of their investments followed by volatility in a rising market, investment opportunities, the temptation of alternative products, an upsurge in scams, and more. The deterioration of the market environment in exceptional circumstances generated fears, uncertainties and a large number of questions that the regulator had to answer.

Education campaigns were stepped up to answer investors' questions on investment matters and to alert them to the risks of fraud. The AMF made every effort to be available to help retail investors and fulfil its remit to protect them by keeping them well informed. To achieve this, it had to make some adjustments of its actions because of the pandemic crisis. For example, the 2020 "Rendez-vous de l'Épargne" initiative – a pioneering financial education campaign conducted with the ACPR and Banque de France – had originally been organised as a series of nationwide events. Instead, it had to be deployed as a series of webinars with the Banque de France's regional branches providing a local presence. At the same time, the AMF published a number of studies throughout the year, focusing on the behaviour of savers and retail investors, including studies on employee savings schemes, the readability of information documents, the characteristics of retail investors and, of course, its annual Savings and Investment Barometer.

RETAIL INVESTORS CONFRONT THE CRISIS

Record requests

In 2020, a record number of requests were received from retail investors. The Epargne Info Service (EIS) platform handled 15,362 requests, compared with 11,300 in 2019. The AMF has never recorded so many requests since it launched in 2010. The reasons for the requests remained proportionally stable, covering funds and matters related to financial transactions, the stock market and financial scams.

The reactions of retail investors in this unprecedented scenario were varied. Many were understandably distressed by the shocks in the financial markets, fearing that the value of their savings would be significantly reduced or that they would not receive some or all of their dividends. At the same time, some were seeking information on how the financial markets worked to help them understand what was going on, particularly in March when measures such as the ban on net short positions were introduced. Others, however, saw the sharp decline in the markets as an opportunity to invest.

150,000 new investors

The AMF wanted to study the behaviour of retail clients of French financial firms and their branches during the period of high financial market volatility between 24 February and 3 April. Rather counter-intuitively, the coronavirus pandemic did not scare away investors. On the contrary, the stock market became more attractive to retail investors. Transaction reporting under MiFID II shows that activity was very strong on the French market, with individual shareholders investing €3.5 billion in the SBF 120 in six weeks. Purchases of French equities increased fourfold, with overall volumes increasing threefold. Some 580,000 individuals acquired equities in the SBF 120. Among these were more than 150,000 new investors, people who had not carried out any transactions between 1 January 2018 and 24 February 2020. With an average age of 40, these "new investors" are 10 to 15 years younger and invested smaller amounts than the usual holders of French equities. Lastly, it is interesting to note that 90% of the positions taken by all investors were kept at the end of the six-week crisis period studied, with only 10% of positions undergoing opportunistic reversals or asset reallocations. Over the whole of 2020, 410,000 new investors invested in equities.

Scams: an opportunistic scourge

Times of crisis are often fertile ground for the emergence and multiplication of financial scams. The COVID-19 crisis was unfortunately no exception to the rule. All the conditions were ripe: a downturn in the markets, a low interest rate environment, people spending more time on the internet and social networks, and a record level of savings inflows. The lockdown exposed retail investors – who were more easily accessible – to fraudulent players touting high-yield, risk-free investments. The phenomenon was further exacerbated by the sharp decline in the markets in the spring, which prompted a number of yield-seeking retail investors to turn to alternative investments with attractive claims. Fraudsters constantly came up with ingenious ideas purporting to offer safe havens such as gold or miscellaneous assets such as containers or spirits. There was a sharp increase in the number of fake identities and fake products in 2020, accounting for 44% of losses from scams reported by investors to the AMF. This situation requires everyone to be extra vigilant.

Well-established techniques...

Generally speaking, fraudsters have turned the internet into their preferred playground for canvassing their victims. Using a tried and tested method, victims are badgered by offers appearing as advertising banners requiring forms to be filled in, the sole purpose of which is to collect personal data (postal address, e-mail, telephone, etc.). Once this data has been collected, scammers usually contact victims persistently by telephone, text message or e-mail, offering them miracle investments or investments with a positive image. They are then encouraged to make a quick decision so they do not miss out on the offer, which, of course, is temporary and must therefore end soon. However, these are mere mirages because the products do not exist and the money ends up in the pockets of the scammers.

In 2020, the use of false identities, a new phenomenon in terms of its scale, increased significantly and became a real scourge. Scammers fraudulently use the identity and authorisations of both regulated investment services providers and products that have been successful in terms of performance and subscription. They create a misleading climate of confidence for the investor who believes that they are subscribing to existing products with a professional and regulated provider, when in fact this is not the case – and their money has gone forever.



... and multi-faceted scams

While these techniques are relatively well known, scams are encompassing an ever-widening spectrum of products. In 2020, airport parking spaces and, to a lesser extent, rooms in nursing homes were the offers behind many scams, but they also involved real goods such as wine, champagne and spirits, containers and even safe havens such as gold. However, while these types of miscellaneous offers must be registered with the AMF before they can be marketed, and are therefore included on the white lists that can be consulted on the AMF website, no offers of this type had ever been registered beforehand.

Offers relating to trading in crypto-assets or Forex (unregulated foreign exchange market) unfortunately experienced a resurgence in late 2020. The number of offers for supposed training courses in Forex or crypto-asset trading increased, targeting young people in particular and based on a pyramid recruitment and compensation process. For between one or several hundred euros, they were offered a training package, sometimes with a monthly subscription, that they then had to promote, targeting young, inexperienced people who tend to have difficulty managing their daily budgets.

Alerted by reports from parents and relatives concerned about the involvement of their children or friends, the AMF issued a public warning on 22 June 2020 to provide more information about these pyramid-selling schemes that offer training in trading. These offers are usually posted on messaging systems or social media networks, often with attractive videos, aimed at internet users, especially students, who were even more exposed to these channels because of the health-related restrictions preventing them from leaving home. The language used promotes “great deals”, “easy money” and “passive income” with the promise of “making a fortune without doing anything”. The AMF emphasised that there is no such thing as easy money and that the job of a trader cannot be taught or learned in just a few hours. It stressed that these products are dangerous and subject to specific investor protection measures at the European level. It also pointed out that firms operating in Europe are obliged to disclose on their trading platforms the percentage of their clients who lose out when subscribing to financial contracts for difference (CFDs). This percentage generally varies from around 70% to over 80%, depending on the firm. These figures call for the utmost caution.

Rampant identity theft

The AMF noted a sharp increase in the number of cases of the misappropriation of logos, names, licence numbers and slightly modified official website addresses. This gave investors confidence and lowered their guard. The scale of these scams was huge and concerned both products such as SCPIs⁸ and regulated entities such as asset management companies, investment services providers and financial investment advisers. Riding the wave of the news, some unscrupulous players even resorted to collecting personal data from investors using data collection forms called “leads” distributed from web pages designed to arouse curiosity by offering them investment opportunities in the health sector and in laboratories working on a COVID-19 vaccine. The scammers then called people back on either this or another offer. A major investment scam in European airport car parks took place in 2020. To make the offer more credible, the scammers used well-known names in the construction industry and financial intermediaries such as financial investment advisers, misappropriating their ORIAS registration numbers to make investors believe that they were dealing with a professional with a regulated status. Vigilance is more important than ever to face these new scams.

ACTIONS IMPLEMENTED TO COMBAT SCAMS

Various initiatives were implemented both to provide quick answers to investors’ questions and to prevent financial scams.

Joint communication by regulators

As part of their respective duties to protect savings and clients in the banking and insurance sectors, the AMF and the ACPR urged the general public to be extra vigilant given the rise in these risks, as soon as the pandemic broke out and in the wake of the financial market downturn. In a joint statement, the two regulators reminded everyone of the precautions to be taken and the rules of prudence to be followed before any investment or subscription.

⁸ Real estate investment companies

Updates to blacklists

Throughout 2020, the AMF's alerts table was updated on its website and in the AMF Protect Epargne application. The table contains all the warnings about unauthorised sites, false identities, and theme-specific or individual alerts. The blacklists of sites not authorised by the AMF, which are based on non-compliance with specific regulations such as trading in Forex derivatives, crypto-assets and miscellaneous assets, were also regularly updated. In 2020, no fewer than 133 sites or players were added to these lists. The regulator recommends that these lists be consulted as a matter of course before investing, although it does warn that they can never be exhaustive and do not replace the need to be on high alert in the event of unwanted solicitation. It is worth noting that for the first time in this area, at the request of the AMF, the Paris Tribunal de Justice ordered the closure of six internet addresses relating to three websites illegally offering investments in miscellaneous assets.

The AMF also recommends consulting its white lists, including those for intermediation in miscellaneous assets (with seven offers registered with the AMF), those for digital asset service providers, which are required to be registered to provide the services of buying and selling of crypto-assets (seven by the end of 2020) and those for ICOs, which can obtain an optional approval (two in 2020).

A national task force to combat scams

In response to the upsurge in scams detected during the COVID-19 crisis, government departments and regulatory and supervisory authorities, including the AMF, joined forces for the first time in a "national taskforce to combat fraud and scams in the context of COVID-19". Set up in April on the initiative of the Ministry for the Economy and Finance, the taskforce pools the skills of each of its members to optimise public action against this scourge. This resulted in the publication of a prevention guide entitled "*For a Successful Easing of Restrictions and a Scam-free Return to Business*", for which the AMF and the ACPR drafted a practical information sheet entitled "*Savings and Loans: Beware of Fraudulent Offers*". It contains advice on how to recognise and protect oneself against scams, the idea being that everyone should learn to develop their own ways of being vigilant. This guide is unique in that it deals with all types of scams across all sectors.

A set of FAQs specifically for investors

During the crisis, AMF staff helped with updates to the COVID-19 section of the AMF website by providing investors with a set of frequently asked questions (FAQs) to help them understand what was happening on the financial markets. This was a very new approach that was in direct response to the ongoing crisis. AMF staff took the questions that retail investors were asking and provided answers to them in the form of FAQs that were improved and expanded as new questions arose and existing ones changed.

OTHER PROGRESS DURING

THE CRISIS

The crisis kept the AMF busy throughout the year and caused it to issue even more warnings. It also showed how crucial financial education, to which the AMF has long been committed, is in helping everyone to develop appropriate investment and vigilance practices, how important it is, in these unprecedented times, to gain an insight into trends in the investment and savings behaviours of retail investors, and how necessary it is, more than ever, for market professionals to provide good quality advice and support. The AMF stepped up its efforts in each of these areas in 2020.

Financial education: new tools deployed

Launch of the "Rendez-Vous de l'Épargne"

The support provided to savers took the form of various financial education initiatives. In November 2019, at the strategic committee on financial education chaired by the Minister for the Economy, Finance and Recovery, the AMF and the ACPR were asked to organise presentations on savings for the general public throughout France in 2020, using the Banque de France network. The aim of these local presentations was fourfold: to provide a better understanding of the low interest rate environment, to develop precautionary savings habits, to extend investment horizons by introducing a degree of diversification into riskier products for those who can and want to do so, and to help people fully get to grips with the universe of savings products. These "Rendez-vous de l'Épargne" were part of the national strategy for financial education. Originally, the presentations were to be held

in the regions in front of a live audience, to be as close as possible to investors and be able to talk directly with them about savings. However, the health crisis and related lockdown measures put paid to that. The AMF and the ACPR thought creatively and came up with a new solution for this initiative. The chosen delivery method was a series of regional webinars held between mid-September 2020 and mid-January 2021. Two official representatives – one from the AMF and the other from the Banque de France – hosted the webinars live from a different Banque de France regional branch for each webinar, and then from Paris. The advantage of this solution was that it was conducted locally, with a departmental or regional director from the Banque de France having detailed knowledge of the economic fabric and stakeholders in their area. People with local experience (university professors, representatives of consumer associations, etc.) contributed by providing insights into a savings topic of their choice. In the end, forty cities across France hosted these “Rendez-vous de l’Épargne”, and they were given wide coverage in the local press. Each webinar attracted an average of 125 participants and successfully achieved the objective of having a diversified audience that included current and future savers, with students, working people and retirees all taking part. In total, nearly 5,000 people attended these webinars.

... and a first MOOC

Continuing its commitment to financial education, the AMF, in partnership with the French National Institute for Consumer Affairs (INC), launched its first Massive Open Online Course (MOOC) in 2020. Entitled “*How to Manage your Savings and Investments Effectively*”, this free online course was open to everyone on the France Université Numérique platform and no particular

knowledge or diploma was required to take it. The course covered the essentials of financial vocabulary, explained the contents of key investor information documents (KIIDs) and reviewed how investments work.

The aim was to train people in the methods and good practices of saving and investing, to familiarise them with and improve their understanding of the various financial products available, and to raise awareness of the risks of scams. Each three-week MOOC module – of which there were three – included videos, supporting documents and self-correcting exercises. The first module focused on investors, their roles, profiles and objectives, and on the importance of precautionary savings. The second dealt with key investment concepts: risk, return and its calculation, understanding the KIID, and retirement savings. Finally, the third module dealt with the role of the adviser, diversification, responsible finance and how to detect the signs of a potential financial scam.

This very first MOOC was a great success. More than 20,000 people registered for the course and, of those, 5,262 completed all three modules, including the final assessment. At the end of the course, participants were assessed based on their answers to a series of 30 questions. They were awarded a MOOC Certificate of Completion if they obtained a score of at least 50%.

A range of materials focused on sustainable finance

An increasing number of retail investors want to make their savings more meaningful by helping to finance companies that are committed to responsible practices. Given the ever-growing range of financial

LIMITING THE RISK OF GREENWASHING

The AMF has noted an increasing number of advertisements for collective investments that use the term “sustainable finance”. It is essential that this term should not be overused, especially in an area where transparency for investors is paramount. The AMF is determined to preserve investor confidence by limiting the risk of greenwashing. It has therefore recently strengthened the obligations of financial market participants. They must now demonstrate that they are committed to paying considerable attention to non-financial factors in their management of “responsible” investments if they want to be able to claim this in their marketing actions with retail investors.



products and the multitude of terms used to describe these investments, the AMF decided to publish an information guide on sustainable finance for the general public. The aim of the guide is to provide investors with the information they need to identify investments that are in line with their own objectives and values. It describes the main sustainable investment strategies, the labels awarded in France, how to invest, and other useful information.

The AMF also used other educational tools to promote sustainable finance. Webinars, infographics on the AMF website, educational content and presentations at World Investor Week 2020 were all opportunities to explore sustainable finance.

The topic also featured in the “Consomag” series that the AMF produces each year with the INC. These programmes, which are broadcast at the end of the year on France Télévisions, aim to raise awareness among consumers about savings and financial investments.

Standardised professional certification for quality advice

In 2020, the roll-out of a common examination database was also completed. This database contains more than 2,000 questions from which the questions selected for the AMF professional certification examination are extracted. This important work has improved the quality of this examination by making it more standardised. AMF professional certification is an asset for the Paris financial marketplace and enhances the status of its professionals.

Some fifteen certified training organisations are now all working from a common database of questions when assessing the minimum knowledge required in financial matters. The AMF’s professional certification plays a key role as a passport to practise as a professional in the financial world. Both investment services providers (sales staff, asset managers, financial analysts, etc.) – through the external examination, internal verification or an equivalent assessment – and financial investment advisers – through the external examination – must obtain this certification to conduct their business. It is the only examination that covers such a wide range of knowledge across multiple disciplines to assess all the major concepts that a financial market professional needs to have mastered to work in the financial markets sector or with financial products, particularly when dealing with clients.

INVESTORS AND THE HEALTH CRISIS

Despite the uncertainties surrounding the health crisis and the associated market turmoil, investors remained calm overall, with 54% of them not changing their investments at all, i.e. they did not make any transactions. More than a third invested further during the period, either in instruments already held (24%) or in new instruments (13%). In terms of new instruments, 76% invested in equities. At the end of September, only one in four investors said they were concerned about their invested savings or about their own financial situation. Nevertheless, a majority of respondents expected an unstable situation with uncertainty and lower returns. Equity holders were rather pessimistic about the short-term prospects (55%). Just over a third of respondents were considering investing (mostly in equities), and half were not planning to touch their investments.

Preventing and detecting scams with artificial intelligence

To improve its ability to detect scams and better protect investors, the AMF has been involved in a number of ambitious artificial intelligence projects conducted by its Datalab over the past few years. Three new tools have now been deployed: FIS.H., Spade and Wetrend detect fraudulent websites by using spam received by internet users to identify certain scams earlier and identify trends.

