

29 June 2012, Paris

AMF publishes its 2011 annual report

On 29 June 2012, AMF Chairman Jean-Pierre Jouyet presented the [AMF's 2011 activity report](#) to the press and reviewed the regulator's three priorities for the future.

I. Key issues and priorities

During his speech, Jean-Pierre Jouyet set out three priority areas of focus hinging around the following:

Corporate governance

The AMF believes that regulatory arrangements in this area to some extent lag behind European and international best practice. Areas of focus include, in particular, the need to review legislation on public offerings to ensure that minority shareholders are afforded the best possible protection. The AMF also believes that the process of drawing up corporate governance codes should be widened to include both investors and listed companies so that market-wide consensus can be achieved. Finally, there is a need to look at strengthening the powers available to shareholders at general meetings, and in particular shareholders' right to be informed of the details of executive compensation, thus bringing France into line with European best practice.

Marketing of investment products to retail investors

A discussion process on the issue of investment advice and regulations governing the marketing of financial products should be initiated. Such a process could lead to an overhaul of operating, compensation and regulation requirements for financial advisers, whether they operate within independent firms or as part of a large network. The AMF will also pay particularly close attention to work currently in progress at a European level on the marketing of financial products to retail investors (PRIIPs). Finally, in the area of compensation for financial losses, the AMF will be closely monitoring potential legislative changes, particularly if "French-style" collective action clauses are developed.

Financing the economy: market regulation and consistent public policy

Prudential and fiscal rules play a particular role in the allocation of financial flows. When designing such rules, consideration must therefore be given to their contribution to financing the economy.

Any measures adopted, particularly as regards reforming the structure of banks, must be clear and specific so as to ensure that the economy, employment and companies are properly financed. The AMF will participate fully in the debate that will inevitably take place on this issue, and will ensure that due consideration is given to the need for banks to responsibly manage conflicts of interest.

Financing the economy also calls for a consistent, effective and targeted policy on investment of individual savings. As such, particular attention should be paid to the asset management industry, which plays a decisive role in allocating retail and institutional investments. More generally, discussions need to take place on tax arrangements pertaining to investments so as to encourage long-term investment – which is less natural in the eyes of investors – and highlight the contribution of such investment to financing the economy, by favouring capital injections, particularly in the SME sector.

II. Summary of the 2011 report

Managing the consequences of the European debt crisis

In 2011, markets were substantially affected by the macroeconomic environment, and in particular the European debt crisis. In early August, global financial markets suffered a correction reflecting a revision in investors' economic expectations as a result of various negative developments including the downgrading of the US sovereign credit rating, increased budgetary austerity in most western countries, economic indices pointing to a slowdown in economic growth and fears over the eurozone.

From 10 August, the AMF noted very high levels of volatility, high trading volumes on some days and, in particular, repeated rumours in connection with financial stocks, generating large-scale movements by market participants. Believing that the market in such securities was no longer operating under normal conditions, the AMF made use of its emergency powers and banned short-selling in the securities of ten banks and insurers listed on the Paris stock exchange with effect from 11 August.

The purpose of this ban was to prevent market abuse linked to the use of short-selling in a very bearish environment. It was unquestionably effective in the short term: an improvement in the relative volatility of financial stocks was observed in the weeks following the AMF's decision.

This measure, which was adopted in conjunction with Spain, Italy and Belgium and in coordination with the European Securities and Markets Authority (ESMA), was extended by the Finance Minister on 11 November 2011. The ban on short-selling was lifted on 11 February 2012.

The financial crisis and the management of its consequences mobilized the AMF services. Particular attention was paid to analysing the channels through which rumours were spread and any trades that arose as a result. The AMF also further developed its ability to analyse the credit derivatives market, including in relation to risk arising from sovereign debt.

Furthermore, the AMF stepped up its vigilance in monitoring listed companies in difficulty and management companies suffering the effects of the crisis. More than ever, financial disclosures to the markets were at the centre of attention.

Safeguarding investments

The AMF's Epargne Info Service platform, which receives requests from both retail investors and professionals, handled 10,770 cases in 2011. The Ombudsman resolved 1,531 cases, consisting of 953 consultations and 578 mediation cases; 46% of those cases whose merits were reviewed resulted in agreement being reached.

The AMF and the ACP launched a series of concrete actions in 2011 in the area of investor protection. For example, various alerts were issued warning investors of the existence of unauthorised operators offering services on the forex market.

Furthermore, the legal framework governing rolling spot forex contracts was clarified, requiring operators offering these types of service to be properly authorised to provide investment services in France and to apply protection rules identical to those required for other financial instruments.

Finally, the two authorities jointly clarified the rules governing complaint handling by institutions, in particular to bring existing mediation schemes to the attention of clients more systematically.

A new Ombudsman took office in 2011. Marielle Cohen-Branche, a former judge at the Court of Cassation and a former member of both the AMF Enforcement Committee (from 2003 to 2011) and the *Comité de la médiation bancaire* (Bank Mediation Committee), was appointed AMF Ombudsman on 16 November 2011.

