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**MAKING FINANCE MEANINGFUL
AGAIN**

AN ASSESSMENT OF THE AMF'S 2013-2016
STRATEGIC PLAN



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DES MARCHÉS FINANCIERS

AMF



MAKING FINANCE MEANINGFUL AGAIN: AN ASSESSMENT OF THE AMF'S 2013-2016 STRATEGIC PLAN

In 2013, the AMF published a strategic plan covering the period through to 2016. Since then, we have spent four years working to "**make finance meaningful again**", by taking it back to its primary role of funding the economy and businesses.

The plan took our vision of finance as a useful force that contributes to economic growth and organised it around three bold objectives, underpinned by tangible measures to regulate, exert influence, supervise and support:

- 1. Make every effort to achieve transparent, safe markets in Europe,**
- 2. Restore investor confidence,**
- 3. Bolster the financing of the economy.**

These objectives were supplemented by the internal goal of **improving the AMF's own performances**.

What results have come out of the work done in the last years?

The main achievements lie in three key areas:

On the regulatory front, the AMF helped to shape and support the far-reaching regulatory initiatives taken in the wake of the financial crisis. We mobilised our staff and collaborated with other French authorities, the financial community and our counterparts to influence the international agenda, negotiate reforms with major ramifications for transparency and safety and transpose them into domestic legislation. The AMF is now helping firms as they work on operational implementation of the adopted legislation. Our expertise and contributions are recognised both within Europe and internationally and have made the AMF one of the foremost financial regulators on the international scene.

In supervision, the AMF stepped up its prevention and launched an ambitious investment plan for our surveillance systems. We kept a close watch on market developments and lobbied to ensure that the regulatory framework evolved to reflect new risks, as illustrated by last year's adoption of provisions covering the marketing of miscellaneous assets and the advertising of highly speculative forex and CFD-type financial contracts. We were active at European level too, reaching out to the supervisors of companies that offer these types of products. At the same time, the AMF engaged in more initiatives to raise retail investor awareness.

The AMF improved the efficiency of its enforcement activities, particularly through use of the administrative settlement procedure. With their transparency and educational role, settlements are a valuable component of the AMF's enforcement toolkit and now make up around one-half of the outcomes for statements of objections issued by the AMF Board following inspections. AMF investigators demonstrated their ability to handle complex cases, as France led the way in late 2015 by imposing a heavy fine (€5 million) for price manipulation by a high-frequency trader. We also continue to collaborate with the national financial prosecutor's office (PNF) and implemented a new procedure for steering cases to the appropriate prosecution channel.

As regards financing the economy, the AMF promoted an ambitious approach within Europe, while making adjustments to reflect changing needs. We worked alongside SMEs to make it easier for them to access the markets and lobbied, with varying success, for European legislation that would strike a balance between protecting investors and meeting economic financing requirements. The AMF also nurtured **innovation** by supporting crowdfunding and enabling certain investment funds to originate loans. We worked hard in support of a dynamic and competitive Capital Markets Union (CMU) – an objective that has taken on even greater importance with Britain's departure from the European Union.

New challenges have also arisen over the recent period. In 2016, responding to digitalisation-related changes in the finance sector, we set up a **FinTech, Innovation and Competitiveness Division**, which is tasked with working with innovative firms. Also in 2016, we beefed up our **pro-competitiveness** initiatives, notably through the FROG project promoting the international development of the French asset management industry. These efforts took on a new dimension with Brexit, as shown by the Agility programme introduced to help institutions looking to set up in Paris.

Internally, we reviewed our organisation to accommodate European aspects and build new skills; the objective of **assisting the marketplace and retail investors** was strengthened and illustrated by the guides published in recent years and by the training courses that we offer. We sought at all times to remain **true to our identity** as an independent, open and engaged authority that acts in the general interest.

Our actions offer a solid foundation from which to address the new challenges taking shape. Even so, we are clear-sighted in our assessment: we had muted success in meeting some of our stated goals and we need to go further in many areas. These areas include the attractiveness of the Paris financial centre, whose ecosystem is being undermined by competition from other financial centres; the necessary reflection on the quality and implementation of European regulations; efforts to keep step with the digitalisation trend that is set to transform how we think about regulation and force us to be more agile; and adapting our enforcement activities and the way in which we monitor and support participants across a steadily widening spectrum of intervention. Finally, with Brexit reshaping European financial markets and proposed reforms to the European Supervisory Agencies, we have to think about our positioning within and contribution to ESMA.

This report describes the AMF's main achievements, which are grouped according to the key objectives set out in the 2013-2016 strategic plan and the measures proposed to meet the stated goals. Although by no means an exhaustive assessment, this report offers a **measure of what was accomplished over the period**. It will provide insights for the AMF's next strategic plan by supplying information on successes achieved and problems encountered along the way. This report is paired with a summary of the results from a satisfaction and perception survey of regulated professionals conducted in May 2017 by Kantar Public.