Better understanding of investor behaviour

The AMF’s Savings Observatory publishes surveys regularly on the behaviour of savers and retail investors in its household savings newsletters, its Savings and Investment Barometer and its studies. This past year has been a good opportunity to carry out some specific observations and analyses in relation to the crisis.

The crisis prompts caution

Given the particular circumstances of 2020, the fourth edition of the AMF’s Savings and Investment Barometer provided an opportunity to examine the impact of the health crisis on retail investors’ preferences, perceptions and expectations. The first finding was that openness to risk is still limited: half the respondents – 1,206 French people aged 18 and over surveyed at the end of September – do not want to be exposed to it.

Those who are willing to take on some risk allocate only a limited proportion of their savings to it. For example, in the case of a ten-year investment, 55% of retail investors say they are willing to allocate a maximum of 10% of the sum available to a risky investment. Only 10% are willing to allocate more than 40%.

THE RIGHT PRODUCT FOR THE RIGHT CLIENT

Before providing advice or recommending a financial product, financial firms must, as required by MiFID II, define the category and profile of their clients according to their financial situation, objectives, investment horizon, risk appetite, financial ability to bear losses, knowledge and experience. They must define the target market for each product marketed and ensure that the profiles determined are properly matched with the products recommended to their clients.

The AMF conducted a survey of several banks to understand how they had implemented these rules and analyse their impact on the diversity of financial investments offered to clients. It asked these banks to simulate the recommendations made to typical clients with substantial liquid savings, varying degrees of risk tolerance and long-term investment objectives (retirement).

The main finding was that the tools implemented by the banks do enable their advisers to recommend, to varying degrees, diversification of their clients' savings into risky assets. All the simulations carried out resulted in proposals to diversify clients' savings. The common feature of the approaches, which varied from one bank to another, is that they define an average target risk level for the total financial assets held by profiled clients and propose asset allocations in which financial instruments are mixed in such a way as to achieve the overall target level of risk. By using the guidance provided by the tools and taking into account all the information they have regarding their clients' objectives and situation, advisers continue to have significant responsibility in determining the investment recommendation.



Download the *Study on the profiling of bank clients and matching of these profiles with products as part of an investment advisory service*

The interest of French people in equities is still modest (three out of ten). More than half of those surveyed (56%) still have no confidence in this asset class, but this mistrust is waning (-8 points compared with 2019). In the minds of a large majority of savers (68%), equity investments are still reserved for people in the know. For the 26% who are confident, equities are an opportunity to profit from the economic performance of companies and a solution for making their savings grow faster over the long term. The AMF barometer also shows that half of French people believe that equity investments have been profitable over the past five years and that the rate of return has been 4% per year on average. At the end of September, one in five French people considered it likely that they would invest in equities over the next twelve months.

While 74% of French people continued to save over the previous twelve months, 16% of them did so more than usual during lockdown. And of these, six out of ten people had not spent these additional savings since the end of the first lockdown. These savings are generally reserved for unforeseen circumstances, particularly health expenses. This purpose has become more important during the crisis for 40% of respondents. More generally, for 28% of respondents, the health crisis has prompted them to take fewer risks than before.

Some confidence in equities

To supplement the barometer's more general insights into their behaviours, a specific study on retail investors was conducted in September 2020. The *Characteristics of Retail Investors* report, published in October, looks in depth at their motivations and investment practices. This study, conducted by the CSA Institute on a representative sample of 705 investors, provides insight into their behaviour during a period marked by uncertainty.

Overall, it appears that these investors (holders of investment products in unit-linked life insurance policies, PEAs or securities accounts) have confidence in equity investments and are willing to invest more. The vast majority of them see themselves as long-term investors who manage their investments as "good heads of the family", and 64% feel they know a fair amount about saving and investing (compared with 48% of French people overall). They also show a certain degree of autonomy in this area, since the majority of them assess the level of risk of their investments themselves (70%) and consequently decide on their investments themselves (78%). However, they still seek out advice and information. For example, 67% consult their bank adviser from time to time.

The report also highlights that retail investors regularly monitor their investments and the economic and financial news. Two out of three say they spend time at least once a month doing this. Furthermore, 51% of holders of individual shares say they do so every week. Some 85% of them say they are satisfied with the investments they have made and usually take a measured view of the risk. A significant majority (63%) accept the risk of losing a reasonable amount of capital. These factors notwithstanding, 44% of these investors invest between 10% and 30% of their financial assets in risky investments, and 27% invest between 30% and 50%.

Employee-savers are satisfied plan members...

The survey conducted as part of the fourth Employee Savings Week was designed to assess employees' views on employee savings schemes and to ask them about their investment choices. The results show a high degree of awareness among employees, with 83% knowing at least the name of the company savings plan (PEE, 74%), group retirement savings plan (PERCO, 71%), or company shares or stock options (62%). Similarly, the sources of funding are generally well known: 87% mention discretionary employee profit-sharing and 83% mention statutory employee profit-sharing, although only 55% mention the matching employer contribution.

Among those who are members of a savings plan, 78% say they are "fairly satisfied" or "very satisfied", and 59% consider it to be clear and simple, 72% easy to manage, and 74% profitable. In addition, 73% of members would recommend the plan. Some 60% of the bonuses received are paid into a PEE or PERCO mainly to supplement employees' retirement income and to cover unforeseen expenses, while 20% prefer to receive their bonuses directly. In terms of investment, 90% of plan members consider the product to be suited to their needs, and 71% say they are able to choose their own investments. However, 74% prefer risk-free and conservative investments, often in risk-profiled diversified funds.

... who want more clarity

When asked about their expectations, 55% of those surveyed expressed a need for help in managing their savings (e.g. choice of funds or changes in investments). They would also like to have simpler procedures (31%), clearer systems (28%), more support (28%) and more information (25%) from their company or the organisation managing the plan. In this respect, only 41% of employees surveyed said they were aware of

MORE EDUCATION ON FINANCIAL INVESTMENT FEES

The AMF conducted a qualitative study to assess the clarity of information on fees for direct investment in equities or investment through funds. "Ordinary" investors were asked to provide feedback on fee leaflets, key information documents (in KIID and PRIIPS formats), prospectuses and annual fee summary tables.

With the exception of the fee summary tables, which were viewed positively, investors felt that the various documents presented to them could be made clearer. The prospectuses for collective investments, in particular, were harshly criticised as not really being aimed at investors.

The PRIIPS Key Information Documents (KIDs), which provide a simulation of the impact of fees, were well received because they allow investors to understand the impact of fees on investment performance over time. They found that the KIID format was simpler, but less educational.

The study reveals that the information on fees is not considered to be sufficiently educational. Investors expect technical terms to be simplified and standardised and want to be able to measure the impact of fees on their investments more readily. By contrast, the educational content (infographics, videos and online fee simulator, seen as a helpful tool) on fees published on the Retail Investors section of the AMF website was universally praised for its presentation, which was considered relevant, clear and useful.



Download the Study on the understandability of information on fees related to financial investments

the creation of the retirement savings plan (PER) introduced by the PACTE Law in October 2019 and 36% of the option of early release to buy their main residence.

The introduction of a new group PER, replacing the existing PERCO, creates a new challenge for the future in terms of understanding the new rules governing the retirement savings plan.

AMF OMBUDSMAN'S OFFICE: A PUBLIC SERVICE FOR RESOLVING DISPUTES

In accordance with the regulations, the AMF Ombudsman's work is presented each year in a public annual report. This report, which will be published in May 2021, will be available in the "Ombudsman" section of the AMF website.

The AMF Ombudsman is Marielle Cohen-Branche.

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



OMBUDSMAN

Marielle Cohen-Branche



Find out more about the Ombudsman

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

Mediation is a free public service that provides for the out-of-court settlement of financial disputes. It targets savers and investors, both individuals and corporate entities (a retirement fund or an association, for example). The range of disputes eligible for mediation corresponds to the AMF's jurisdiction, i.e. disputes with an investment service provider (a bank, an asset management company, etc.), a financial investment adviser or a listed company. The Ombudsman also has jurisdiction over crowdfunding investment advisers. However, she has no jurisdiction in the areas of taxation, life insurance and bank transactions or investments. By law, the AMF Ombudsman has exclusive jurisdictional authority over financial disputes with investment services providers and listed companies. The law also allows agreements to be reached between the AMF Ombudsman and contractual ombudsmen capable of handling mediation for financial disputes. When such an agreement has been signed, and in the event of a financial dispute, an institution's client can choose, definitively, to refer the case to the institution's

ombudsman or the AMF Ombudsman. The French Commission for the Evaluation and Supervision of Consumer Mediation must be informed whenever such an agreement is signed. At the end of 2020, four such agreements had been signed.

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

TABLE 7

Cases received and processed by Mediation

	2017	2018	2019	2020
Cases received	1 361	1 438	1 295	1 479
cases falling within the AMF's jurisdiction	51 %	55 %	59 %	65 %
Cases processed ⁹	1 406	1 408	1 322	1 327
Ombudsman's decision:				
of which decisions favourable to the plaintiff	506	523	451	505
	54 %	54 %	41 %	53 %
Approval rate ¹⁰	97 %	94 %	96 %	96 %

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



Visit the AMF Ombudsman's blog



⁹ The cases received are all destined to be processed, and the difference between the cases received and cases processed in a given year constitutes the change in the stock of cases in process.

¹⁰ Rate of compliance with proposals favourable to savers and rate of dispute of unfavourable decisions.

Sustainable Finance

In terms of the fight against global warming and the pursuit of the Sustainable Development Goals, 2020 was a paradoxical year. The health crisis linked to the COVID-19 epidemic triggered, as economic activity fell, an unprecedented decline in global greenhouse gas (GHG) emissions from fossil fuel combustion and industry.⁹ However, a decline of this magnitude in just one year cannot alter the climate change trajectory, and 2020 was also the warmest year on record since records began in 1850.¹⁰ Furthermore, this reduction in GHG emissions was accompanied by a major shock to the economy and a pandemic that has had disastrous effects on the social objectives of sustainable development (loss of human life, increased poverty and unemployment, long-term impacts on education and health, etc.).

This crisis has also revealed the urgent need to take action to combat climate change. The mobilisation of public and private stakeholders to help overcome the health and economic crisis therefore provides a unique and historic opportunity to transform the productive fabric towards a model that is friendlier to the environment and biodiversity and to secure, in particular, a sustainable reduction in GHG emissions. The financial sector, which has been heavily involved in supporting businesses during the crisis, has a crucial role to play in this transition, as shown by the growing appetite for sustainable investment.

The growth of sustainable finance is notable in the European Union, where it can rely on a pioneering regulatory framework, outlined in the European Commission's March 2018 action plan, which has resulted in several innovative texts. Domestically, public authorities and private stakeholders continue to be mobilised, and the AMF made a major contribution to those efforts in 2020, with one primary objective: to ensure that the greening of financial markets is effective and credible.

CLIMATE AND SUSTAINABLE FINANCE COMMISSION: ITS FIRST FULL YEAR AT THE HEART OF THE AMF'S WORK

In its first full year of operation, the CSFC met on a regular basis – more than once a month on average – to fulfil the mission entrusted to it by the AMF Board: to support the AMF's work, to inform the Board's decisions and to help mobilise the financial sector in response to climate risk and the challenges of sustainable finance.



Find out more about the Climate and Sustainable Finance Commission

⁹ Source: Global Carbon Project

¹⁰ Source: World Meteorological Organization



NON-FINANCIAL APPROACHES IN COLLECTIVE INVESTMENT

The development of funds that take environmental, social and governance (ESG) criteria into account, which has been accelerating in France since 2019 and is now aimed at both institutional and retail investors, has been accompanied by a more widespread sales pitch on ESG issues. To ensure that investors are properly informed and to prevent the risk of greenwashing, the AMF published in March 2020 a position-recommendation on non-financial approaches used in collective investment schemes.

This initial element of policy, updated in July 2020, aims to ensure proportionality between the consideration given to non-financial criteria in managing a fund and the place reserved for these criteria in investor communication. To achieve this, minimum criteria are defined for funds marketed to retail clients where ESG factors are a central component of the information provided. By clarifying its expectations of fund managers, the AMF wanted to facilitate the transition of investment fund families launched by several French asset management companies.

In addition, the AMF published its third report on non-financial approaches in collective investment schemes in December 2020. This report provides an overview of the ESG fund market and details the specific approaches to certain asset classes (private equity, real estate, money market funds) or strategies (synthetic replication funds). It also discusses the use of GHG emissions data by “green” or “low-carbon” funds and questions the quality of the information provided by these funds and their compliance with the disclosure obligations of Article 173 of the French Law on Energy Transition for Green Growth.

Lastly, the AMF was particularly active in 2020 in preparing for the forthcoming changes to the sustainability transparency obligations for investors and asset management companies set out in Regulation (EU) 2019/2088, known as the Sustainable Finance Disclosure Regulation (SFDR). These new provisions, which replace those of Article 173 of the 2015 French Law on Energy Transition and Green Growth, are supplemented by specific provisions for French market participants detailed in Article 29 of the 2019 Energy and Climate Change Law (LEC). They are accompanied by technical standards that were the subject of a consultation with the European supervisory authorities in summer 2020.



[Read the AMF's third report on non-financial approaches in collective investment schemes](#)

CLIMATE COMMITMENTS MADE BY FINANCIAL INSTITUTIONS IN THE PARIS FINANCIAL CENTRE

At the end of 2020, the AMF and the ACPR published their first annual report on climate commitments made by banks, insurers and asset management companies based in the Paris financial centre. This report was prepared as part of the joint mechanism, announced by the authorities in July 2019, for monitoring and evaluating commitments.

The first part of the report focuses on financial institutions' thermal coal policies, thermal coal being one of the most GHG-emitting sectors. The report confirms that French financial players have relatively low exposure to the financing of thermal coal activities, but also identifies areas for improvement in the methodologies and communication of the policies adopted.

In the second part, the overview of commitments shows that the financial sector is becoming aware of its responsibility in relation to the climate emergency. However, the commitments vary in scope and ambition, and also in the methodologies adopted and the efforts made to achieve transparency. This overview is supplemented by a detailed report on the reporting practices of ten major French financial institutions based on the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) as these financial institutions have committed to this voluntary transparency approach.

AMF CALLS FOR MINIMUM STANDARDS FOR SUSTAINABLE INVESTMENT FUNDS AND A EUROPEAN LABEL FOR RESPONSIBLE INVESTMENT

In a position paper published in July 2020, the AMF proposes expanding the European regulatory framework for sustainable investment. The new transparency obligations introduced by the SFDR will undeniably provide more information on the ESG

characteristics and objectives of products. However, they may not go far enough to prevent greenwashing as there is still no common understanding of the main terminology used. Minimum standards should therefore apply to products that promote ESG criteria in their marketing. Given the fragmentation that currently exists in domestic labels for sustainable finance, there is also an urgent need to develop a European label for "sustainable" or "ESG" investment products, alongside the future European Ecolabel, which will target "green" investment funds.

THE AMF'S POSITION ON THE REVISION OF THE NFRD ON NON-FINANCIAL REPORTING AND ON THE REGULATION OF NON-FINANCIAL RATING AGENCIES

The success of the EU Sustainable Finance Action Plan depends largely on the availability and quality of corporate information. The AMF proposes introducing more harmonised European ESG corporate reporting requirements that would apply to a wider range of listed and non-listed companies. Furthermore, given the growing importance of ESG data to financial markets, Europe needs to develop a regulatory and supervisory framework for rating agencies and ESG data providers. This is the thrust of the proposals developed by the AMF with its Dutch counterpart, the Authority for the Financial Markets (AFM).

EDUCATION

Educational initiatives on sustainable finance were undertaken in 2020, aimed at retail investors. These are described on page 66.



Read the AMF's position paper published in July 2020

INNOVATION

DIGITAL FINANCE: THE AMF'S POSITION ON THE EUROPEAN STRATEGY

On 24 September 2020, the European Commission published a Digital Finance Package for Europe. The main objectives of the package are to adapt the European regulatory framework for financial services and provide consumers with access to innovative financial products while ensuring consumer protection and financial stability. It includes a new financial innovation strategy together with legislative proposals on crypto-assets and digital resilience.

The AMF welcomes this initiative to encourage financial innovation in Europe and foster the emergence of a single market for digital services. The AMF set out its goals for a European digital finance strategy in its responses to three European Commission consultations published in late 2019 and early 2020 and in a position paper published in July 2020.