Finally, the dedicated working group on the terms of compensation granted to individual investors, co-chaired by AMF Board members Jacques Delmas-Marsalet and Martine Ract-Madoux, published its recommendations in January 2011. It recommended giving precedence to out-of-court settlement of disputes, incorporating the objective of investor compensation into the AMF's internal procedures and organising the regulator's contribution to solving the problems raised by judicial compensation in the investment and financial sectors.

Markets and asset management

The number of newly authorised firms remained high in 2011, in an especially challenging economic environment illustrated in particular by a substantial decline in assets under management (AUM). It should also be noted that there was an improvement in the quality of authorisation applications submitted to the AMF.

Gross AUM in undertakings for collective investment (UCI) stood at €1,226 billion at 31 December 2011, compared with €1,365 billion at 31 December 2010. At the same time, the number of UCI fell from 12,182 at end December 2010 to 12,096 at end December 2011, in addition to which there were 194 securitisation funds.

The number of asset management companies increased slightly from 590 at 31 December 2010 to 599 at 31 December 2011. In 2011, 39 applications to set up management companies were submitted to the AMF Board, compared with 57 in 2010.

On the regulatory front, the transposition of the UCITS IV Directive into French law in 2011 represented an opportunity to overhaul the provisions of the Monetary and Financial Code and the AMF General Regulation. The transposition of the Directive served to improve investor information by introducing the Key Investor Information Document (KIID) and to modernise the UCITS market.

The AMF also introduced the new classification system for money market UCITS in accordance with the May 2010 recommendation by the Committee of European Securities Regulators (CESR). Two new classes were created: "money market funds" and "short-term money market funds", clearly differentiated on the basis of their risk/return profiles.

Finally, the AMF stepped up its supervisory activities in respect of the marketing of products available to retail investors, including in particular complex financial products. For example, approximately 850 items of sales literature were reviewed in 2011 as part of the process of authorising both firms and product marketing, with substantial changes being made at the AMF's request in some cases. More than a thousand promotional messages and 3,000 advertisements were also reviewed.

Financial offerings and disclosures

The number of approvals issued by the AMF for corporate finance transactions increased from 444 in 2010 to 584 in 2011. During 2011, 22 approvals were issued for initial listings on Euronext (13 of which were for the Alternext market). While the number of initial public offerings picked up slightly, the amounts involved remained low.

The primary and secondary bond markets enjoyed sustained activity levels in spite of a flat second half of the year, marked in particular by the European sovereign debt crisis.

In this context, the number of bond issues approved by the AMF continued to increase (up 29%), with bonds being issued not only by non-financial companies and banks but also by local authorities wishing to diversify their sources of funding.

Finally, the number of public offerings doubled from 28 in 2010 to 55 in 2011. Conversely, given the economic and stock market environment, the number of issues of equity securities on regulated markets declined, with 33 such issues approved in 2011, compared with 38 in 2010.

In the regulatory arena, 2011 was marked, in particular, by changes to the rules governing takeover bids. The AMF General Regulation now reflects changes in the rules governing public cash offers, including the lowering of the mandatory bid threshold to 30% on regulated markets.

In a sensitive economic environment that varies by both geographical region and business sector, the AMF also recommended that issuers adjust and clarify their financial reporting on risks. Another recommendation in view of the publication of 2011 financial statements addressed, in particular, the valuation and impairment of financial instruments.

To improve the effectiveness of general meetings held by listed companies, the AMF tasked a working group chaired by AMF Board member Olivier Poupart-Lafarge with putting together proposals on the following subjects: dialogue between shareholders and issuers at general meetings, the functioning of general meetings and voting on regulated agreements. The working group's report was published in February 2012 and was subject to public consultation until 31 March 2012.

Finally, in the course of 2011, Europe's various domestic regulators finalised the process of registering the principal pan-European rating agencies and their subsidiaries. With effect from 1 July, sole authority in respect of the registration and supervision of rating agencies in Europe was transferred to the European Securities and Markets Authority (ESMA).

Supervision, investigations, inspections and sanctions

The AMF initiated 49 inspections and 74 investigations in 2011. The Enforcement Committee ruled on 22 proceedings, resulting in sanctions being enforced against 23 legal entities and 20 individuals.

Settlement power under which the AMF may more quickly and transparently deal with certain cases not warranting sanction proceedings, was available for use with effect from August 2011 (when the relevant implementing decree was published). The AMF's secretary general proposed the first settlement agreements in the second half of 2011. These agreements should be publicly disclosed in the near future, once approved by the Board and ratified by the Enforcement Committee.

As regards short-selling, on 1 February 2011, the AMF introduced rules requiring complete transparency in respect of net short positions in equities admitted to trading on a regulated market or an organised multilateral trading facility. These new rules point forward to future transparency rules to be introduced in 2012 under European regulations governing short-selling.

Financial resources

2011 key data

Operating revenues	€82.06 million
Operating expenses	€76.09 million

Average workforce for the year 428

The 2011 accounts show a profit of €5.92 million, compared with a €19.54 million loss in 2010. This increase mainly arose from an increase in receipts in 2011 (up €30.19 million).

On the organisational front, a new entity, the Markets Division, was formed. This new division brings together aspects relating to the regulation of market infrastructures, the prevention of market abuse and the supervision of market intermediaries.

Furthermore, investigation and inspection duties were brought together within a single division to increase synergies and methodological convergence.