I. MAKE EVERY EFFORT TO ACHIEVE TRANSPARENT, SAFE MARKETS IN EUROPE

An enhanced international presence, backed by a dedicated internal organisation and greater collaboration at home

Recent years have witnessed the completion of a number of major reforms, including MiFID 2, AIFMD, EMIR, UCITS 5, CSDR, SFTR, MAR and the Benchmark Regulation, which have taken the bold objectives set by the G20 and the Financial Stability Board and translated them at European level. This situation presented the AMF with a range of challenges, including the need to overhaul our organisation and boost the involvement of our operational teams in European-level work. Externally, we had to step up our presence in international groups and committees, raise our profile and exert more influence on legislative and regulatory initiatives. In one area that was particularly symbolic of the AMF's international presence, we led work under the auspices of the FSB and IOSCO on potential risks linked to the investment management industry. In all, we are involved in over 100 European and international groups and committees. We also reached out to talk about our positions beyond the circle of regulators, notably by increasing our presence at international conferences and in the English-language press and by strengthening our contacts with Members of the European Parliament and the European Commission, among others.

We set up an in-house network for staff members working at international level, who benefit from special training courses and meetings. We structured our management of seconded national experts to provide support before (including by identifying candidate pools), during and on return from secondments. This programme, like the staff exchange programme, which included exchanges with the FCA in 2016, is a vital tool that enables us to collaborate more easily and better understand the practices of our European partners.

Key figures

- Approximately 130 AMF staff members involved in European or international work projects (about one-quarter of the total headcount)
- The AMF is an active member in around 100 European and international groups and committees
- 57 training courses on international negotiation provided over three years to AMF staff
- Between six and seven seconded national experts (SNEs) provided to the European Commission and ESMA
- Threefold increase in AMF participation in international conferences, from 10 in 2014 to 20 in 2015 and 32 in 2016

At home, the AMF restructured its consultative commissions, amending their charters to place more emphasis on European initiatives and make the commissions' opinions more visible to the Board. We also stepped up our institutional collaboration with French authorities, professional associations and other key institutions. The Haut comité juridique de la place financière de Paris (Legal High Level Advisory Committee for Paris Financial Markets – HCJP) was established at the behest of the AMF, the Banque de France and the French Treasury as a way to forge shared positions on European legal issues.

Supporting post-crisis regulatory initiatives: promoting balanced legislation to foster safe, transparent markets and helping firms with implementation

It is hard to pick out key individual rules, given how much the European framework has changed in recent years. However, reforms backed by the AMF and where we successfully made our views count included the following:

- Enhanced transparency, including on fixed income and derivative markets, by means of new pre- and post-trade transparency rules, reduced use of waivers and a new OTC trading regime
- An HFT toolbox based on a harmonised regime for tick sizes, algorithm flagging and principles for market access pricing structures
- Completion of work on money market funds and steps to strengthen investment funds' risk management tools
- Inclusion of a universal registration document in the prospectus regime and the creation of a consistent framework to make securitisation more solid

EMIR also resulted in new responsibilities for the AMF, with closer monitoring of market infrastructures, involvement in the supervisory colleges for central clearing counterparties, monitoring of firms' compliance with new obligations under EMIR and enhanced supervision of participants on commodity derivative markets. As part of efforts to transpose MiFID 2, which will be spread over more than two years (the directive comprises a delegated directive and 44 implementing regulations), a dedicated team was set up to work on transposing or adapting national law in cases where the legislation is directly applicable. The AMF also provided training courses and published guides on MiFID. Our staff collaborated with impacted market participants to assess the practical consequences of implementing certain requirements (for example in the context of discussions on payment for research services) and alert them to the steps they need to take.

Recent guides published by the AMF

- [Guide to the use of stress tests as part of risk management within asset management companies](#)
- [Guide to MiFID 2 for asset management companies](#)
- [Guide to UCITS 5 for asset management companies](#)
- [Guide to European Long-Term Investment Funds \(ELTIFs\)](#)

AMF training programmes

- [Annual training days for compliance and internal control officers \(RCCIs\) and investment services compliance officers \(RCSIs\) \(around 700 participants\)](#)
- [RCCI and RCSI training courses \(approximately 250 participants a year\)](#)
- [Three MiFID training courses \(over 700 participants in 2016/2017\)](#)

In this way, we endeavoured to help the industry get ready for the entry into force of European laws and regulations that, while addressing the G20's goals of improved transparency and safety, are nevertheless creating a new regulatory architecture with an unprecedented level of detail and complexity. The post-crisis regulatory drive forced us to overhaul our approach both to our own internal organisation and our dialogue with the marketplace. This created a heavy workload that impacted the performance of our more traditional tasks. Furthermore, the proliferation of fora and committees, over multi-year projects, dilute efforts somewhat. This pressure on staff in connection with European and international initiatives is unlikely to abate going forward.