The AMF applauds the European Union's decision to regulate crypto-assets that are not financial instruments (through the Regulation on Markets in Crypto-assets, MiCA) while proposing an exemption regime for projects involving "tokenised" financial instruments (through the pilot regime for market infrastructures) and a new regime for IT resilience (with the DORA Regulation). However, some adjustments to these proposals may need to be considered to ensure that Europe retains a framework that is both protective and appropriate for financial innovation.



[Download the AMF's response to the European Commission's consultation on the European Digital Finance Strategy](#)



THE AMF'S VIEW ON THE EUROPEAN DATA STRATEGY

The AMF has responded to the European Commission's consultation on the European Data Strategy.

Data management is the foundation of any digital transformation. Access to and the ability to use an ever-increasing volume of data is essential for innovation and growth, enabling better services. Improving the quality and standardisation of data is a prerequisite for the development of AI-based applications. In addition, the consultation addresses the topics of cloud computing and data sharing.

The AMF very much welcomes the initiative to establish a European data strategy. It is in favour of retail investors having access to their own data. It strongly supports the standardisation of data to ensure that it is available and can be reused in a uniform way across the EU, creating value. To this end, more work seems necessary on the standardisation of metadata schemas, data formats, licenses and especially metadata variables. The AMF also recommends the possibility of receiving feedback from data users so that datasets can be updated and improved.

With regard to the cloud, the AMF has experience of, and has received consistent testimonies from the French financial sector regarding, the asymmetry of bargaining power between customers and cloud IT service providers such as GAFAM (Google, Amazon, Facebook, Apple and Microsoft). It has noted unbalanced contractual practices and significant difficulties in changing cloud providers once the contract has been established ("lock-in"). The AMF is in favour of standardising contractual clauses so as to promote a better balance in relations between financial institutions and cloud providers.

THE AMF'S POSITION ON ARTIFICIAL INTELLIGENCE

The AMF has responded to the European Commission's consultation on artificial intelligence (AI).

In its response, the AMF considered that financial services should not be classified as high risk at this stage, mainly because AI is still not widely adopted in financial services, neither in France nor in the European Union. For this reason, the AMF is not in favour of mandatory regulation of AI employed in financial services at this stage. For the same reasons, the AMF is not in favour of a labelling mechanism because it would add complexity and cost to firms, at a time when it is desirable to foster the emergence of the European AI market. The AMF suggests that the emphasis should be on clear liability and security rules, the robustness of AI systems and the quality of model training data sets.



[Download the AMF's response to the European Commission's consultation on the *European Data Strategy*](#)



[Download the AMF's response to the European Commission's consultation on the *White Paper on Artificial Intelligence*](#)

EUROPE

RESPONDING TO THE CRISIS

In response to the pandemic crisis, in July 2020, the European Commission proposed a package of legislative measures to pave the way for a rapid economic recovery by easing certain regulatory constraints without jeopardising investor protection. This package has two main strands.

A STREAMLINED PROSPECTUS FOR SECONDARY SHARE ISSUES

In response to the economic and financial fallout from the COVID-19 pandemic, it was essential to facilitate the recapitalisation of companies by allowing issuers to turn to the stock markets to reduce their debt ratios. The European Union's Recovery Prospectus was created to allow this on a temporary basis. It is a shortened document (30 pages) that is easier for issuers to prepare as it focuses on the key information (including risk factors) that investors need to make an informed decision. It can be used until the end of December 2022 by issuers that have been listed for at least 18 months. It will be eligible for the European passport mechanism. Only highly dilutive recapitalisations (above a threshold of 150%) will not be eligible.

In addition, European companies listed on regulated markets can benefit from another relief measure: the one-year deferral of the obligation to present their accounts in the European Single Electronic Format (ESEF). As this electronic XHTML format is particularly complicated for issuers to set up, France and several other Member States managed to negotiate this deferral. Accordingly, this obligation will only apply to annual financial statements for financial years beginning on or after 1 January 2021, for issuers who so wish. France will notify the European Commission of its intention to authorise this deferral.

MIFID II RELIEF MEASURES

The European response also benefits investment firms by providing targeted relief for ten or so MiFID II measures that have proved too burdensome or even counterproductive.

This applies to the rule that obliges any designer and distributor of a financial product to carry out an upfront analysis of its target investor population to ensure that the two are consistent. This provision was introduced to avoid the excesses seen during the financial crisis, and applied to all types of financial instruments, even the simplest. The reform introduced a targeted exemption for certain types of simple bonds (those with a "make whole" clause, whereby the issuer, if it forces early redemption, must pay the investor the discounted sum of all subsequent coupons that the investor would have received if they had kept the bond until maturity).

Another example is equity research. Unbundling, which consists of separating payments for execution and research services, has helped to choke off research on small and mid caps. This situation was already highlighted in the report entitled *Reviving Research in the Wake of MiFID II: Observations, Issues and Recommendations*, published by the AMF in December 2019. The reform now authorises a single payment for brokers' execution and research services for small- and mid-cap issuers (less than €1 billion). Investment firms must inform their clients of this.

EUROPEAN COMMISSION ACTION PLANS

RELAUNCH OF THE CAPITAL MARKETS UNION

The Capital Markets Union (CMU) is the project that aims to create a genuine single capital market covering the whole of the European Union, to improve the financing of companies and the European economy as a whole. It is supported by a very concrete action plan published in September 2020, consisting of 16 measures organised around three themes.

MAKING FINANCING MORE ACCESSIBLE TO EUROPEAN COMPANIES

The Commission is considering, for example, the creation of a single consolidated European database (ESAP, European Single Access Point), which could be managed by ESMA. It would consolidate all financial and non-financial information on listed issuers to make it more accessible to investors. The Commission also wants to review the rules that have stifled the development of ELTIFs (European Long Term Investment Funds), alternative funds created in 2015 to provide long-term financing for infrastructure projects, unlisted companies or listed SMEs.

IMPROVING PROTECTION FOR EUROPEAN INVESTORS

The Commission wants to promote financial education for European citizens. It also intends to put in place a framework to validate the skills of investment advisers, similar to the professional certification that already exists in France. Lastly, for greater clarity, it plans to review the quality of the information provided to investors and to bring greater harmonisation and consistency to the myriad rules and contractual documents that coexist.

STRENGTHENING THE INTEGRATION OF THE SINGLE MARKET

This theme aims to reduce the barriers that exist between the 27 Member States. To facilitate cross-border investor engagement, the Commission wants to introduce a European definition of the term “shareholder” and further harmonise the rules governing interaction between investors, intermediaries and issuers at general meetings. To increase the volume of transactions carried out on regulated and transparent platforms, the Commission

also wants to set up a consolidated tape. Finally, it wants to promote greater convergence between the different supervisory approaches of the 27 regulators, in particular through establishing a single set of rules for financial markets across the European Union.

A EUROPEAN STRATEGY FOR DIGITAL FINANCE

The digital finance roadmap published by the European Commission at the end of September 2020 goes hand in hand with the CMU strategy. One of its objectives is to reduce the fragmentation of digital financial services markets. The measures envisaged are designed to establish a single harmonised framework for initial coin offerings (ICOs), for cryptocurrencies whose value is stable because their value is based on that of one or more other assets (stablecoins) and for crypto-asset service providers. This framework would be the digital counterpart to MiFID. Furthermore, to encourage digital innovation, the Commission wants to set up experimentation spaces to support, for example, full-scale testing of access to trading platforms for financial instruments that no longer have a central securities depository because they are registered on blockchains. Other measures announced will strengthen data sharing, support innovations in artificial intelligence and improve investor protection against the risks associated with digital transformation.

BREXIT

As of 1 January 2021 and the effective exit of the UK from the European single market, UK entities can no longer provide financial services from the UK to EU clients using passporting. During 2020, the European Commission sent questionnaires to the UK covering 28 areas where equivalence could be granted. While maintaining the stability of the EU financial system has always been its top priority, the European Commission has been particularly vigilant and forward-looking in its analysis. This is especially pertinent given that the UK government has made no secret of its intention to move away from the EU’s regulatory and supervisory frameworks in the area of financial services after the end of the transition period. This work has to date only resulted in two temporary equivalence decisions being granted. Furthermore, the Commission indicated in a July 2020 statement that it did not envisage granting further equivalence in the short to medium term in a number of areas, including investment services provided to EU-based professional clients by entities established in the UK.

A grace period for clearing houses...

Central clearing plays a key role in financial stability by mitigating counterparty risk for financial firms, reducing contagion risks in the financial sector and strengthening market transparency. Due to the heavy reliance of the EU financial system on the services provided by UK-based clearing houses, the European Commission decided on 21 September 2020 to grant UK-based clearing houses temporary equivalence for 18 months, until 30 June 2022. This should give EU market participants time to reduce their exposure to UK-based central clearing counterparties (CCPs) and EU CCPs time to strengthen their clearing capabilities. A few days after this decision, ESMA announced its recognition of the three UK clearing houses (LCH, ICE Clear and LME Clear) for this 18-month period.

... and for central depositories

The European Commission also had to find a transitional solution for the particular case of Ireland, the only EU country that does not have a Central Securities Depository (CSD). Until Brexit, securities listed on the Dublin Stock Exchange were settled and delivered via a British CSD. A decision was therefore taken on 25 November 2020 to grant temporary equivalence to the UK's CSD regulatory framework for a period of six months until 30 June 2021. Following this decision, ESMA adopted a decision to recognise the UK-based depository Euroclear UK & Ireland Limited (EUI) for the same period. This will allow the migration of Irish securities settlement operations to an EU-based depository to be completed.

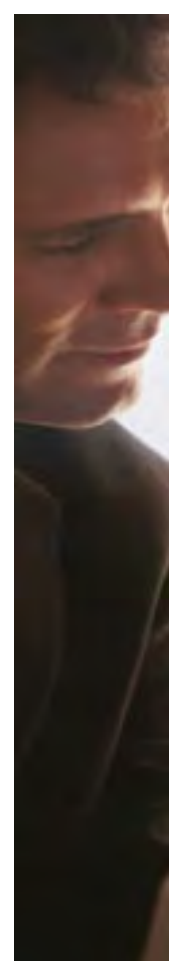
Multilateral cooperation agreements between regulators

The cooperation agreements between ESMA, the national supervisory authorities and the UK Financial Conduct Authority (FCA), which were negotiated at a very early stage in 2019, came into force on 1 January 2021. Those agreements between each of the European Economic Area (EEA) regulators and the FCA are of particular importance. These are multilateral agreements covering supervisory cooperation, monitoring and the exchange of information between

each national authority and the UK regulator. A cooperation agreement is a prerequisite, as stipulated in various European legislative texts, to allowing EU market participants to delegate certain activities to UK entities. In asset management, thanks to these agreements, European asset managers will be able to continue to delegate the management of all or part of a portfolio to an entity established in the UK. ESMA and the FCA have also agreed to share information regarding the supervision of credit rating agencies and trade repositories.

Clarification of the scope of the share trading obligation

The share trading obligation (STO) provided for in MiFIR requires EU investment firms to trade European equities only on European platforms or on third-country platforms that have been granted equivalence. In the absence of equivalence being granted to the UK, this rule could have had a detrimental effect on the trading of securities listed both in Europe and in London. ESMA therefore clarified in May 2019 that securities with a UK ISIN code would not be affected by the STO, while securities with a European ISIN code would. In October 2020, ESMA broadened its approach by adding the currency criterion: European investment firms will be able to trade a security with a European ISIN code on a platform in a third country – even where no equivalence has been granted – as long as trading is conducted in the local (third-country) currency.



Market supervision, inspections and investigations

The creation of the new Data and Surveillance Directorate in 2020 reflects the importance that the AMF is placing on the use of data to fulfil its remit. With the ICY programme now complete, the AMF has a supervision platform capable of harnessing the full potential of market data by automating its analysis, even as the volume of data continues to grow.

The health crisis led the AMF to adapt its organisation and workload, since no inspections could be conducted between 16 March and 10 May 2020 and a number of inspections were conducted entirely remotely. Nevertheless, although supervised entities were given longer response deadlines during this period because of the crisis, there was no disruption in activity.

With regard to investigations, the investigators continued to work on their cases in process and on new investigations, while taking into account the fact that visits (on the AMF's own authority and with prior judicial authorisation) or interviews had to be postponed during the first lockdown. Subsequently, the investigation teams' compliance with a strict health protocol ensured that visits and interviews could continue in most cases, even during the second lockdown in autumn 2020, thus avoiding any major slowdown in the progress of ongoing investigations.

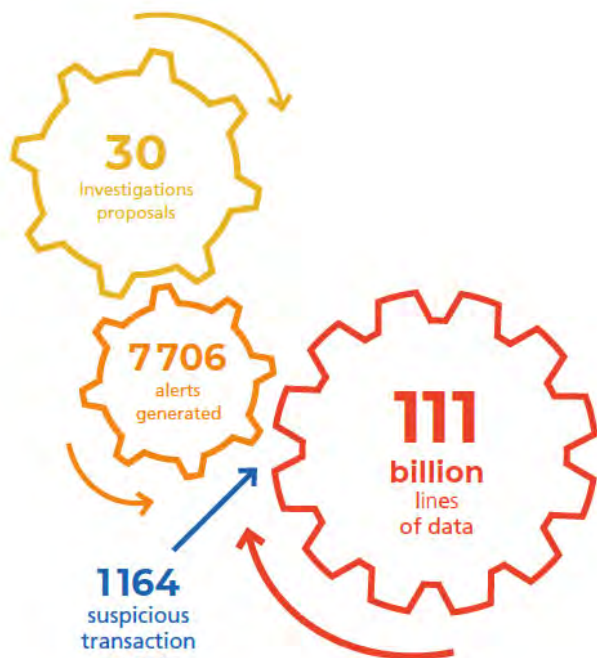
The AMF also had to deal with another challenge, this time related to case law, as the French and European high courts handed down rulings in 2020 that could have a significant impact on the investigative powers of AMF investigators.

At the national level, the commercial division of the *Cour de Cassation*, the French highest court, handed down two rulings on 14 October 2020 interpreting the concept of occupant of the premises, as set out in Article L. 621-12 of the Monetary and Financial Code. This Article refers to so-called "home visits" authorised by the liberty and custody judge (JLD) in order to seek evidence of market abuse. It stipulates that the home search must take place in the presence of the occupant of the premises or their representative, or in their absence, in the presence of two witnesses. In this case, the order of the liberty and custody judge, later upheld by the Paris court of appeal, had authorised a home search at the head office of a listed company where two foreign nationals, directors of that company, were present to attend a board meeting. The *Cour de Cassation* reversed the decision of the court of appeal, ruling that the concept of occupant of the premises did not apply to individuals who were merely visiting the premises, even if such a visit was expected. The case is now being referred to another court of appeal.



The question regarding the scope of documents seized by investigators during home visits also continues to be challenged on appeals. For example, on 4 November 2020, the commercial division of the *Cour de Cassation* handed down a ruling partly in favour of the AMF, overturning an order by the First President of the Paris court of appeal that had partially invalidated seizures made by AMF investigators. Firstly, the commercial division considers that, when an appeal is lodged against seizure operations, the trial judge must examine the content of the seized documents in order to exclude those that are covered by legal privilege. The case law of the AMF Enforcement Committee, which was not overturned by the *Cour de Cassation* in the decision at stake, considers that the confidentiality of correspondence between lawyer and client does not apply when a third party is involved in the exchanges. Secondly, the AMF argued that the seizure of documents was authorised, particularly as they were partly useful for proving prohibited conduct, but the trial judge had excluded these items because they predated the beginning of the investigation period. The *Cour de Cassation* pointed out that investigators are not prohibited from seizing documents that are partly useful for proving prohibited conduct and criticised the trial judge for not having specifically analysed how the seizure of these items exceeded the scope of the authorisation issued by the liberty and custody judge.

At the European level, although not directly related to the issue of market abuse, two preliminary rulings on connection data were handed down by the Court of Justice of the European Union on 6 October 2020. These rulings are likely to have a major impact on the legislative and regulatory framework governing the AMF's access to the connection data (the so-called *FADETS* – detailed mobile phone records) of individuals under investigation, even though this is a very useful tool for proving market abuse offences because it helps to build a body of evidence. These decisions set out the conditions under which national legislation may impose an obligation on an electronic communications service provider to retain traffic and location connection data by distinguishing three levels of seriousness. The European Court of Justice has in effect restricted the possibility for Member States and their authorities to collect and retain connection data by ruling that the European Directive on privacy and electronic communications (2002/58/EC of 12 July 2002), as interpreted in the context of the Charter of Fundamental Rights, precludes national legislation that would require telecommunications operators to retain traffic and location connection data in a blanket and undifferentiated manner.



