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AMF publishes 2013 Risk and Trend Mapping for Financial Markets and Savings

The French financial regulator, the AMF, has inventoried the main risks facing financial markets in mid-2013, more than five years after the crisis began. From this perspective, it analyses market diversity and changing trends in household savings and collective investment, along with the consequences for investor protection, financial stability and the financing of economic activity.

The economic and financial situation remains under persistent pressures, while sovereign and banking risks are still interacting significantly, particularly in Europe. On stock exchanges, trading volumes continued to contract during the period under review, amid high levels of risks, especially liquidity risk. Financial institutions moved ahead with efforts to adapt to a highly uncertain economic environment. Regarding household saving, 2012 saw net outflows from life insurance and a loss of public interest in equity funds.

[The 2013 edition of Risk and Trend Mapping](#) addresses the following risks in particular:

- Stubborn macrofinancial risks that depend on the capacity and credibility of several European countries to properly consolidate their public finances in tough economic conditions;
- Difficulties facing financial institutions and non-financial companies to restore or shore up profitability;
- Risks that liquidity could dry up in some markets due to non-transparent transactions, high-frequency trading and a decline in market making activity by banks;
- Excessive risk taking by yield-hungry investors amid low interest rates, with the attendant risks of a bond bubble, sub-optimal allocation of savings, and debt overstretch by some market participants when credit conditions become less favourable;
- Growing need for collateral, with greater risks stemming from the re-use, transformation and rising cost of high-quality collateral in periods of financial pressure;
- Acute difficulties experienced by issuers, particularly small and midsized firms, to enter the market. This is leading to new forms of financing by insurance companies and investment funds in particular, alongside other solutions such as securitisation and participative financing. Although the development of these solutions is certainly desirable, appropriate regulation is also necessary.

The AMF continues to respond to these challenges both actively and attentively. It closely monitors mis-selling risk in order to protect savings and strengthen investor confidence. And to ensure that markets continue operating smoothly, it has reconfigured its surveillance tools and its inspection and investigative activities to take account of more sensitive practices or products such as high-frequency trading and over-the-counter derivatives. The AMF is also heavily involved in European and international bodies dealing with the review of the Markets in Financial Instruments Directive and the Market Abuse Directive, implementation of the European Market Infrastructure Regulation and ongoing talks on shadow banking and money market fund supervision.