A bold investment plan for our market surveillance systems using newly available transaction reportings

The AMF has always viewed its transaction surveillance systems as a key component in its supervisory approach. This advanced technology, coupled with the expertise of our staff, provided the foundation for the 2015 signature of an agreement between the AMF and Belgium's Financial Services and Markets Authority, the FSMA. This partnership involving the AMF's market surveillance tools is the latest stage in a long-running collaboration and enables the two authorities to pool their experiences and explore new ways of enhancing surveillance.

The AMF also worked to enhance the availability and quality of reporting data at European level during discussions within ESMA about the TRACE, MiFID, EMIR, SFTR and CSDR frameworks. Yet progress remains to be made on trade repositories, for example, which was one of the areas highlighted by the AMF during the EMIR review. To keep step with the significant increase in data flows associated with new European legislation, owing to a broader data-gathering scope and new content¹, in late 2015 the AMF also embarked on a far-reaching plan to upgrade its market surveillance platform, known as ICY. The five-year project will pave the way to modernise systems and harness new technologies offering enhanced performances and innovative functionalities. As part of the ICY project, French and Belgian authorities renewed their willingness to cooperate, notably, in an initial stage, on gathering data reported under the future MiFIR regime.

The ICY project fits within a broader IT investment plan for the AMF, which includes an overhaul of the systems used to support and monitor issuers (ARIANE) and management companies (BIO 3, or GECO as known externally).

¹ Based on MiFIR's impact alone (transactions and orders), the AMF was expecting data flows to triple.

Within Europe, notwithstanding the AMF/FSMA collaboration, the idea of pooling efforts to gather data and monitor transactions, which the AMF has been pushing for some years, is struggling to gain traction. But it is without doubt one of the best ways to respond to mounting surveillance costs and increasingly complex manipulation techniques.

Developing in-house analyses to identify risks and understand evolutions in market structure

To back up its positions, the AMF draws on published in-house research, which provides input to discussions at European and international level. Topics covered in this regard include bond liquidity, ETFs, HFT and cross-border fund distribution (see below). The AMF publishes an annual risk and trend mapping exercise and has established monitoring indicators that are reviewed by the internal risk committee. We participate actively in the work of the Haut conseil de stabilité financière (High Council for Financial Stability – HCSF) (in 2016, we were involved in the council's work on asset management and real estate risk), the European Systemic Risk Board (ESRB) and the Financial Stability Board (FSB).

The composition and operation of the AMF's Scientific Advisory Board were significantly revised to give the board a bigger role, notably in supporting and challenging in-house analyses and research.

Working towards European convergence

The AMF continued to lobby and work hard for greater convergence in supervisory rules and practices within Europe. At the domestic level, this meant keeping up efforts to prevent or eliminate any goldplating of European legislation in French regulations. Accordingly, we conducted careful reviews of the Transparency and Market Abuse Directives aimed at repealing (or justifying) any additional rules. We engaged in "negative transposition", replacing domestic legislation with directly applicable European legislation and endeavouring to ensure maximum clarity. We also scaled back usage of AMF "positions" in situations where they might generate additional constraints.

At European level, the AMF channelled significant resources into ESMA peer reviews, both to assess its peers and also to respond to the assessment questionnaires. While the methodologies and topics chosen for the reviews could still be improved, notably by promoting a more pragmatic and less time-consuming approach, they nevertheless offer an important tool for comparing regulators and creating pressure to harmonise practices. Going forward, the aim will be to turn these reviews into truly effective convergence mechanisms.

European regulators also stepped up their operational exchanges to enhance convergence in supervisory practices and rule application, with ESMA publishing for instance accounting and financial information enforcement guidelines. However, the fact remains that there is considerable variety in the implementation and enforcement models used at European level. Moreover, experience shows that it remains hard to apply breach-of-law mechanisms at ESMA's level, not only because of peer pressure issues but also, in practice, because questions remain over divergent interpretation – rather than application – of European legislation.

Brexit has fuelled new questions about future relations between the European Union (EU) and the City of London. Work begun in summer 2016 in France and within ESMA on the potential impact of the UK's EU departure and is on-going. The aim is to avoid regulatory fragmentation, whilst upholding the objectives of safety, transparency and investor protection that lie at the heart of the European rules adopted in recent years.

Objective 1: Make every effort to achieve transparent, safe markets in Europe

- + We shaped and supported the far-reaching regulatory initiatives taken in the wake of the financial crisis by mobilising our staff and transforming the way we work
- The final architecture is complex, European supervisory convergence remains a challenge, while the burden represented by European discussions and ESMA-related work are putting heavy pressure on our organisation

What remains to be done

- Continue supporting participants in the effective implementation of European rules
- Transition our surveillance systems to modern, scalable platforms and work with European partners and market participants to monitor data quality
- Find ways to drive enhanced market integration within Europe
- Define our contribution to European and international initiatives in the new political setting created by Brexit and get ready for the UK's departure

II. RESTORE INVESTOR CONFIDENCE

A bigger push to inform, educate and train retail investors

In recent years, AMF corporate communications have been centred around the theme of "making finance meaningful again", spotlighting finance's role in funding the economy but also its ability to address households' long-term saving needs and steer savings flows more effectively. We also stepped up our efforts to educate retail investors. This included creating briefing materials on new topics, such as employee savings and crowdfunding platforms, making tools available for people to use, such as calculators, fact sheets and videos, and even providing tutorials in partnership with the Institut national de la consommation (National Consumer Institute – INC). We made these materials available on a variety of websites, not just our own, including the Assurance Banque Épargne Info Service (ABEIS) platform, which acts as a single gateway to the Banque de France and the ACPR, and the lafinancepourtous.com and mesquestionsdargent.fr sites. Other French market authorities also supply content to these sites, which offer an effective way for the AMF's communication programmes to reach out to the general public. The AMF also participates in work by the National Committee for Financial Education set up in late 2016 by the Minister for the Economy and Finance.