SYSTEMATIC INTERNALISERS: THEIR WEIGHT IN THE EQUITY MARKET STRUCTURE AND THE QUALITY OF LIQUIDITY PROVIDED TO THE MARKET AS A WHOLE

The AMF has published a study on the role played by systematic internalisers (SIs) in the equity market structure. The study first clarifies their actual weight in trading, showing that only half of the volumes reported and made public are price discovery transactions, i.e. up to 10% of total volumes traded. Furthermore, despite some regulatory provisions applying to SIs, much of their activity is not subject to pre-trade transparency. In practice, SIs managed by HFTs (known as ELP SIs) disseminate automatic bilateral price flows to their clients without publishing them. The contribution of SIs in terms of transparency therefore appears mixed. Lastly, the study analyses the quality of the prices offered by SIs. It found that 46% of the amounts traded on SIs were at a price that was better than the Euronext price, including 12% with a significant improvement (more than one tick). An analysis of price changes after a trade on an SI also shows that reversion levels vary greatly from one SI to another.



Read the study
Quantifying systematic internalisers' activity: Their share in the equity market structure and role in the price discovery process

MARKET SUPERVISION

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

This ongoing supervision is based on a daily feed of transaction reports sent by financial intermediaries via the direct transaction reporting (RDT) system, by market infrastructures and by the other regulators, as well as a daily data feed of orders executed on French trading platforms. This feed is supplemented by information obtained from various data providers, the clearing house, the central securities depository (CSD), and trade repositories for OTC derivatives (European Market Infrastructure Regulation, EMIR) and, since summer 2020, for securities financing transactions (Securities Financing Transactions Regulation, SFTR). This system of supervision also uses tools that analyse the information exchanged on internet forums and social media. Furthermore, the AMF uses external alerts, including reports of suspicious transactions from investment service providers (1,164 reports of suspicious operations in 2020, of which 472 were forwarded via its European counterparts).

In 2020, the AMF continued and completed its ICY programme, which aims to provide a platform capable of harnessing the full potential of regulatory data (in particular MiFIR and more recently SFTR data), developing business uses and taking advantage of new technologies. The ICY platform, based on cutting-edge technologies such as Big Data, is capable of exploiting the very large volumes of data received each day. In 2020, 111 billion order and transaction reports were integrated into ICY, over five times more than in 2019. The automated analysis of this data gave rise to 166 requests for further information sent to investment services providers.

The orderly development of data use in the AMF's different activities is essential for analysing risks and making supervision more effective. The creation of a new Data and Surveillance Directorate in 2020 highlights the central role that data use will play in the AMF. The new directorate will capitalise on the capabilities of the ICY platform and will have a cross-functional role in helping the AMF make more effective

use of data. For example, all regulatory reporting in the financial sector will benefit from sophisticated analysis tools and the analysis of unstructured data by artificial intelligence algorithms will help the AMF to satisfy a wider range of needs.

Since the quality of this data is essential for carrying out its duties, the AMF has been closely involved in ESMA's work on this subject. It also took part in regulatory work on defining the requirements relating to commodity derivatives and financial market transparency. Lastly, it is involved in international work on aligning OTC derivative transaction reporting, and in particular on defining unique identifiers of transactions and products.

On the back of their positioning at the intersection between data science and market expertise, the AMF teams build on all the information available to them to perform strategic scanning aimed at both analysing the impact of current events and understanding changes in the market structure, which may result from regulatory developments. Some of the numerous studies performed in 2020 were published (see separate inserts).

INSPECTION OF PROFESSIONAL INVESTORS

INSPECTIONS PERFORMED IN 2020, THEIR CONSEQUENCES AND THEIR FINDINGS

Conventional inspections

Cybersecurity

As in 2019, cybersecurity was one of the AMF's supervisory priorities for 2020. The AMF conducted both conventional and SPOT inspections in this area, which will be summarised in the first half of 2021. Conducting technical tests, known as penetration tests, on the applications and information systems used by asset management companies was a new development in 2020. These tests were conducted with the support of information systems security audit providers (PASSIs) authorised by the French National Cybersecurity Agency (ANSSI). The purpose of these tests, the functional scope of which is determined in advance by the AMF's inspection teams, is to measure whether the level of cybersecurity estimated during the

REVIEW OF BOND TRANSPARENCY UNDER MiFID II

More than two years after MiFID II came into force, the AMF wanted to conduct a review of the transparency measures introduced by the new legislation on the bond market, and in particular the conditions of access and use of post-trade transparency data by market participants. The analysis revealed that the transparency of transactions is not accessible, reliable and relevant enough today to enable investors to take full advantage of this information. This is because transparency is fragmented and data vendors do not fully consolidate all sources at the moment. Furthermore, access to data continues to be difficult for market participants, since some publication services do not yet meet all the conditions defined by the ESMA. The AMF also notes that some of the data is of mixed quality and potentially incomplete. The analyses conducted by the AMF are borne out by several surveys and studies of market participants conducted by professional organisations and national regulators. The interviews conducted with various stakeholders suggest that the main findings of this study are partly shared by bond market participants.



Read the study:
Review of bond
transparency under MiFID II

preliminary analysis of the systems and associated documentation is confirmed in practice. The AMF also checked the cybersecurity procedures of large financial investment advisers (FIAs) and those that had expanded their online business significantly. These investigations revealed that no mapping of sensitive data had been performed or that the IT security procedures had not been tested. All of these inspections provided an opportunity to examine the business continuity plans in place within these firms and their implementation during the lockdown period.

The liquidity risk management system for UCITS

As part of ESMA's common supervisory action (CSA) (see page xxx), the AMF identified liquidity risk management in UCITS as a supervisory priority for 2020. It therefore carried out work to analyse the organisation and governance of asset management companies in this area, the due diligence carried out prior to investment and the monitoring process used,

the methodologies and data used to assess the actual liquidity of portfolios and how it aligns with the structure and movements of fund liabilities, and the control system implemented. Prior to the SPOT inspections dedicated to this topic, two inspections highlighted shortcomings in the formalisation of the procedures and methodologies used, their justification and the traceability of liquidity monitoring, and in the alerts and measures implemented. The lessons learned from these inspections will be published in 2021.

Anti-money laundering and terrorist financing system

As part of its supervisory priorities for 2020, and as in previous years, the AMF conducted anti-money laundering and combating the financing of terrorism (AML/CFT) inspections of both asset management companies and financial investment advisers (FIAs) to examine the organisational and procedural arrangements in place and the due diligence carried out by these entities at the time they enter into a relationship with their clients and throughout the

duration of that relationship. With regard to asset management companies, in line with the sector risk assessment published on 30 December 2019, the AMF focused its inspections on companies specialising in discretionary management, real estate and private equity. These are the sectors where AML/CFT risks are most prevalent (moderate risk). In addition to analysing the knowledge of the unit holders of the funds under management, the inspections focused on the due diligence performed by the asset management companies on the unlisted assets held by the funds.

Several inspections of asset management companies and financial investment advisers in 2019 resulted in statements of objections in 2020 relating to non-existent, non-operational or inaccurate procedures and risk classifications, shortcomings in the collection of client information and a lack of controls in the area of AML/CFT.



Marketing of atypical or banned products

As in previous years, the AMF focused its inspections of financial investment advisers on participants offering atypical products that are not regulated or authorised for marketing in France. In particular, the inspectors noted a predominance of products backed by real estate assets and in various legal forms, such as bonds registered in foreign jurisdictions, units in companies that qualify as alternative investment funds but do not require AMF authorisation or prior marketing authorisation, and Girardin products. In this regard, several of the advisers inspected allegedly did not carry out *“their activity, within the limits authorised by their status, with the due skill, care and diligence in the best interests of their clients”*. In this respect, the inspections revealed significant shortcomings in the due diligence carried out by FIAs on the legal nature and economic reality of the products marketed. They also found that the regulatory and commercial information provided to clients was inadequate, particularly with regard to the risks of the products and the remuneration received by FIAs from promoters, even though this remuneration was at a high enough level to place FIAs in a conflict of interest situation. Moreover, the advice given is often not consistent with the client profile.

In the second half of 2020, the AMF also set up a mechanism for sharing information with FIA professional associations. Its purpose is to alert the associations to potential misconduct by their members, which they can then monitor at the AMF’s request. In addition to providing information on regulated market participants, the AMF and professional associations also share information on investment products and offers with a high risk of being mis-sold or a high risk of money laundering or terrorist financing.

Digital or intermediated marketing

In 2020, the AMF also conducted inspections of large financial investment advisers that used digital or intermediated marketing practices (e.g. internet storefront, network marketing). The AMF found that the advice and subscription process of market participants presenting their products and services online could be unclear, especially with regard to the timing between personalised recommendation and order reception and transmission services. For advisers using a network of consultants, the regulatory

documents contained confusing information about the roles of the FIA and the non-FIA consultants. During its inspections, the AMF also identified shortcomings in the implementation of MiFID II regulatory provisions, particularly with regard to:

- information on the risks of recommended products and, in regulatory documents, information on whether or not the FIA is independent;
- justification of the suitability of recommended investments for the client’s profile and situation through suitability statements;
- formalisation of product governance.

The depository function and new features of the UCITS 5 Directive

Two inspections were conducted on this topic at credit institutions that were authorised to provide the related custody account-keeping service and that had received AMF approval for the specifications for performing the depository function in accordance with the new provisions of the UCITS 5 Directive. The purpose of these inspections was to analyse:

- the general organisation of the supervision of the depository business;
- the procedures for monitoring sub-custodians;
- the monitoring of the investment rules and asset composition of the UCITS held in custody by the depository;
- the monitoring of liquidity flows.

Some shortcomings or even failings in the control of this activity were observed at the institutions inspected. In particular, the compliance function was found to be insufficiently involved in monitoring this activity, which was in addition to other activities for which they were responsible. Similarly, the monitoring of sub-custodians showed clear shortcomings due to a very succinct control that could be described simply as monitoring work carried out by third parties instead of documentary and/or on-site controls by the depository as required by the regulations. Furthermore, the control system for compliance with the investment rules and asset composition of the collective investment schemes in their custody had shortcomings in terms of the time required to issue reminders to asset management companies, which could be unusually long. There was also a lack of compliance with the rules set out in the procedures relating to escalation measures, with some levels being bypassed, for which there was no valid justification. Lastly, with regard to the monitoring of liquidity flows, the controls put in place to verify large or abnormal flows were insufficient in terms of checking justifications.

Contracts for difference: ESMA's intervention measures and application of the provisions of the Sapin 2 Law

The AMF conducted an inspection of an investment firm operating under the freedom of establishment in France and authorised to provide order reception and transmission services. The objective was to check compliance with practices relating to the marketing of contracts for difference (CFDs), which are contracts that involve paying the difference between the opening price and the closing trade price. The AMF's findings highlighted shortcomings in the implementation of regulatory obligations under MiFID II with regard to checks made by the investment services provider on the appropriateness of the transaction and compliance with both ESMA's intervention measures and the provisions introduced by the Sapin 2 Law. The information collected to assess appropriateness was not sufficient to comply with the relevant obligations. In addition, protection against negative balances did not appear to be fully applied and was deficient in some situations, requiring the service provider to make adjustments after the fact. Furthermore, with regard to the measures of the Sapin 2 Law aimed at prohibiting any promotion of financial instruments for which losses could exceed the capital invested, the service provider was carrying out promotions for an account whose contractual provisions included losses exceeding the capital invested (which could be offset after the fact). Lastly, the inspection found a significant number of misleading internet advertisements stating that losses could not exceed the capital invested, even though not all accounts offered to the client provided this protection.

Marketing of financial instruments

Two inspections undertaken concerned retail banks. They focused on the assessment of client knowledge, the suitability of investment advisory services, customer information and the compliance system applicable to these activities in relation to the MiFID II provisions. The findings from these two inspections revealed that questionnaires were not sufficiently developed to collect the information needed to properly assess the suitability of the recommendation for the client's situation. Furthermore, the analysis of a sample of client files revealed that this information was only partially used in the recommendation, with the result that the recommendation was not suitable in many cases. The use of diversification without justification was also identified. Lastly, the control system for this activity was found to be inadequate

because the control plans were not exhaustive and the resources were not sufficient to ensure that the frequency and volume of monitoring were appropriate to the provider's activity.

Governance of algorithmic trading activities

The AMF conducted an inspection of one credit institution that provides investment services to ensure its compliance with the regulatory requirements applicable to algorithmic trading. A number of shortcomings were identified. They mainly related to the usability of trading interfaces, which could lead to human error; to unsatisfactory security procedures and unsuitable access to the automated systems; and finally to documentation designed to guide the use and monitoring of these algorithms, which could be improved, particularly in terms of describing the roles and responsibilities of the various parties involved. It was also noted that the risk management function was not sufficiently involved in monitoring intraday market risk exposures and that human resources were very limited on certain trading desks and sometimes had an insufficient level of training.

SPOT inspections

Principal lessons learned from SPOT inspections completed in 2020

In the asset management sector, the AMF completed three series of SPOT inspections started in 2019: one on AIFM reporting, another on the procedures for providing real estate services and the last on the valuation of complex financial instruments. It also launched four SPOT inspection campaigns in 2020 in line with the supervisory priorities defined at the beginning of the year, the first of which, on the outsourcing of internal controls, was published in November.

Procedures for the provision of real estate services by asset management companies

The inspections conducted on a sample of six asset management companies revealed good practices in relation to selecting service providers and the effective implementation within the sample group of a system for managing conflicts of interest when selecting service providers. These companies had also established second-level controls covering selecting service providers, managing fees and dealing with conflicts of interest. However, it was noted that improvements needed to be made to the systems in place at the asset management companies inspected relating to the procedures and traceability of the process for selecting and monitoring service providers and the permanent and periodic controls applied to these outsourced services.

AIFM reporting

During this campaign, which involved five asset management companies, the inspectors found that the number of reports submitted to the AMF was broadly in line with what was expected. However, they noted that, for some asset management companies, some information was missing (e.g. ISIN and/or LEI codes, management strategy and investor concentration). Although all supervised entities had specific procedures for AIFM reporting, they were not always adequate from an operational perspective (traceability of the data used, methods for calculating leverage, scope of reporting). For some companies, the procedures did not define the assumptions used for liquidity management and did not take into account the time required for settlement of the funds' assets when establishing their liquidity profile on the liabilities side.

Valuation system for complex financial instruments

This SPOT campaign involving five asset management companies revealed that, in most of their procedures, the price sources used to value financial instruments and the valuation review process were not described in sufficient detail. While all companies in the sample had valuation models (for valuing or for reviewing the valuation obtained from other sources), the analysis showed that the models used could be documented in more detail and could use more appropriate underlying assumptions. Furthermore, the valuation process actually used was not fully consistent with that described in the policies and procedures.

Outsourcing of internal controls

The outsourcing of internal controls is a model that is particularly widespread in France among small asset management companies. The scope of the outsourcing arrangement differs from one asset management company to another. During its SPOT inspections at seven asset management companies, the AMF noted that neither the sample companies nor the service providers made a clear distinction between permanent and periodic controls, since periodic controls were in most cases no more than permanent one-off controls. Regarding procedures for managing controls, the AMF noted that five companies had procedures that were not sufficiently detailed and effective. All of them had annual compliance and internal control plans drawn up by or with the assistance of the service provider on the basis of the previous year's reporting data, but only two of them had formalised priorities based on their assessment of non-compliance risk. Management reporting sometimes appeared to be inadequate. However, the AMF also noted certain good practices at some asset management companies, including the formalisation of half-yearly committees and the

inclusion in some reports of a summary of the risks identified when performing the controls and a section dedicated to the follow-up of recommendations. For all the companies in the sample, the AMF found that not all the anomalies identified by the internal control function were reported in the annual fact sheets and annual inspection reports sent to the AMF. Lastly, the Authority noted that there was a lack of supervision of the provider by the asset management company or that the evaluation procedures carried out on the provider were not sufficiently traceable.

This series of inspections revealed internal control systems with varying levels of effectiveness. In some cases, these systems are insufficient, both in terms of the depth of the analyses and the traceability of the due diligence performed. To improve practices, the AMF will therefore clarify its policy.



MiFID II discretionary management

To assess whether the systems in place provide clients with comprehensive, high-quality information on discretionary management, the AMF reviewed the practices of five credit institutions that provided investment services over the period 2018-2019. In these inspections, the AMF paid particular attention to the compliance of client questionnaires, the content of periodic management statements, the information provided to clients on ex-ante (before the service is provided) and ex-post (annually) fees and charges, the early warning system used when the value of the portfolio falls by more than 10%, and lastly information on the rules for receiving any commission rebates.

Generally speaking, the AMF found that providers made a consistent effort to comply with MiFID II. However, from an organisational perspective, they did not always have sufficient resources to implement the new regulatory requirements effectively or efficiently.

Among the good practices identified, the AMF highlighted the inclusion of comments on individual portfolio management in periodic management statements. With regard to the early warning system used for falls in portfolio value, the AMF noted that a system of ex-ante and ex-post controls had been set up to ensure that investors had received the warning message. Another good practice was that one institution included, in the alert message it sends, the actual rate of decline in the portfolio value at closing.

The AMF also noted a number of weaknesses, including client questionnaires that did not assess clients' risk tolerance and ability to bear losses; inadequate information on fees (presentation format, completeness of fees charged, impact of fees on portfolio performance); warnings about falls in portfolio value that are sometimes sent too late or cases of false alarms that may be generated by management actions (a withdrawal of securities or cash by a client, for example); and the existence of contractual documents referring to rebates received, even though the institutions had stopped receiving them.

Record keeping

To assess the effectiveness, quality and usability of recordings made by intermediaries in the course of their market activities, the AMF conducted a series of five short thematic inspections from November 2019 to February 2020 on recordings made in 2018 and 2019 of telephone conversations and electronic communications and their retention.

The AMF focused on the scope of the recording measures, the tools used, the procedures and internal controls implemented, the system for identifying incidents and any remedial measures put in place in the event of an incident.

Generally speaking, the inspections revealed a good level of operational implementation of the regulatory provisions. During its inspections, the AMF was able to quickly access the recordings it had selected, and the on-site demonstrations it attended enabled it to conclude that the tools implemented were effective. All the service providers inspected had correctly identified and defined the scope of their activities requiring conversations and communications to be recorded. As regards the process for identifying and managing incidents, the AMF's inspections showed that the monitoring of incidents could be rather patchy and ineffective.

Among the good practices identified were setting up a committee to monitor the scope of the measures; storing/archiving emails; prohibiting the use of mobile phones if recording them is not possible; notifying employees in advance that conversations will be recorded and referring to these recordings in internal regulations; and lastly, specifying that the recordings are stored on a durable medium and that clients may request a copy of them.

Poor practices included splitting recordings into time slots, not specifying in procedures how long recordings are retained, not tracking and managing potential incidents, and not keeping a tracking file.

TABLE 8

Action taken following conventional inspections and SPOT inspections in 2020

	2017	2018	2019	2020
Numbers of inspections undertaken	47	63	65	53
Investment services providers	12	25	21	19
Asset management companies	24	30	36	28
Financial investment advisers and crowdfunding investment advisers	11	8	8	6 ¹³
o/w thematic inspections (2017) / SPOT (2018, 2019 and 2020)	15	35	36	36
Number of inspection reports sent	49	64	59	56
o/w SPOT inspections (2018, 2019 and 2020)	—	35	36	36
Number of follow-up letters	29	39	46	51
Number of statements of objection	19	13	14	15
together with an offer of administrative agreement	12	3	5	5

SPOT inspections in progress

The SPOT inspections undertaken in 2020, which will give rise to the publication of reviews in 2021 concern:

- suitability
- liquidity contracts
- product governance
- cybersecurity
- liquidity risk
- granting loans.

15 reports produced following an inspection of compliance with professional obligations led to a statement of objections being sent to 3 investment services providers, 6 asset management companies and 6 financial investment advisers. For 5 of these inspections (1 investment services provider, 1 asset management company and 3 financial investment advisers), the AMF decided to accompany the statement of objections with an offer of administrative settlement. For the 10 others, it was decided to start sanction proceedings without offering this path. Lastly, 51 inspections (including 38 SPOT inspections) gave rise to follow-up letters.

INVESTIGATIONS

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

GROUNDS FOR AND NATURE OF INVESTIGATIONS IN 2020

In 2020, of the 57 new investigations undertaken, 30 were at the initiative of the AMF and 27 stemmed from international cooperation's requests.

Of the 30 investigations undertaken on the initiative of the AMF, 26 were proposed by the Market Supervision Directorate. The others were proposed by other AMF directorates.

In 2020, 50 investigations were completed. Of these investigations, 21 were undertaken on the initiative of the AMF and 29 were undertaken to assist foreign authorities.

As at 31 December 2020, of the 21 investigations undertaken on the initiative of the AMF and completed in 2020:¹¹

- 8 gave rise to statements of objections, 2 of which were accompanied by an offer of administrative settlement;
- 6 investigation cases were submitted to the Public Prosecutor's Office (PNF) under the referral procedure;
- 4 resulted in the sending of one or more letters of observations;
- 8 were closed.

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

In 2020, 200 authorisations to access connection data were requested by the AMF from the controller of

connection data requests (*FADETS* – detailed mobile phone records). These authorisations related to 24 investigations. On the basis of the authorisations granted, the AMF issued 1,581 requests to telephone companies.

INTERNATIONAL COOPERATION

In 2020, the AMF continued to cooperate with its foreign counterparts in the areas of investigation, inspection, market supervision and exchange of information on financial intermediaries.

In this regard, it sent 361 requests for assistance to some 50 foreign regulators. More than 20% of the requests for assistance presented by the AMF were sent to the UK regulator. In addition, there were many requests sent to the Swiss, Luxembourg, Dutch and German authorities this year.

The AMF received 152 requests for assistance from its foreign counterparts in 2020, 27 of which led it to initiate an investigation. These requests concerned transactions falling within the jurisdictional authority of foreign regulators but performed by persons located in France. The main countries asking for help from the AMF were Luxembourg, Belgium, the Netherlands, the United Kingdom, Ireland and Spain.

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

REFERRALS TO COMPETENT AUTHORITIES

In 2020, one case was proposed to be referred to the Superior Council of Statutory Auditors (*Haut Conseil du Commissariat aux Comptes*).

Six investigation cases were referred to the Parquet National Financier (Financial Public Prosecutor's Office, PNF) in accordance with the referral process and as at 31 December 2020, five cases were kept by the AMF.

¹¹ Some investigations led to the sending of a letter of observations regarding certain persons and the initiation of disciplinary proceedings regarding other persons implicated.

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

TABLE 9

Investigations undertaken and completed

	2014	2015	2016	2017	2018	2019	2020
Investigations undertaken by AMF	83	65	75	68	49	46	57
on the initiative of the AMF	33	25	26	24	20	24	30
at the request of a foreign authority	50	40	49	44	29	22	27
Investigations completed	68	75	71	55	64	37	50
on the initiative of the AMF	27	27	24	22	23	25	21
at the request of a foreign authority	41	48	47	33	41	12	29
Number of cases involving statements of objections	10	8	17	11	10	8	8
together with an offer of administrative settlement	—	—	2	4	4	5	2

TABLE 10

Breakdown of regulatory breaches sanctioned¹⁵

SUBJECT OF THE INVESTIGATION ¹⁵	2014	2015	2016	2017	2018	2019	2020
Market for equity securities and bonds (insider behaviour or manoeuvre hindering the orderly operation of the market)	27	20	19	21	18	22	14
Financial information	11	9	11	3	13	6	10
Other (FIA, direct marketing of financial products, etc.)	1	3	2	0	1	2	3
Coopération internationale	50	40	49	44	29	12	12

FIGURE 5

Breakdown of investigations undertaken by subject



¹⁵ The total is greater than the number of investigations sanctioned, because some investigations concerned both the market for the security (price manipulation and insider dealing) and financial information.

Settlements, sanctions and appeals

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

In 2020, the Enforcement Committee issued 25 decisions, 13 of which were published sanction decisions, and 12 decisions concerning the approval of administrative settlement agreements, which were subsequently published.

The Enforcement Committee's work, like that of the appeal courts, was affected in 2020 by the health crisis linked to the COVID-19 epidemic. Several Committee meetings had to be postponed, most of them before the end of 2020. As a result, the number of sanction decisions decreased slightly compared with previous years. The number of decisions on the approval of administrative settlement agreements, on the other hand, increased significantly.

CEILING ON FINANCIAL PENALTIES IMPOSED BY THE ENFORCEMENT COMMITTEE

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

In addition to or instead of financial penalties, the Enforcement Committee may issue a warning,

reprimand, temporary or permanent disqualification from carrying out some or all of the services provided, or temporary or permanent withdrawal of a professional licence, to financial firms subject to AMF supervision and to individuals under their authority, acting on their behalf or in executive positions.

SETTLEMENTS

The administrative settlement procedure (or “transaction”) is an alternative to disciplinary proceedings.

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

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

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

Administrative settlement agreements may, in some cases, provide for compensation to clients or investors who have suffered a loss as a result of detected regulatory breaches.

SETTLEMENTS IN 2020

In 2020, settlement-related activity remained at a high level:

- 14 administrative settlement agreements were signed (including 4 that should be approved in 2021);
- 15 agreements were validated by the AMF Board (including 4 that should be approved in 2021);
- 13 agreements were approved and then published (including 2 agreements signed and validated in 2019 and 1 agreement signed in 2019 but validated in early 2020).

Of these 13 approved agreements, 3 arose from an investigation (into market abuse or financial reporting by an issuer) and 10 arose from an inspection (into compliance with professional rules applicable to AMF-regulated professionals).

EXAMPLES OF SETTLEMENT AGREEMENTS PUBLISHED IN 2020

Settlement reached on 17 December 2019: Marketing of SCPIs and EMTNs – compliance monitoring system

A credit institution marketed three real estate investment companies (SCPIs) and three euro medium term notes (EMTNs) to its retail clients. The inspection task force selected 60 subscriptions – ten for each of the financial instruments just mentioned – for a total of €6.9 million, representing 2.3% of the total amounts invested for the six instruments selected for 2017.

First, the bank was reproached with failing to collect the information necessary to provide investment advice appropriate to the client. In the vast majority of cases (41 out of 60), the bank provided investment advice even though it did not have sufficient information about the client’s knowledge, investment experience, financial situation, investment objectives or risk profile, and should therefore have refrained from making any recommendations.

The bank was also reproached with having insufficient information to track the investment advice it provided to the client. Indeed, for most of the subscriptions (51 out of 60), the bank was unable to provide supporting documentation or a report on the service provided, preventing the AMF from verifying the conditions under which the investment service was provided at the time of subscription. Moreover, in cases where such documentation was provided, it was still vague.

Lastly, the bank was reproached with the failure of its compliance system to determine that the information collected from clients was inadequate and to identify that the procedures governing the provision of investment advice were inappropriate and non-operational.

In addition to commitments to remedy its procedures, the bank agreed to pay the sum of €600,000 to the Public Treasury as part of this settlement agreement.

Settlement reached on 30 June 2020: Unauthorised marketing – inadequate information and failure to comply with the money laundering procedure

The company in question is a financial investment adviser (FIA) that also has the status of insurance intermediary. It marketed sub-funds of an open-ended investment company (SICAV) and shares in two simplified joint stock companies (SASs) specialising in film and audiovisual production.

The company was first reproached with failing to obtain authorisation to market the two sub-funds of the SICAV in France, despite advising its clients to subscribe to the shares of these sub-funds. These failings were compounded by the fact that the company was aware of the marketing ban, by its poor communication on the risks of the product and the amount of commission received, and by the lack of formal evidence of the periodic checks carried out to ensure that the sub-funds being recommended were suitable for the clients' profiles.

The company was also reproached with providing inaccurate and misleading information about the shares of two film and audiovisual production companies, since it failed to specify in the engagement reports all the risks relating to those shares and in particular the risk associated with the ability of the two companies to meet the commitment to buy back the shares. By presenting the benefits and risks in the commercial brochures in an unbalanced way, the company did not act in the interests of its clients with the due care, diligence and expertise required of it.

Lastly, the company failed to comply with its obligations to report the identity of its TRACFIN reporting officer and correspondent to the AMF and TRACFIN. Furthermore, it failed to comply with its obligations to have a comprehensive anti-money laundering and combating the financing of terrorism (AML/CFT) procedure that is up to date with the regulations, to provide AML/CFT training for its staff, and to collect certain identity details and other information on its clients when entering into a relationship.

The FIA undertook to bring those procedures whose shortcomings had been highlighted by the inspection task force back into compliance. It also undertook to reimburse clients for all subscription and trailer fees received, should a capital loss be incurred on redemption of the securities. Lastly, the FIA agreed to pay the sum of €90,000 to the Public Treasury as part of this settlement agreement.

Settlement reached on 10 July 2020: Failure to comply with professional obligations – conflicts of interest

The company implicated is an asset management company (AMC). As such, it must comply with certain professional obligations relating to the management of conflicts of interest and related risks.

The first objection levelled against the company concerned the ineffectiveness of the measures or procedures implemented to manage conflicts of interest, even though they had been identified, and the lack of transparency for investors in this regard. Indeed, the company did not have an effective conflict of interest management policy for:

- asset allocation, even though there was a risk identified by the company itself that it or its majority shareholder might give preference to the interests of the group over those of the funds during the allocation process;
- lease and technical management, as the company was unable to justify the use of this majority shareholder.

The company was then reproached with failing to cover conflict of interest issues in its control plans, with failing to include details in the control sheets and providetraceable compliance work on these topics, and, lastly, with failing to produce annual permanent control reports.

In addition to the commitments made to improve its management of potential conflicts of interest (strengthening its procedures for selecting service providers, allocating assets and informing investors, in particular), the asset management company agreed to pay the sum of €200,000 to the Public Treasury as part of this settlement agreement.

Settlement reached on 10 July 2020: Failure to comply with professional obligations – conflicts of interest

In particular, this asset management company was reproached with failing to comply with the conditions of its authorisation by failing to specify certain aspects of its organisation in its programme of activity, without even informing the AMF of the situation. Indeed, one of the company's asset managers, who worked part-time, was – at the same time and in the same building – a director and shareholder of a Monaco-based company specialising in fund distribution and asset allocation advice, which posed risks in terms of data confidentiality and conflicts of interest.



The company was also reproached with failing to comply with its obligations relating to the order management system, since the company did not meet the requirements for detecting and minimising the risks of non-compliance with the obligations to allocate orders in advance, nor the requirements for keeping records of the stages of transactions, nor the regulations relating to the order allocation schedule, nor, lastly, the regulatory requirements for keeping the compliance function for order management operational.

Furthermore, the company was reproached with having failed to comply with its obligations relating to managing conflicts of interest by failing to implement operational procedures for preventing the risk of conflicts of interest and failing to provide any means of updating the register or the conflict of interest mapping.

In addition to its commitment to bring the company into compliance, it agreed to pay the sum of €90,000 to the Public Treasury as part of this settlement agreement.

Settlement reached on 13 November 2019: Market abuse

Following an investigation into the market for the shares of two listed companies (X and Y), Mr Z, founder and chairman of a strategy and merger-acquisition consultancy, was reproached with having failed to comply with his obligation to refrain from using inside information. Mr Z's company was the adviser to one of the bidders who participated in the invitation to tender organised for the sale of a controlling stake in company X. Mr Z allegedly used inside information relating to the imminent takeover of the controlling stake in company X and the subsequent launch of a takeover bid for that company, acquiring 50,000 shares in company X.

In addition to agreeing to pay the sum of €60,000 to the Public Treasury as part of the settlement, the implicated party committed to undergo training on market abuse.

SANCTIONS

In 2020, the Enforcement Committee handed down 13 decisions on the merits, published on the AMF website.

These concerned 28 persons, of which 13 concerned legal persons and 15 natural persons.

Among these 28 persons:

- 23 persons (11 legal persons and 12 natural persons) were imposed financial penalties, ranging from €10,000 to €15,000,000, for a total amount of €29,655,000;
- 12 persons (6 legal persons and 6 natural persons) were imposed disciplinary sanctions, in addition to or instead of financial penalties. The Enforcement Committee issued 3 reprimands, 2 warnings, 6 five-year bans on practising as a financial investment adviser and 1 five-year ban on practising as a manager or director of an asset management company;
- 2 persons (1 legal person and 1 natural person) were cleared from charges.