We employed social media to get our messages out and stepped up our presence in the trade and general press to tell the broadest possible audience about the risks posed by atypical or highly speculative products (see below). We also created a number of educational TV segments. The AMF Ombudsman speaks regularly on TV and radio and since May 2014 has published an online diary that analyses a new mediation case each month. Thanks to this higher profile, the Ombudsman's Office has seen a significant increase in its caseload, with the number of cases handled by the office doubling in the space of four years, climbing to 1,515 in 2016, with 534 opinions issued. In early 2016, the AMF Ombudsman became the first ombudsman's office to be authorised as a public consumer affairs ombudsman. This move, which was undertaken as part of transposing the European Directive on Alternative Dispute Resolution for Consumer Disputes, signalled the start of a transformation for France's mediation landscape.

Acting on one of the goals of the last strategic plan, we sought to forge stronger relations with institutional investors by having them participate actively in our Consultative Commission on Asset Management and Institutional Investors and by publishing a 2016 best practice guide for associations, foundations and other institutions.

On the vocational training front, we worked to revise the content of banking-sector qualifications (BTS Banque certificate, CFPB licences) to bring it into line with industry standards. Working alongside the Haut comité certificateur de place (Financial Skills Certification Board – HCCP), the AMF plans to gradually expand the scope of professional certification to include financial investment advisers (FIAs), with the goal of improving the quality of advice provided to customers. To raise awareness about protecting the interests of vulnerable people, we signed partnerships with four associations that look after adults under guardianship or trusteeship and provided training to judges and legal representatives.

Enhancing monitoring and supervision of services providers

The AMF pursued efforts to structure its approach and the tools (particularly scoring systems) used to monitor market intermediaries. We divided the overall population of some 400 investment services providers (ISPs) into three groups according to size and risk level, and assigned portfolio officers to each ISP. In addition to carrying out more than 100 visits and meetings per year, our teams used the information provided by ISPs themselves, particularly through their annual information sheets. The AMF also set up specific teams to monitor branches, ISPs with distribution networks and depositaries. Over the period, a special effort was made to implement the Act on the Regulation and Separation of Banking Activities adopted in 2013, and to improve institutions' reporting systems in the wake of sanctions issued by the AMF (cf. below). Significant headway was made in terms of acting on follow-up letters, notably through closer support and meticulous monitoring to check on the implementation of remediation measures.²

In terms of monitoring and supervising business practices, the AMF coordinates closely with the ACPR within the framework of their Joint Unit. The two authorities work together to create shared policy that can capture developments in financial products (such as structured debt securities) and in marketing and disclosure methods (KYC information in connection with the duty to advise, social media and performance simulators). Good coordination of marketing inspections by the authorities also offers a way to take real action on protecting retail savings and provides input for discussions within the Joint Unit on monitoring and policy issues.

We have modified our inspection approach considerably over the past few years to target our efforts more effectively. Our inspection charter was revised in 2014 to bolster the procedures applied during inspections. This resulted in an increase in the number of inspections giving rise to statements of objections (approximately 40%, of which one-half led to administrative settlements). Exploratory inspections were also conducted on specific themes, including ETFs, dark pools, and system and control mechanisms. New mass inspection methods were launched for FIAs (cf. below).

While AMF inspections in recent years have made it possible to identify breaches and thus play a preventive and/or corrective role, resources are limited. Considering the ever-increasing complexity of inspection themes and the high standards that must be met, the total number of assignments conducted by AMF inspectors remains extremely low.

Key figures

- 1,300 pieces of marketing materials reviewed each year
- 2,500 issuer press releases reviewed each year
- 5,000 advertising documents reviewed each year
- More than 12,000 requests received annually by the AMF Epargne Info Service helpline
- 100-150 ISP visits conducted each year
- 40 inspections of investment services providers and asset management companies carried out each year (not including mass inspections of FIAs)
- 10 marketing investigations since 2010
- 20 mystery shopping campaigns since 2010, including one online campaign
- 15-20 alerts issued each year

The AMF's approach to FIAs

The FIA population has grown swiftly in recent years and now comprises over 5,000 entities, grouped into five AMF-authorized professional associations. There is considerable diversity among the members of this population in terms of their size, clientele and the services they provide. We decided to base our approach around working closely with the associations to help them to play a bigger role, notably as regards their obligations to supervise members. As part of this, we instituted an annual information gathering campaign, which is helping to improve

² Follow-up letters explain the measures that ISPs need to implement to remediate shortcomings identified during an AMF inspection. The AMF's monitoring departments are responsible for dealing with them.

our understanding of the sector. We also published a 2014 Q&A that clarified which activities come under FIA status. On the supervisory front, the AMF conducted a number of direct FIA inspections following significant alerts. Some of these gave rise to sanctions. The AMF also performs about 70 mass inspections annually. These inspections take place over shorter timeframes.