EXAMPLES OF ENFORCEMENT COMMITTEE DECISIONS IN 2020

Breaches of professional obligations under EU Regulation EMIR

By a decision of 24 January 2020, the Enforcement Committee for the first time fined an investment services provider €500,000 for breaching several of its professional obligations under the EU Regulation on over-the-counter (OTC) derivatives, central counterparties and trade repositories (EMIR).

The company was first reproached with failing to comply with obligations relating to the timely confirmation of uncleared OTC derivative transactions. The Committee found that the company had failed to confirm certain transactions with its counterparties within the regulatory deadline and that it had neither a procedure and system for monitoring confirmation deadlines that would allow it to measure and monitor the prompt confirmation of certain transactions, nor a specific procedure for reporting transactions that had not been confirmed for more than five business days.

FIGURE 6

Breakdown of regulatory breaches sanctioned

(a decision may cover several breaches)



The Committee also sanctioned the company's failure to comply with its obligations to report OTC derivatives transactions to the trade repository, which was characterised in particular by omissions in the reports, reports made in error or using the wrong reporting method in the case of changes to derivatives contracts, failure to meet the one-business-day reporting deadline, and errors in the information provided in the report sent to the trade repository. The Committee also noted shortcomings in the daily updating of the valuations of certain derivatives reported at market price.

Lastly, the Committee noted certain shortcomings in the compliance function, in that the controls of the investment services compliance officer (RCSI) with regard to portfolio reconciliation, dispute resolution and the content of reports sent to the trade repository were inadequate. It also noted that some anomalies, which had been detected, had not been addressed through recommendations and that the sample of derivatives under review was too small. The Committee also considered that the compliance function did not have the required authority over the back office to obtain answers to its controls within satisfactory deadlines and to ensure effective follow-up of its recommendations. However, the Committee dismissed the complaints relating to the compliance function's lack of resources and expertise and to the failure to keep executive management properly informed, considering that the board of directors had been informed of the company's level of compliance with EMIR regulation.

Breaches of reporting obligations by two investment fund managers

By a decision of 17 April 2020, the Enforcement Committee imposed fines of €15 million and €5 million on two investment fund managers for filing inaccurate and late reports in connection with a simplified tender offer as well as, for one of them, obstructing the AMF's investigation.

In April 2015, a simplified tender offer was filed for a portion of the shares of a company listed in France. Over the following three months, the implicated companies acquired, on behalf of several of their funds, shares and derivatives relating to the target company's securities. At the end of the offer period, the investment fund managers held more than 9% of the target company's capital and voting rights, preventing the offeror from implementing the squeeze-out initially contemplated.

The investment fund managers were reproached with having filed inaccurate reports about the nature of the financial instruments they acquired as part of their investment in the target company. The Enforcement Committee first pointed out that derivatives such as contracts for difference (CFDs) and equity swaps are treated like equities for the purposes of applying the provisions on major holding notifications or declarations of intent. It also ruled that the major holding by assimilation notifications should specify the nature of the derivative instrument acquired, including whether it is a CFD or an equity swap. After analysing the nature of the disputed derivatives, the Committee considered that the derivatives acquired by the implicated parties were equity swaps and not CFDs as indicated in their major holding notifications and declarations of intent. Consequently, it found that the investment fund managers had filed inaccurate reports.

The Committee also considered that, once the tender offer had been filed, the investment fund managers declared belatedly their intention not to tender their shares to the offer. In this respect, it noted that at the beginning of the offer period, the funds held, by assimilation, more than 2% of the target company's capital and that they subsequently crossed the threshold of 5% of this company's capital.

Lastly, the Committee found that one of the two implicated companies had obstructed the AMF's investigation by providing lately and incompletely the information requested by the investigators. However, this regulatory breach was dismissed in the case of the second implicated company.

The companies sanctioned have brought an appeal before the Paris Court of Appeal.

Breaches of obligations relating to financial disclosure

By a decision of 28 July 2020, the Enforcement Committee imposed fines of €5 million and €50,000 on an issuer and its former chairman and chief executive officer respectively for disseminating false information in a newsrelease. However, it dismissed the complaint that the issuer and its current chairman and chief executive officer had failed to comply with the obligation to disclose promptly inside information.

The two complaints referred to the Committee related to the issuer's financial communication concerning a project for the construction of a nuclear power plant in

the UK by a consortium led by the issuer. The company had announced in 2013 that the debt raised to finance the project would be backed by a guarantee from the UK government. The project was to be submitted to the European Commission for assessment of its compliance with state aid rules. The project was also to be accounted for in the company's consolidated accounts using the equity method.

With regard to the first complaint, the Committee considered that the disputed press release, which referred to the announcements made by the issuer a year earlier concerning the conclusion of an agreement with the UK Government on the main commercial terms of the contracts relating to the construction of the power plant, erroneously stated that the key aspects of these agreements were "unchanged". It considered that there had been significant changes to the guarantee provided by the UK Government. The Committee also considered that this false information was likely to set the issuer's share price at an abnormal or artificial level. Lastly, it pointed out that an issuer is presumed to be aware of the inaccurate and misleading nature of information published in its name and on its behalf. With regard to the former director, it noted that he could not have been unaware of the false nature of the press release since he was closely following negotiations related to the project.

However, the Committee dismissed the second complaint concerning the late disclosure of the inside information relating to the management decision to continue the project within the new framework of full consolidation, subject to substantial financial restructuring measures. According to the Committee, the information in question was still only a working hypothesis at the date considered by the complaint, and crucial factors for the company's management to make a decision, which could not be dismissed as mere uncertainties, still had to be resolved. The Committee considered that the information, which was not otherwise disputed as being non-public and likely to have a significant influence on the share price, only became accurate two days before its publication. It considered that, in this case, publication had taken place as soon as possible, occurring as it did on the first business day following the date on which it became inside information.

This decision is the subject of appeals brought before the Paris Court of Appeal by the issuer and its former director and a cross-appeal filed by the AMF Chairman concerning the issuer.

Breaches of professional obligations by an asset management company and its chairman

By a decision of 24 September 2020, the Enforcement Committee imposed a fine of €10,000 and a reprimand on an asset management company, and a fine of €100,000 and a five-year ban on practising as a manager or director of an asset management company on its chairman for breaches of their professional obligations.

Several procedural arguments had been brought in front of the Enforcement Committee, which notably considered that the withdrawal of authorisation by the AMF Board prior to the Committee's meeting did not violate the presumption of innocence, since the reasons for the withdrawal were distinct from the complaints brought against the asset management company in the statement of complaints. It also made it clear that, despite the withdrawal of authorisation from the asset management company, the Committee still had jurisdiction to impose sanctions, including disciplinary sanctions, on the company.

On the merits, the Committee first upheld the complaints relating to the asset management company's investment process, considering that it had failed to implement operational procedures to monitor the investment system. It also considered that the implicated parties had harmed the interests of the holders of certain funds under management, in particular by making current account advances and transfers on behalf of these funds to a company whose chairman and chief executive officer was the chairman of the asset management company, noting that this company was experiencing difficulties that meant that there was a very high risk that these advances and transfers would not be recovered. Furthermore, it considered that this situation, which created a conflict of interests identified by the compliance and internal control officer (RCCI), had not been effectively managed.

With regard to its divestment process, the Enforcement Committee found that by failing to distribute the cash resulting from the liquidation of two funds as the divestment progressed, the company had breached its obligation to act with the diligence, care, competence and professionalism required to best serve the interests of investors. However, it dismissed the objection that the company did not have an effective and transparent procedure for dealing with client complaints in a reasonable and timely manner.

The Committee also considered that the fact that the company had no compliance officer for eight months was a breach of its obligations to maintain an operational compliance function, to appoint a

compliance officer and to have a permanent and effective compliance function. Lastly, the Committee found that the number of requests from the inspectors that remained unanswered or incomplete, which was clearly excessive when compared with the total number of requests, particularly for documents that supposedly existed or for which the company had not met the deadlines it had itself announced, characterised a lack of diligence and loyalty towards the inspectors.

The sanctioned chairman filed a request for suspension against this decision before the Conseil d'Etat, which was rejected on 10 November 2020. An appeal on the merits filed by the company and its director and a cross-appeal by the AMF chairman concerning the director are pending before this court.

Insider trading

On 13 November 2020, the Enforcement Committee imposed financial penalties ranging from €25,000 to €100,000, totalling €275,000, on five individuals who disclosed or used inside information on a proposed disposal of a stake in a company specialising in the drinks and spirits sector and the subsequent proposed takeover bid.

The Committee considered, first, that the information in question was accurate at the date the objection was filed, even though neither the price nor the number of shares to be acquired immediately by certain family shareholders, nor the terms of the distribution agreement, nor the mandate of the board of the future buyer had been definitively determined, and even though discussions were under way with several candidates for the acquisition. It also considered that the information was non-public and that the proposed takeover bid was, by its very nature, information likely to have an influence on the target company's share price, so that the information in question was inside information.

The Committee then considered that all the regulatory breaches notified were serious, based on a body of reliable, accurate and consistent evidence for each of the implicated parties.

It found that the target company's deputy CEO and chief financial officer had passed on the inside information to a London-based financial analyst specialising in the drinks and spirits sector, during a meeting organised shortly after it became inside information. It also found that a member of the transferee company's board of directors had passed on the inside information to a friend he entertained at home, after attending on the same day a board meeting during which ongoing negotiations about the target company had been discussed. The Committee found

that this friend had used the information to acquire shares after opening a securities account the day after their meeting. Lastly, the Committee found that the corporate finance development director of another candidate company for the acquisition had used the information after being in contact with several people in his company who were involved in negotiations with the sellers.

This decision is the subject of appeals brought before the Paris Court of Appeal by two sanctioned parties and a cross-appeal filed by the AMF Chairman concerning these two parties.

Breaches of professional obligations regarding the processing of voting instructions at general meetings by a custody account-keeper

In its decision of 25 November 2020, the Enforcement Committee sanctioned a credit institution authorised to provide custody account-keeping services for financial instruments on behalf of third parties for breaching its professional obligations with regard to the processing of voting instructions at general meetings. It was imposed a financial penalty of €1 million.

The Committee first declared it had jurisdiction to hear complaints relating to the processing of voting instructions at general meetings and considered that the implicated credit institution was subject, in respect of this activity, to all the professional obligations imposed on it for its custody account-keeping business.

On the merits, the Committee considered, first, that the sending of erroneous voting instructions to 44 issuers on behalf of its bearer shareholder clients as a result of technical anomalies or human error characterised the credit institution's disregard of its professional obligations to act with due care and professionalism in the best interests of its clients, obligations that require it to provide its clients with a service that is good enough for them to exercise, in a secure way, the voting rights attached to the financial securities they hold.

The Committee then considered that these voting incidents were the result of the limited resources allocated by the credit institution to the processing of voting instructions for general meetings, which were neither appropriate nor sufficient. It also noted the absence of operational systems and procedures to safeguard the integrity of information on the general meeting voting instructions.

Furthermore, the Committee considered that, given the delay in providing information on the first voting incident, the credit institution did not have an effective internal reporting system in place for its custody account-keeping business. It also considered that the credit institution had made an incorrect assessment of the level of risk associated with the process for counting voting instructions and that it had not implemented appropriate internal control mechanisms on a sufficiently recurring basis in relation to the actual risk of error in counting voting instructions. Lastly, the Committee found that the internal audit function had failed to ensure the consistency and effectiveness of the processing of voting instructions and the appropriateness of the corresponding procedures.

Conversely, the Committee dismissed a final objection concerning a failure to keep a record of the electronic data relating to the processing of voting instructions. This decision is the subject of an appeal brought before the Conseil d'Etat. At the time of writing, the appeal period has not expired.

APPEALS

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

Appeals against decisions of the Enforcement Committee are brought:

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

Out of the thirteen decisions handed down in 2020 by the Enforcement Committee imposing sanctions, eight were appealed by the persons sanctioned, four were the subject of a cross-appeal and one was the subject of a principal appeal filed by the chairman of the AMF.

DECISIONS HANDED DOWN BY THE CONSEIL D'ETAT

In 2020, the Conseil d'Etat handed down 6 decisions : 3 ruled on the merits and 3 ruled for suspending the execution of a decision. In the latter three cases, the Conseil d'Etat rejected requests to suspend the enforcement of the Enforcement Committee's decisions.

Of the three decisions ruling on the merits, the decision of 22 July 2020 may be noted in particular.

In this case, the Enforcement Committee had decided on 13 November 2018 to impose a ban on exercising the activity of intermediary in miscellaneous assets for ten years on a company and its director and a financial penalty of €50,000 on its director for breaches of the regulations applicable to intermediaries in miscellaneous assets.

The respondents first challenged, before the Conseil d'Etat, the status of intermediaries in miscellaneous assets, arguing that they did not manage the rights acquired in works of art and that they had not offered to acquire such rights through advertising and promotional communications.

To reject this argument, the Conseil d'Etat first held that the respondent company did not simply buy works of art on behalf of its clients and keep them, but selected them, appraised them and used them for their cultural value, with the aim of eventually generating a capital gain for its clients. It concluded that the Enforcement Committee had correctly applied the relevant provisions when it found that the respondents' business consisted of offering potential investors the opportunity to acquire rights to movable property that the buyers did not manage themselves. Secondly, the Conseil d'Etat found that the commercial brochure prepared by the respondent company had the commercial purpose of promoting the company's offer to potential investors, presenting its main characteristics, and should therefore be regarded as advertising and promotional marketing material.

On the merits, the Conseil d'Etat found that the Committee had not made an error in its assessment by holding that the information contained in the commercial brochure and sent to potential investors was misleading and inaccurate, due to the fact that the brochure wrongly referred to the use of reputable independent experts, the existence of a bank guarantee and the promotion of the works of art through their introduction at temporary exhibitions in prestigious venues.

Lastly, considering that the regulatory breaches, which occurred over a period of more than two years, were particularly serious and that the sums invested amounted to €25 million over that period, the Conseil d'Etat partially upheld the AMF Chairman's cross-appeal, increasing the penalty imposed on the director from €50,000 to €100,000, in addition to the professional ban imposed on him and the company.

DECISIONS HANDED DOWN BY THE PARIS COURT OF APPEAL

In 2020, the Paris Court of Appeal issued five rulings, three of which dismissed appeals filed by sanctioned parties, one of which declared an accessory voluntary intervention inadmissible, and one of which referred four questions to the Court of Justice of the European Union for a preliminary ruling.

Of the four decisions on the merits, three may be noted in particular.

Paris Court of Appeal ruling of 4 June 2020

By a ruling of 4 June 2020, the Court of Appeal rejected the appeal filed by one of the two parties sanctioned by the Enforcement Committee in its decision of 25 April 2019, which also cleared from charges four other individuals. Ruling on the AMF Chairman's cross-appeal, the Court of Appeal also increased the financial penalty imposed on the respondent.

In this case, the Enforcement Committee imposed a fine of €100,000 on a French telecommunications company for failing to comply with its public disclosure obligations and a fine of €600,000 on its chief executive officer at the time of the events for having repeatedly failed to comply with his obligation to refrain from using inside information relating to the proposed acquisition of a US telephone operator.

In its ruling, the Paris Court of Appeal first rejected all the procedural arguments raised by the plaintiff relating to the prerogatives of the AMF Board and respect for the rights of the defence. In particular, it considered that the AMF Board, which is not bound by the assessment of the facts conducted by the AMF's departments, cannot issue a "more severe or broader" statement of complaints than that contained in the investigation report without first sending a new, detailed letter to the parties likely to be implicated in order to obtain their comments. It also pointed to its established case law, according to which the principle of the rights of the defence only applies from the time of the statement of objections, provided that the investigation is conducted in a fair manner so as not to compromise these rights irremediably.



On the merits, the Court of Appeal upheld that the information was inside information at the date used by the Enforcement Committee. In particular, it pointed out that, for information to be precise, it is not required that the company's board of directors has formally approved the acquisition transaction, nor that the final terms and conditions have been decided, nor that the price has been set. Similarly, it ruled that the fact the exact structure of the proposed acquisition continued to change after the date chosen by the prosecution as the date of the inside information was irrelevant. As to the sensitive nature of the information in question on the share price, the Court stressed that, in view of the importance of the planned acquisition and its nature, this information was likely to be used by a reasonable investor as one of the bases for making investment decisions. It added in this respect that it is not necessary for the target company to have reacted favourably to the project for it to be considered as having significant influence.