Decisive measures to protect retail investors lured in by misleading promises of high returns

In a low interest rate environment, some retail investors targeted by aggressive marketing and selling techniques let themselves be lured in by highly speculative products making misleading promises of high returns. According to the AMF's own estimates, which are corroborated by other research, close to 90% of customers who invest in CFD/forex products lose money, with losses averaging €11,000.

In addition to the warnings that we issued a few years ago, which proved insufficient to quell the appetite for these products for certain investors, we took on several initiatives to strengthen our capabilities to intervene. At home, we supported the ban on advertising high-risk products, which was part of the Sapin 2 Act. This represented a major step forward for consumer protection.³ Acting through the courts, the AMF also successfully blocked access to 30 or so websites offering toxic products on an unauthorised basis. And in July 2016, the AMF banned a Cyprus-registered firm from providing services on French territory, pursuant to Article 62 of MiFID, marking the first time that action had been taken in Europe on this basis.⁴ We also raised this topic within ESMA and IOSCO. Furthermore, we worked with French services providers to improve their practices.

In a first illustration of the work done, complaints received by the AMF about forex products and binary options and the number of cases handled by the Ombudsman's Office declined in 2016, for the first time in five years (116 cases involving authorised companies, down from 139 in 2015). But new risks are emerging, particularly in connection with atypical investments (diamonds, etc.). From this perspective, the Sapin 2 Act made a useful contribution by expanding AMF prior inspections to include all intermediaries in miscellaneous assets.⁵ However, while these changes have significantly widened the scope of AMF supervision, they have not been matched by an increase in available resources.

These cases, which have the potential to inflict heavy losses on investors, illustrate the challenges for the regulator in preventing risks for individual customers attracted by the promise of high returns. Clear cases of fraudulent behaviour, unauthorised activities or breaches of disclosure obligations, among others, also undermine the confidence of retail investors.⁶ Lastly, some of the new mechanisms, such as the legal facility used to deal with Cypriot firms, remain complex and time-consuming. New powers, including product intervention powers provided under MiFID 2 should pave the way for swifter and more radical interventions by regulators (such as bans on the marketing certain products, for instance).

³ Banned advertisements will be identified by means of an active AMF monitoring programme, which is already in place, while DGCCRF and the AMF may punish participants in accordance with their respective powers.

⁴ The ban was lifted in June 2017.

⁵ The Act introduced an "intermediaries in miscellaneous assets 2" regime that covers offers made through promotional communications or direct marketing and consisting of the acquisition of title to one or more assets highlighting the possibility of direct or indirect financial returns or having a similar economic effect.

⁶ Inspections and investigations were conducted into the activities of both regulated and unregulated sector participants resulting, in most cases, in sanctions and/or a referral to the criminal authorities.

Enforcement: success in addressing complex issues, positive results for administrative settlements

The AMF's ability to discipline services providers and individuals helps to maintain investor confidence. We have obtained significant results in this area in recent years, regarding both the nature of the cases brought before the Enforcement Committee and the size of the fines imposed. The AMF was the first regulator to fine HFT firms for manipulation (US CFTC followed shortly after), issuing fines of €5 million and €400,000. We also handed out a €2 million fine in relation to trade reporting – the largest ever for a case of this kind. The AMF issued total fines worth around €100 million between 2012 and 2016, with the single largest fine of €14 million handed out in 2013 for insider dealing. We also partnered with the criminal authorities on extensive insider network investigations. Going forward, many challenges remain, linked to the growing complexity of investigations, many of which involve international dimensions and touch on new areas, such as cybercrime, and to the longer timeframes required to complete sanction proceedings.

The administrative settlement procedure was also strengthened during the recent period. The procedure, which came into effect in 2011, was given a wider scope in 2016.⁷ Based on over 40 cases, the results seem to be positive. Around one-half of all statements of objections issued by the AMF Board following an inspection resulted in a settlement. The total amount of settlements reached increased (€1.3 million in 2015 and 2016), with individual settlements rising to as much as €500,000 and averaging about €170,000. Benefits of settlements include their transparency and the educational role they play through the remediation commitments made by participants. These qualities, combined with the fact that they are much quicker than sanction procedures, make settlements a valuable component in the AMF's enforcement toolkit.

Key figures

- ↗ €100 million in fines handed down over the 2013-2016 period
- ↗ 90 Enforcement Committee rulings corresponding to more than 200 individual sanctions
- ↗ 28 administrative settlement agreements reached over the same period

In line with the objectives set in the strategic plan, we paid particular attention to redress of financial losses suffered by investors, particularly through administrative settlement agreements. In one case, compensation was set at €1 million. However, the process remains a complicated one, both in terms of determining losses and identifying harmed investors.

In 2016, we finalised work done as part of reforms to the "non bis in idem" principle, which prohibits the same offence from being subject to both criminal and administrative prosecution. We also set up a new framework for cooperation between the AMF and the PNF. While it is still too early to assess the effectiveness of the new arrangements, the procedure for steering cases to the appropriate prosecution channel is now in place, and AMF staff are stepping up their already active collaboration with PNF personnel, forwarding cases involving market offences, providing information to each other and coordinating activities. The AMF also provides technical support to the PNF when needed.⁸

⁷ The Sapin 2 Act allows the AMF to propose an administrative settlement for any breach falling within its jurisdiction, including market abuse and breaches committed by market infrastructures.

⁸ In summer 2015, the AMF began notifying the PNF of its intention to issue statements of objections, thereby anticipating the effects of the Constitutional Council's March 2015 decision. By end-2016, 20 or so notifications had been made under the new system, including one case that was retained by the PNF.

Are retail investors more confident?

The 2007-2008 financial crisis durably eroded the confidence of retail investors in finance and financial intermediaries. French savings are still heavily channelled towards risk-free assets, and the securities ownership rate continues to decline. Only about five million people own securities today, including three million individual shareholders.⁹

The AMF and the European institutions have taken steps to rebuild confidence by strengthening the rules and improving transparency. At home, we have sought to improve our understanding of the needs of retail investors and the situation on the ground through mystery shopping campaigns, contact with retail investors via our multi-channel Épargne Info Service (EIS) helpline, ACPR/AMF Joint Unit-led initiatives targeting vulnerable groups, as well as data gathered by the Savings Observatory. We need to continue to strengthen our dialogue with representatives of investor associations, both within the AMF's consultative commission and at the annual meetings of consumer associations, and increase our collaboration with partners such as DGCCRF.

In the near future, we will face the challenge of integrating the changes connected with the digitalisation of financial services (see below for more on our fintech initiatives), whilst providing an adequate level of protection. The rise of hybrid platforms combining multiple activities (banking, insurance and securities, for example) will also necessitate greater collaboration with other regulators. With the provision of cross-border products on the increase, another key project for retail investor confidence will involve looking at how the European home/host regime works, to give more power to the authority in the country where the products are marketed (as initiated in the prospectus regime).

Objective 2: Restore investor confidence

- + We stepped up our preventive efforts by monitoring and supervising participants, adjusting the framework to reflect new risks, and providing information to retail investors; we also made our enforcement activities more efficient, particularly through use of the settlement procedure, and issued some large fines
- Our enforcement activities still need to be more visible, and our capacity to take action is restricted (resources available, coverage and speed of intervention when dealing with toxic products)

What remains to be done

- Expand our inspection toolkit to address the varying needs according to different regulated populations and different themes, and make further adjustments to our enforcement activities
- Ensure we have sufficient monitoring and supervisory resources that reflect our expanded field of competence
- Rethink our intervention methods to accommodate changing habits and expectations of retail investors notably in connection with the digitalisation of financial services

⁹ There are however signs that these trends may be reversing: according to an annual survey by Kantar TNS, after declining steadily for several years, the percentage of people owning shares directly went up recently (it stood at 13.8% at end-2008, 6.2% in 2016 and 7.6% in March 2017). The overall share ownership rate, which includes direct holdings and ownership through collective investments, was 7.6% of the population in 2016, but has since climbed to 8.7%.

III. BOLSTER THE FINANCING OF THE ECONOMY

Clarify expectations for issuers and keep step with new demands

As per the strategic plan, the AMF worked to make its expectations more understandable to issuers, notably by clarifying its policy. We published several guides (see below) that incorporate AMF positions and recommendations as well as AMF Enforcement Committee rulings. We lent support to efforts to streamline certain requirements, including the phasing-out of the requirement to publish quarterly financial information from the revised Transparency Directive. On the private placement market, the AMF amended the market sounding rules, whose application to Euro PP transactions might have deterred investors. We put forward proposals to make the disclosures required from companies (about internal control and risk management procedures, for example) more straightforward and more relevant, and to facilitate certain procedures (including that followed by companies when dealing with the clerk of a commercial court, for instance¹⁰).

In recent years, we have built up our expertise in non-financial information, particularly with the publication of two types of reports, one on social, societal and environmental responsibility (ESR) at listed companies in 2013 and in 2016, and another on socially responsible investing (SRI) in 2015. Work done initially at the level of listed companies is continuing through dialogue with asset managers on their reporting, which was been expanded by the Energy Transition Act, and SRI funds.

In the area of corporate governance and relations between companies and shareholders, the AMF strived to do more to educate issuers. The addition of “naming and shaming” to the AMF's annual report on corporate governance, dialogue with professional associations on improving governance codes, the release of new recommendations¹¹ and involvement in work by ESMA¹², all of which helped to raise governance standards in France.