The Court then held that the plaintiff, a primary insider, had failed to rebut the presumption of improper use, whether his transactions were made on behalf of his partner or as part of a pre-established strategy, since it was not absolutely impossible for him to interrupt his trading in the securities until the inside information was made public.

Lastly, partially upholding the AMF Chairman's cross-appeal, the Court of Appeal increased the amount of the financial penalty imposed on the plaintiff to €800,000. In this regard, the Court of Appeal found that the financial penalty imposed by the Enforcement Committee was neither sufficiently proportionate to the seriousness of the offence nor sufficiently dissuasive, and that certain assets had not been taken into account by the Enforcement Committee.

An appeal before the Court of Cassation is pending.

Paris Court of Appeal ruling of 9 July 2020

In a ruling of 9 July 2020, the Paris Court of Appeal referred four questions to the Court of Justice of the European Union for a preliminary ruling on the interpretation of certain provisions of the European Market Abuse Regulation (MAR).

In this case, the Enforcement Committee, in its decision of 24 October 2018, sanctioned five natural persons who had passed on and/or used, as the case may be, one or two pieces of inside information relating to the forthcoming publication of articles reporting rumours of takeover bids for securities listed in France.

An appeal was brought to the Paris Court of Appeal by the journalist who wrote the articles in question and who was fined €40,000 by the Committee for having

passed on this inside information to two of his sources. The Court first rejected all the procedural arguments put forward by the plaintiff, relating to the violation of the confidentiality of journalists' sources, the fact that he received a written questionnaire instead of being interviewed by the investigators, the irregularity relating to the interviews conducted by the investigators with several other persons and the irregularity relating to the statement of complaints which made no mention of the regulations on market abuse that came into force after the events.

The Court of Appeal then held, on the merits, that the plaintiff, author of the articles, was in possession of the information in question and considered that it had been established that he had passed on each of these items of information to one of his sources. It also noted that these items of information were non-public, that they each related to an issuer of financial securities and that they were likely to have an influence on the price of those securities. However, it decided to suspend its ruling on the precise nature of this information, pending the reply from the Court of Justice of the European Union to the four questions submitted for a preliminary ruling. These questions seek to determine whether the disputed information is likely to meet the precision required for inside information and to clarify the interpretation and application of the provisions of Articles 10 and 21 of the European Regulation on market abuse.

Paris Court of Appeal ruling of 17 September 2020

In a ruling of 17 September 2020, the Paris Court of Appeal dismissed the appeals filed against the Enforcement Committee's decision of 17 April 2019 by two companies and their mutual director. In this case, the Enforcement Committee had fined an issuer €90,000 for failing to meet its public disclosure obligations. It also imposed financial penalties of €250,000 on its former chairman and chief executive officer and €75,000 on a company managed by this former director, for insider trading and failure to report its securities sale transactions to the AMF.

With regard firstly to the alleged regulatory breach concerning the late public disclosure of inside information by the issuer and its former chairman and chief executive officer, the Court of Appeal rejected two procedural arguments relating to infringement of the principles of presumption of innocence and the right to be heard. It then noted that no contestation over the inside nature of the information had not been brought before it. It subsequently ruled that there was no reason to refer a question to the Court of Justice of the European Union for a preliminary ruling on the less stringent nature of Article 17 of the Market Abuse Regulation compared with Article 223-2 of the AMF

General Regulation on the concept of deferring publication of inside information, as requested by the plaintiffs. The Court of Appeal considered that disclosing to the public the information relating to the failure to pay an instalment of the company's recovery plan more than six months after it became inside information was late and likely to mislead the public in view of the company's most recent press releases, which were optimistic about its financial situation. Lastly, the Court of Appeal upheld the Enforcement Committee's analysis of the imputability of the regulatory breach to the sanctioned director, stating that the Market Abuse Regulation did not introduce less stringent rules of imputability for directors than those provided for under national law before it came into force.

The issuer and its director were also reproached with having disclosed inaccurate or misleading information to the public. The Court of Appeal, which also concluded that this regulatory breach had been committed, pointed out that the provisions of Article 12.1(c) of the Market Abuse Regulation were more restrictive than those of Article 632-1 of the AMF General Regulation, which they replaced. As a result, these provisions had to be applied retrospectively. According to the Court of Appeal, the fact that the former provisions of the AMF General Regulation were referred to in the statements of complaints rather than the less stringent provisions of the Market Abuse Regulation was not such as to impair the plaintiffs' rights of defence.

The Court of Appeal further concluded that the insider trading alleged against the former chairman and another company he managed had been committed because he was in possession of the two pieces of inside information in question when he ordered the sale of shares on behalf of his company and that this regulatory breach was also attributable to the company on whose behalf it was committed.

Finally, the Court of Appeal upheld the final regulatory breach alleged against the affiliated company and attributable to the chairman, relating to the failure to declare securities sale transactions to the AMF. In this regard, the Court considered that this company was an affiliated party within the meaning of the applicable laws and regulations since it was managed by the issuer's chairman at the time of the disputed transactions.

The plaintiffs have appealed before the Court of Cassation against this ruling.

Paris Court of Appeal ruling of 15 October 2020

Lastly, in a ruling of 15 October 2020, the Paris Court of Appeal declared inadmissible the accessory voluntary intervention filed by a third party in support of the appeal brought before the Paris Court of Appeal by an investment bank sanctioned for price manipulation, challenging the Enforcement Committee's decision of 4 December 2019.

In its voluntary intervention, the third party asked the Court to overturn the decision of 4 December 2019 because, according to the intervening party, it wrongly ruled in favour of the AMF's jurisdiction over foreign transactions involving futures contracts with French sovereign bonds as their underlying assets.

In declaring this voluntary intervention inadmissible, the Paris Court of Appeal, as a principal, ruled that the personal nature of sanctions imposed by the AMF Enforcement Committee prohibited not only a third party from appealing against a sanction decision, but also a third party from voluntarily intervening in support of an appeal filed by a sanctioned party, in the absence of any legislation permitting such intervention. In this regard, it emphasised that the provisions of the Code of Civil Procedure are applicable only if they are not expressly derogated from by specific legislation and if they are compatible with the very nature of the dispute over the sanctions imposed by the AMF Enforcement Committee. This is not the case with the provisions governing accessory voluntary intervention, which allow third parties to intervene in the proceedings to protect their private interests.

Furthermore, the Paris Court of Appeal considered that the voluntary intervention in question did not support the main plaintiff's claims and therefore did not satisfy the applicable provisions. It also noted that the wish, expressed by the intervening third party, to avoid creating case law that would be unfavourable to that third party was not more likely to satisfy the conditions for admissibility of such a request, in the absence of absolute authority attached to the contested decision. Lastly, it considered that the third party could not invoke the right of access to the Court as the basis for the accessory voluntary intervention, as the contested decision did not impose any penalty on the third party and the decision to intervene in the pending dispute before the Court did not prevent the third party from defending any rights assigned when the time came and in accordance with the appropriate procedure.

DECISION HANDED DOWN BY THE COUR OF CASSATION

In 2020, the Court of Cassation handed down one decision on 14 October 2020, rejecting an appeal by a non-specifically motivated decision.

AMF financial statement 2020*

The framework governing the accounting records of the Autorité des Marchés Financiers (AMF) is specified in Article R. 621-15 of the Monetary and Financial Code, under which:

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

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

* The financial statements presented here have been reviewed by the AMF Audit Committee; however, at the date of publication of this Annual Report, they have not yet been approved by the AMF Board. This approval is scheduled for 13 April 2021.



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AMF'S SITUATION

RESULTS FOR THE 2020 FINANCIAL YEAR

A LOSS FOR THE NINTH YEAR IN A ROW

After taking into account a repayment to the general State budget of €13.80 million, the AMF closed the accounts for the year with a loss of €1.13 million, lower than that forecast in the initial budget (-€3.41 million) but slightly higher than that of 2019 (-€0.99 million).

Contributions from obliged entities amounted to €123.10 million (including €6 million in voluntary contributions) compared with €113.79 million in 2019, resulting in a repayment to the State budget of €3.92 million despite the income ceiling being raised from €96.5 million to €99 million in 2020.

Operating expenses excluding depreciation, amortisation and provisions amounted to €102.08 million, up 1.9% on 2019, while depreciation, amortisation and provisions, net of reversals, amounted to €10.01 million, up €3.89 million on 2019. The average number of staff remained stable during the year at 475 FTEs (full-time equivalent employees), against a ceiling of 485 set by the Finance Act.

Operating expenses (€12.69 million) and net financial items (€0.01 million) did not cover net exceptional items (-€13.83 million), which mainly reflects the repayment to the State budget.

This graph shows the change in the net result between 2016 and 2020 and its composition:



CASH FLOW FROM OPERATIONS RESULTING IN A WITHDRAWAL FROM WORKING CAPITAL

Cash flow from operations, which measures the surplus of internal resources generated by the Authority's activity that it can use for its own financing, amounted to **€8.91 million in 2020**.

Use of funds related to the acquisition of intangible and tangible assets amounted to a net total of €14.52 million, while there was a withdrawal from working capital totalling **€5.61 million**.

Consequently, **working capital, which was €9.54 million at the end of 2019, reduced to €3.93 million by the end of 2020**.

As liabilities plus deferred income were much higher than trade receivables plus pre-paid expenses (due mainly to the repayment to the State budget of the surplus of contributions over the income ceiling), the working capital requirement remained negative and provided a resource for the AMF (€32.88 million compared with €29.61 million at the end of 2019).

This situation in favour of the AMF means that it has a positive cash position of **€36.81 million**, despite having a **working capital of less than half a month's activity**.

2021 Budget Outlook

Against the backdrop of the health crisis that has affected the economic fabric and financial markets, and with a view to the emergence of a genuine European Capital Markets Union, the AMF must continue and step up its efforts to:

- support the growth in individual shareholding and protect investors from the many illegal solicitations they receive;
- ensure that market mechanisms are functioning properly within a transparent framework and with appropriate governance;
- support the development of sustainable finance;
- adapt the regulatory and supervisory framework of asset management to control the related risks more effectively;
- strengthen compliance requirements, particularly with regard to anti-money laundering and cybersecurity;
- regulate the digitalisation of financial markets and the development of crypto-assets.

The AMF also has a duty to support the development of French financial markets after the UK's exit from the EU.

At the same time, the AMF intends to continue its transformation in terms of digitalising its processes in order to modernise its working methods and achieve productivity gains and to expand the use of data in its core business processes.

In this regard, the AMF has secured **an increase in the income ceiling** and employment ceiling for 2021, from €99 million to **€101.5 million** and from 485 to 500 FTEs respectively, as set out in the 2021 Finance Act. However, these resources remain below those available to the AMF's European counterparts.

This budgetary increase, the modernisation of its working methods and the cost rationalisation policy undertaken by the AMF in recent years remain insufficient to ensure its financial equilibrium and finance the 500 FTEs and have resulted in 485 FTEs being included in the 2021 budget.

Accordingly, the 2021 budget adopted in December 2020 included the following:

- **income** net of repayments to the State budget of **€108.79 million** (€110.99 million in 2020), comprising:
 - contributory income valued at €108.57 million;
 - the voluntary contribution of €6 million from the Association Française de la Gestion Financière (French Asset Management Association, AFG) to finance the BIO3 (ROSA) IT project;
 - miscellaneous income of €1.29 million relating to the re-invoicing of expenses;
 - a **repayment** to the general State budget of **€7.07 million**, compared with €13.80 million in 2020;
- current operating expenses of **€110.92 million**, down by €1.16 million, with priorities in line with the objectives of the 2019-2022 strategic plan.

Projected net income is therefore expected to be to -€2.14 million compared with a loss of -€1.13 million in 2020.

The amount of investment of **€13.90 million** is expected to increase by €2.70 million, mainly due to the €3.38 million increase in IT investments partially offset by a decrease in property investments (€0.67 million).

The withdrawal from working capital is expected to be €9.61 million **and working capital is therefore expected to turn negative.**

Multi-year expenditure optimisation plan

In accordance with Article 21 of French Law 2017-55 of 20 January 2017 on independent administrative authorities (IAAs) and independent public authorities (IPAs), the AMF is continuing to implement measures to pool its services with those of other IPAs/IAAs or with those other public-sector stakeholders:

- The implementation of a shared framework agreement for travel agency services as part of an inter-IAA/IPA order pooling system. This pooling of purchases results in favourable pricing conditions and a mass effect for the service provider in the event of difficulties in delivering the service.
- In addition, the AMF renewed its commitment to a contract to supply legal databases offered by the French State Procurement Directorate (DAE). This mechanism enables the AMF to make significant savings in terms of both administration and annual costs.
- The AMF joined the grouped contract launched by the Préfecture de Paris for the management of lifts. This contract, which was awarded in November 2020, will cover not only the maintenance of the fleet of lifts, but also related services such as project ownership assistance and the verification of lift-related invoices.
- Lastly, the AMF joined the building project management contract launched by the DAE, which will be awarded in 2021.

With a view to consolidating its needs through bulk purchases, the AMF also continued to make regular use of offers from central purchasing bodies (e.g. the Union of Public Purchasing Groups or UGAP) for some of its needs, particularly for IT services, project ownership consultancy and assistance, building upkeep and maintenance services, and personalised reception and switchboard services.

Income Statement

As illustrated by the figure below, the coverage rate of the AMF's expenses by income stabilised between 2019 and 2020 but was less than 100%, resulting in a loss of **-€1.13 million** (-€0.99 million in 2019).

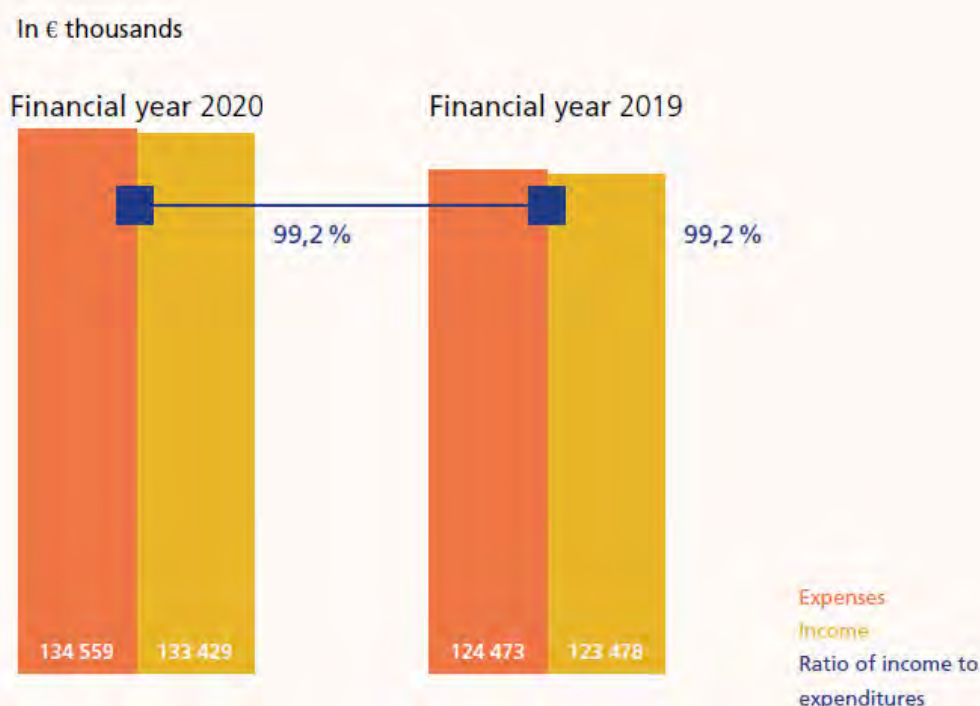
Excluding the repayment accounting mechanism, this decrease of €0.14 million compared with 2019 is mainly due to the following factors:

- the increase in the ceiling on contributory income from €96.5 to €99 million, which improved the result by €2.5 million;
- the increase in staff costs,¹² which negatively impacted the result by €1.88 million, despite the stability in staff numbers, due to the

increase in the average salary of approximately 1.2 points (+€0.65 million in expenses) but above all due to the increase in paid leave (+€1 million in expenses);

- the increase in depreciation/amortisation following the implementation into production of various projects during the year (ICY, website, etc.), which negatively impacted the result by €1.04 million.

Adjusted to account for the exceptional expense of €13.80 million related to the income ceiling, the 2020 result would, however, be a profit of €12.67 million.



¹² The staff costs discussed above include all expenses charged to the 64x and 63x accounts and discretionary employee profit-sharing.

Operating income

Income for the 2020 financial year, up 8.1%, amounted to (€123.42 million in 2019). Excluding non-cash income (reversals of provisions amounting to €8.64 million), income amounted to €124.78 million, up 8.2% compared with 2019 (€115.33 million).

SPECIAL INCOME (FEES AND CONTRIBUTIONS)

This income, which increased by 8.6% to €117.10 million (€107.79 million in 2019), came from:

- fees levied on market capitalisation of €22.57 million (€22.36 million in 2019), up by 0.9%;
- fees and contributions due on the issue of financial instruments, the review of takeover bids and major holding disclosures of €11.78 million (€9.92 million in 2019), up by 18.4%;
- fees levied on the exercise of investment services (dealing on own account) of €10.09 million (€9.77 million in 2019), up by 3.2%;
- fees levied on service providers and savings products of €70.76 million, including €55.06 million for management services (€63.98 million, including €47.66 million for management services in 2019), up by 10.6%;
- the contribution due from market infrastructures, based on the operating income for the reporting year, of €1.90 million (€1.76 million in 2019), up by 7.9%.

The breakdown of fees and contributions recorded in 2020 is as follows:

- fees from investment services providers and savings products 69.04% compared with 68.42% in 2019;
- fees from corporate financing transactions 29.33% compared with 29.94% in 2019;
- fees paid by market infrastructures 1.63% compared with 1.64% in 2019.

VOLUNTARY CONTRIBUTIONS

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

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

OTHER INCOME

The total for other income, amounting to €1.68 million (€1.54 million in 2019), mainly relates to:

- seminars and training days amounting to €0.59 million;
- re-invoicing relating to staff made available amounting to €0.16 million;
- invoicing for data relating to UCITS amounting to €0.16 million;
- re-invoiced operating costs amounting to €0.15 million (FSMA/AMF agreement);
- the payment from the Agency for Ecological Transition as part of the LIFE/CLIMACT project amounting to €0.13 million.

REVERSALS OF PROVISIONS

These amounted to €8.64 million (€8.09 million in 2019) and include reversals of impairment in value of trade receivables and reversals of operating provisions.

Operating expenses

Operating expenses increased by 5.6% to €120.72 million (€114.35 million in 2019). The change is mainly due to the increase in depreciation/amortisation (+€1.04 million) and provisions (+€3,40 million) and in wages and salaries and other staff costs (+€1.69 million).

PURCHASES OF MERCHANDISE AND PURCHASES OF NON-INVENTORIED ITEMS AND SUPPLIES

At €0.75 million (€0.93 million in 2019), these expenses decreased by €0.18 million (-19%), reflecting the effects of the health crisis on the consumption of utilities, office supplies and other items.

OTHER PURCHASES AND EXTERNAL EXPENSES

At €33.93 million (€33.63 million in 2019), these expenses increased by 0.9%.

- **General subcontracting**

At €0.54 million (€0.22 million in 2019), this line item recorded an increase related to the greater use of Banque de France staff for inspections in 2020.

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

At €6.55 million (€6.11 million in 2019), this line item increased by €0.44 million (+7.3%), resulting from the increase in expenditure on maintaining the application base in operational condition amounting to €0.31 million and the revision of rent bands amounting to €0.13 million.

▪ **Upkeep, repair and maintenance**

At €3.03 million (€2.48 million in 2019), this line item increased by €0.55 million (+22.6%). This line item primarily includes the costs of maintaining buildings and information technology. The increase is due to the change in support centre expenditure as a result of the widespread introduction of remote working during the health crisis.

▪ **Documentation, conferences and seminars**

This line item amounted to **€1.69 million** (€1.73 million 2019).

▪ **Payments to intermediaries and fees**

At €1.71 million (€1.61 million in 2019), these expenses increased by €0.10 million (+5.7%), mainly due to an increase in the use of temporary staff.

▪ **Miscellaneous**

This line item encompasses a set of expenses that amounted to €20.40 million (€21.49 million in 2019). The €1.09 million (-5.1%) decrease in this line item mainly relates to:

- the withdrawal of €0.61 million for external IT services in view of the mobilisation of resources for the capitalisable projects under the new P2SI 2020-2022;
- the decrease in travel and entertainment expenses amounting to €0.60 million and in continuing professional training amounting to €0.20 million, mainly due to the measures taken during the COVID-19 health crisis;
- the increase of €0.48 million in expenses relating to organisational support, management of financial flows and the reorganisation study.

Other expenses

Other expenses amounted to **€1.08 million** (€1.14 million in 2019) and mainly relate to:

- cancellations of receipts from previous financial years amounting to €0.29 million;
- royalties for concessions, patents and computer tool licences amounting to €0.35 million;
- subsidies amounting to €0.20 million, mainly relating to payments to the Haut Comité Juridique de Place and the Institut Europlace de Finance;
- copyright and reproduction rights and similar rights amounting to €0.13 million.

Staff costs

It should be noted that the average number of full-time equivalent (FTE) employees varied only slightly from 497.4 in 2019 to 495.7 in 2020, i.e. a difference of -1.7 FTEs. However, the year-end figure of 497.2 FTEs does reflect growth during 2020.

WAGES AND SALARIES

Wages and salaries amounted to **€39.11 million** (€38.32 million in 2019), an increase of €0.79 million (+2%). This is explained by:

- the health crisis, which affected the consumption of paid leave and time off in lieu, resulting in an increase of €0.62 million;
- the implementation of the wage policy adopted for 2020 in terms of individual increases and variable pay, with the understanding that there has been no general increase or wage drift due to seniority and/or skills (*glissement-vieillesse-technicité* or GVT).

WELFARE CHARGES, EMPLOYEE BENEFITS, MATCHING PAYMENTS, OTHER

At **€17.35 million** (€16.81 million in 2019), these expenses increased by 3.2%. In addition to the impact of the increase in wages and salaries, the increase in employee profit-sharing and a higher increase in pension contributions were also important factors.

EMPLOYEE PROFIT-SHARING

This amounted to **€2.32 million** and remained stable compared with the total amount paid for 2019. The employee profit-sharing rate in 2020 was 5.75%.

TAXES AND SIMILAR PAYMENTS

This line item amounted to **€7.55 million** (€7.36 million in 2019). It primarily includes payroll tax (€5.13 million), transport payments (€1.10 million), employer contributions to continuing professional training (€0.37 million) and housing tax (€0.50 million).

DEPRECIATION, AMORTISATION AND PROVISIONS

Annual depreciation and amortisation amounted to **€5.33 million** (€3.81 million for intangible assets and €1.52 million for tangible assets).

Operating provisions amounted to €10 million and mainly include:

- the provision relating to the matching payments to the PEE/PERCO retirement savings plan;
- the cost of unemployment benefit;
- the provision for disputes;
- the 2020 pension expense in respect of pension commitments and similar benefits;
- but mostly (€6.23 million) the provision relating to the estimated additional payment in 2020 to the general State budget resulting from outstanding amounts to be recovered from capped contributions.

The amount of the provision of impairment of trade receivables (€3.32 million) is the result of an exceptional catch-up process on foreign alternative investment funds marketed in France, some of which contain doubtful receivables.

Interest income

Interest income decreased to **€0.01 million** (€0.05 million in 2019) and resulted from the interest on the Livret B passbook savings account, capped at €20 million since 1 January 2020 with a gross interest rate of 0.05% (0.038% net).

At 31 December 2020, investments amounted to €20.01 million in Livret B passbook savings.

Non-recurring expenses

The total of these expenses amounting to **€13.83 million** (€10.12 million in 2019) includes:

- the non-recurring expense of €13.80 million resulting from the implementation of the ceiling on taxes allocated to operators provided for in Article 46 of the 2012 Finance Act (ceiling set at €99 million for the AMF in 2020 compared with €96.5 million in 2019) and calculated based on contributions received in 2020;
- the net book value of fixed assets taken off the inventory amounting to €0.03 million.

Balance Sheet Assets

INTANGIBLE ASSETS: €32.71 MILLION

Total IT investments at the end of the 2020 financial year amounted to €6.63 million, of which €6.56 million related to prepayments on projects in the Information Technology strategic plan.

Prepayments on intangible assets in 2020 amounted to €12.22 million.

The net book value of prepayments taken off the balance sheet amounts to €0.03 million.

TANGIBLE ASSETS: €5.47 MILLION

Acquisitions of tangible assets amounted to €1.33 million, including primarily space planning and fitting-out work (€0.48 million) and computer hardware (€0.75 million), of which €0.38 million related to prepayments.

Tangible assets taken off the balance sheet amounted to €0.79 million.

LONG-TERM INVESTMENTS: €0.03 MILLION

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

OPERATING RECEIVABLES: €18.45 MILLION

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

- €9 million of receipts recorded in the accounting officer's entries in 2020 that were outstanding at the end of the financial year;
- €0.73 million of receipts recorded prior to 2020 that were outstanding at the end of the financial year;
- €0.11 million of receipts from customers subject to insolvency proceedings and which have been fully provisioned for write-offs in customer accounts;
- €12 million representing the balance, after receipt of the €6 million on 31 October 2020, of the receivable due from the AFG under the agreement signed between the AMF and the AFG on 29 March 2018.

OTHER TRADE RECEIVABLES: €0.03 MILLION

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

CASH AT HAND AND IN BANK: €36.81 MILLION

As well as the Livret B passbook account (€20.01 million), this line item also includes bank account balances and cash at hand that amounted to €16.80 million.

PRE-PAID EXPENSES: €0.59 MILLION

This line item includes maintenance contracts and subscriptions to technical documentation spanning several financial years.

Balance sheet liabilities

RESERVES

The net income for the 2020 financial year of -€1.13 million is allocated to the institution's reserves.

Reserves before allocation:	€26.25 million
Net income (loss):	-€1.13 million
Reserves after allocation:	€25.12 million

After allocation of income, the reserves amounted to €25.12 million.

PROVISIONS FOR RISKS AND CHARGES: €17.02 MILLION

Provisions for risks amounted to €3.52 million.

Provisions for charges of €13.50 million mainly relate to:

- pension commitments and similar benefits;
- the cost of unemployment benefit;
- matching payments for 2020;
- the restoration work on the building located at 17 Place de la Bourse in Paris at the end of its lease;
- the estimated additional payment in 2020 resulting from outstanding amounts to be recovered from trade receivables falling within the scope of Article L. 621-5-3 of the Monetary and Financial Code.

OPERATING LIABILITIES: €34.42 MILLION

Trade notes and accounts payable: this line item corresponds to invoices not received by the AMF at the end of the financial year for a total of €3.72 million and, for €3.91 million, invoices in the process of being settled at the end of the financial year.

This line item also includes the exceptional expense of €13.80 million resulting from the income ceiling of €99 million for 2020.

Tax and welfare liabilities: this line item, amounting to €12.99 million, includes the liability provisioned for paid leave (€5.82 million, including charges), profit-sharing (€2.85 million, including charges), the proportion of variable remuneration (€2.87 million, including charges), and amounts due to the various social organisations (€1.45 million).

PAYABLE TO FIXED ASSET SUPPLIERS: €4.54 MILLION

This line item corresponds to invoices from fixed asset suppliers not received at the end of the financial year for €2.20 million and, for €2.34 million, invoices in the process of being settled at the end of the financial year.

OTHER LIABILITIES: €0.99 MILLION

This line item mainly includes suspense accounts amounting to €0.99 million.

DEFERRED INCOME: €12 MILLION

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

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

AMF BALANCE SHEET AS AT 31
DECEMBER 2020

		2020 Financial Year		2019 Financial Year	
	GRROSS	Deprec. Amount, PROVISIONS	NET		NET
Assets					
Intangible assets	55 805 751	23 093 262	32 712 489	26 583 831	
Patents, licences, softwares	40 660 877	23 093 262	17 567 615	14 773 256	
Prepayments	15 144 875	—	15 144 875	11 810 575	
Tangible assets	22 267 712	16 800 209	5 467 503	5 757 361	
Machinery and industrial equipments	540 792	540 792	—	—	
Other	21 289 358	16 259 416	5 029 942	5 630 696	
Prepayments	437 561	—	437 561	126 665	
Long-term investments	26 286	—	26 286	26 286	
Other	26 286	—	26 286	26 286	
Total 1	78 099 749	39 893 471	38 206 278	32 367 478	
Current assets					
Trade receivables					
Trade notes and accounts receivable	21 847 338	3 393 631	18 453 708	23 772 792	
Other	28 614	—	28 614	18 027	
Investment securities	—	—	—	—	
Other	—	—	—	—	
Cash at hand and in bank (note 5)	36 813 750	—	36 813 750	39 149 266	
Total 2	58 689 702	3 393 631	55 296 071	62 940 085	
Pre-paid expenses (total 3) (note 4)	592 755	—	592 755	510 415	
Grand Total(1+2+3)	137 382 206	43 287 101	94 095 104	95 817 978	

	2020 Financial Year		2019 Financial Year	
	BEFORE ALLOCATION		BEFORE ALLOCATION	
Liabilities				
Reserves:				
Deficit (-) or surplus for the period			26 247 482	27 242 435
Total 1			-1 129 886	-994 953
Provisions:				
Provisions for risks			3 523 451	3 161 277
Provisions for charges (note 6)			13 497 971	12 500 141
Total 2			17 021 422	15 661 419
Liabilities:				
Trade notes and accounts payable (note 2)			21 432 297	18 245 377
Tax and welfare liabilities			12 991 319	11 576 537
Payable to fixed asset suppliers			4 538 523	4 178 361
Other liabilities			993 946	1 908 803
Total 3			39 956 085	35 909 077
Deferred income (TOTAL 4) (note 7)			12 000 000	18 000 000
Grand Total) (1+2+3+4)			94 095 104	95 817 978

AMF INCOME STATEMENT AS AT 31 DECEMBER 2020

OPERATING INCOME	Exercice 2020	Exercice 2019
Special income (fees):	117 102 588	107 790 566
Payments for Corporate financing transactions and disclosures	34 347 153	32 277 720
Payments from investment services providers and on savings products	80 852 602	73 750 130
Payments from market infrastructures	1 902 833	1 762 715
Voluntary contributions	6 000 000	6 000 000
Other income (conferences and seminars, databases, various rentals, publication sales...)	1 674 776	1 542 177
Reversals of amortisation and provisions	8 637 686	8 085 932
Total I	133 415 050	123 418 675
OPERATING EXPENSES		
Purchase of non-Inventoried Items and supplies	750 164	926 372
Other external expenses, of which:	33 928 792	33 626 225
General subcontracting	541 335	218 684
Rent (real estate, furniture and equipment) and rental charges)	6 551 737	6 105 265
Upkeep, repair and maintenance	3 034 525	2 475 057
Documentation, conferences and seminars	1 694 632	1 725 314
Payments to intermediaries, fees and secondments	1 705 843	1 613 834
Other (insurance, travel and entertainment, subsidies, postage, training, telecoms, etc.)	20 400 719	21 488 070
Other expenses	1 078 371	1 141 334
Taxes and similar payments	7 545 124	7 360 029
Wages and salaries	39 109 081	38 324 803
Welfare charges, employee benefits, matching payments, other	17 347 450	16 812 564
Employee profit-sharing (note 3)	2 318 221	1 951 086
Depreciation, amortisation and provisions (note 1)	18 645 775	14 207 894
Total II	120 722 979	114 350 308
Operating expenses (I+II)	12 692 071	9 068 367
Interest income (III)	13 699	52 465
Income from investment securities, net proceeds from sale of investment securities	13 699	52 465
Interest expense (IV)	1 316	1 939
Net financial items (III+IV)	12 383	50 525
Pre-exceptional surplus/deficit (I+II+III+IV)	12 704 454	9 118 892
Non-recurring income (V)	—	€ 500
On management operations	—	—
On equity transactions	—	€ 500
Non-recurring expenses (VI)	13 834 340	10 120 345
On management operations	13 804 487	9 889 028
On equity operations	29 853	231 317
Net exceptional items (V+VI)	-13 834 340	-10 113 845
Total Income(I+III+V)	133 428 749	123 477 640
Total expenses (II+IV+VI)	134 558 535	124 472 592
Deficit (-) ou surplus	-1 129 886	-994 953

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