Even so, in the area of listed company law as well as other aspects of financial regulation, the provisions adopted at European level remain highly complex and may generate resistance. Accordingly, the AMF needs to keep up its efforts to explain and support.

Specific initiatives in support of SMEs

Supporting small and mid-sized companies was a major component of our last strategic plan. Accordingly, we have undertaken various initiatives in recent years, not just to change the framework applicable to smaller listed companies, but also to provide them with information and help them meet their obligations. In addition to appointing a dedicated contact person for SMEs, the AMF carried out company visits to give staff a better understanding of the activities and issues specific to small businesses. A joint AMF/SFAF/AFG guide was released in 2016 to help mid-caps respond more effectively to the expectations of financial analysts and institutional investors. The AMF also rethought its registration document (*document de référence*) initiative by working on a more concise document to make the information provided more meaningful and relevant while addressing stakeholders' diverse needs. At European level, we argued for a proportionate approach within the framework of the Prospectus Directive. The final outcome made it possible to raise the thresholds applicable to the securities documentation regime and will ultimately pave the way to further streamline SME prospectuses (although regulated markets are no longer eligible). The question of the appeal of the stockmarket for SMEs continues to be an issue that extends beyond the scope of the AMF's actions to encompass the characteristics of the French

¹⁰ An executive order of July 2017 allows companies that prepare a registration document to file it with the clerk of the commercial court instead of filing the documents contained in the registration document.

¹¹ On board operating procedures, transparency on executive pay, disposal of core assets and the organisation of annual general meetings.

¹² Particularly on proxy advisers, pay transparency and shareholder identification.

ecosystem as a whole and the European framework. The number of listed SMEs has thus actually fallen since early 2013, shrinking from 410 to 369 at end-2016 for the Euronext B and C compartments.¹³

Guides for listed companies

- Guide to trading by listed issuers in their own securities and stabilisation measures
- Guides to periodic and on-going disclosures
- Guide to the relevance, consistency and readability of financial statements
- AMF policy handbook for mid-caps
- Financial reporting by mid-caps: gaining a better understanding of the expectations of financial analysts and professional investors

Supporting long-term savings and fostering innovation

The AMF worked with France's public authorities to promote the emergence of new forms of financing. We supported the development of crowdfunding platforms, notably by establishing the new AMF-supervised status of crowdfunding investment adviser. There are currently 46 such advisers (43 of whom are active). The AMF also teamed up with the ACPR to publish a guide for operators of lending, donation or securities subscription platforms, project creators looking for funds and potential investors. In asset management, we encouraged the launch of French ELTIFs (European long-term investment funds) and released a guide to support authorisation applications. The AMF General Regulation was revised to allow certain approved ELTIFs to be offered to retail investors, in accordance with European regulations. In 2016, we also set up a framework enabling investment funds to originate loans. More generally, in our feedback to a series of European Commission consultations on the Capital Markets Union (CMU) initiative, we reiterated our support for measures that seek to promote long-term saving and equity investment, for example through the Securitisation and Prospectus initiatives. With this in mind, the AMF built up more contacts with the European Commission and offered specific proposals, notably on the issue of barriers to cross-border investment.¹⁴

In keeping with our tradition of being open to innovation, we boosted our efforts to support a rapidly evolving financial sector. In 2016, the AMF set up a FinTech, Innovation and Competitiveness Division, whose tasks include analysing changes in the investment services sector, supporting innovative companies through the pre-approval process and identifying key areas in regard to competitiveness and regulation. We work closely with the ACPR, especially within the FinTech Forum, and have set up a cross-divisional FinTech taskforce within the AMF. We met over 100 project initiators in the first few months of the division's existence.

¹³ This trend has been largely offset by the growth of Alternext although it is worth noting that the number of companies listed on that market declined in 2016, for the first time since the financial crisis, to 187, compared with 190 companies at the end of 2015.

¹⁴ AMF, *Capital Markets Union Position Paper: To what extent do European funds face barriers to entry in France?*, September 2016.

Competitiveness of the Paris financial centre

The AMF took steps to make the Paris financial centre more competitive and more appealing to French and international firms. Specific measures included the decision in late 2014 to allow issuers to draft their initial public offering prospectuses exclusively in English. The FROG initiative launched in 2016, which came out of shared ambitions held by the AMF and the AFG, marked a new step forward: it seeks to provide French and international asset management firms that choose to domicile their investment funds in France and/or to base a portion of their activities and personnel in France, with optimal conditions in which to expand internationally. The BIO 3 IT project (cf. above) is also intended to serve management companies by enabling paperless processes and enhancing the value and quality of relations between the AMF and regulated entities. Responding to the UK's decision to leave the EU, in September 2016 we introduced Agility, a programme that makes it easier for institutions authorised in another country to set up in France.

With Brexit poised to shake up Europe's financial landscape, the trend in recent years shows that although the Paris financial centre is enjoying solid growth in a number of business sectors, it lags other European centres, particularly in asset management.

Objective 3: Bolster the financing of the economy

- + We took an ambitious approach and successfully adapted to changing requirements, by clarifying our expectations for issuers, fostering innovation, educating SMEs and pursuing initiatives to build competitiveness
- The European framework continues to be constraining for issuers and the AMF has limited ability to take action; the Place financial centre is exposed to fierce competition

What remains to be done

- Contribute to the new and necessary drive to develop and integrate European capital markets
- Boost our efforts to promote the competitiveness of the Paris financial centre by providing efficient services, supporting participants and expanding our communications
- Free up additional resources and acquire new skills to keep step with technological change

IV. A LOOK-BACK AT THE WORK DONE AND A LOOK FORWARD TO THE CHALLENGES THAT LIE AHEAD

This assessment reviews the work done by the AMF in recent years. We achieved most of our goals and managed to adjust to changes in our environment, particularly those connected with fintech and Brexit.

A focus on efficiency, but the needs are growing

Many steps were taken internally to control expenditures¹⁵, reallocate resources based on priorities, improve procedures, make the AMF more efficient, nurture skills and attract new staff. New projects were launched more recently, including the digitalisation initiative, aimed at modernising our working methods. Meanwhile, our needs, in order to perform the tasks assigned to us, are growing steadily, both in terms of human resources (particularly to monitor, supervise and support participants and the market, especially given the way our jurisdiction has expanded continually in recent years) and in terms of financial resources, owing to the requisite technological investments and the need to attract new talent. Requisite skillsets, moreover, continue to evolve and are becoming more diversified in areas including data, risk and technology. The post-Brexit reconfiguration of European financial markets is further adding to these needs.

Going forward

Looking ahead, **the AMF has a crucial role to play in the 27-member EU**. Working in conjunction with participants, we need to set out our vision for European law and the supervisory architecture needed to meet the coming challenges, while continuing to uphold bold ambitions for Europe. We must remain in touch with our environment and support economic, technological and societal developments in areas ranging from changing distribution methods to new data challenges and the energy transition, to mention only the highest profile issues. Last but not least, we must continue to modernise, be imaginative in our approaches and methods and, in some areas, rethink the work we do in order to be more efficient and meet new expectations. The assessment presented in this document should be used to inform future discussions.

¹⁵ At end-2016, the AMF had 452 full-time equivalent staffmembers for total operating expenses of €97 million. Headcount increased by 4% over the 2013-2016 period.

LEXICON

ABEIS	<i>Assurance Banque Épargne Info Service</i> (investor helpline)
ACPR	<i>Autorité de contrôle prudentiel et de résolution</i> (Authority for Prudential Oversight and Resolution)
AIFMD	Alternative Investment Fund Managers Directive
AFG	<i>Association française de la gestion</i> (French Asset Management Association)
AMF	<i>Autorité des marchés financiers</i> (French Financial Markets Authority)
CFTC	Commodity Futures Trading Commission
CFPB	<i>Centre de formation des professions bancaires</i> (Banking sector training centre)
CDSR	Credit Default Swap Regulation
CFD	Contract for difference
CMU	Capital Markets Union
CSDR	Central Securities Depositories Regulation
DGCCRF	<i>Direction générale de la concurrence, de la consommation et de la répression des fraudes</i> (General Directorate for Competition Policy, Consumer Affairs and Fraud Control)
ELTIF	European Long-Term Investment Fund
EMIR	European Market Infrastructures Regulation
ESMA	European Securities and Markets Authority
ESR	Environmental social and societal responsibility
ESRB	European Systemic Risk Board
ETF	Exchange Traded Fund
FCA	Financial Conduct Authority
FIA	Financial investment adviser (<i>conseiller en investissements financiers</i>)
FROG	French Routes and Opportunities Garden
FSB	Financial Stability Board
FSMA	Belgian Financial Services and Markets Authority
HCCP	<i>Haut comité certificateur de place</i> (Financial Skills Certification Board)
HCJP	<i>Haut comité juridique de la place financière de Paris</i> (Legal High Advisory Committee for Paris Financial Markets)
HCSF	<i>Haut conseil de stabilité financière</i> (High Council for Financial Stability)
HFT	High Frequency Trading
IFRS	International Financial Reporting Standards
INC	<i>Institut national de la consommation</i> (National Consumer Institute)
IOSCO	International Organization of Securities Commissions
ISP	Investment services provider
MIFID	Markets in Financial Instruments Directive
OTC	Over the counter
PNF	<i>Parquet national financier</i> (National Financial Prosecutor's Office)
RCCI	Compliance and internal control officer
RCSI	Investment services compliance officer
SFAF	<i>Société française des analystes financiers</i> (French Society of Financial Analysts)
SFTR	Securities Financing Transaction Regulation
SME	Small and medium-sized enterprise
SNE	Seconded national expert
SRI	Socially responsible investing
TRACE	Access to Trade Depositories Data
UCITS	Undertakings for Collective Investments in Transferable Securities