



# 2010

Annual Report

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# Editorial

In the wake of the initiatives taken since 2008 to respond to the crisis, **2010** was marked a number of regulatory issues. This annual report looks back at the work done by AMAFI to contribute to these projects, in particular at European level, where major legislative and regulatory texts are being discussed. Reluctantly, we have to confirm that the observation we made last year is still valid and that the strong international consensus which originally guided the action taken at the bidding of the G-20 is unravelling. And yet market regulation cannot be truly effective without international coordination.

Amid wide-ranging reforms of the regulatory framework governing financial markets and their participants, public discussion about the markets' role and economic and social usefulness has been accompanied by frequent criticism, much of it harsh. But even if some of these critiques are warranted, others show a degree of ignorance that is all the more blameworthy since no detailed alternatives are offered. The role played by markets ought to grow in line with the ongoing reforms. For that reason, blanket criticism is both pointless and counterproductive, since the real question is how to use markets intelligently.

This situation has strengthened AMAFI's resolve to engage in an open debate about the role played by financial markets in financing economic activity, managing risk and allocating savings and investment. We have taken a number of initiatives to that end in recent months. These include the creation of the Scientific Advisory Board, which was the focal point of a recent partnership with the journal *Revue Banque*. The project consisted of a special issue of the journal and an Authors' Forum concerning the usefulness of financial markets. Another initiative was our contribution to the G-20's work on regulating commodity derivatives markets. The lines of action identified by AMAFI are based on an analysis of the highly specific features of these markets. Moreover, we will build on the contribution by organising a conference this autumn with the leading financial daily *Les Echos*.

Other initiatives are underway to ensure that next year's presidential election in France will provide an opportunity to make the role of markets a prominent issue.

The contributions we endeavour to make to the debates in which we participate are the outcome of the work done with all those who are involved in collective analysis across various forums. It is thanks to them and their commitment that AMAFI is recognised and listened to accordingly. Our thanks to all of them.



**Philippe Tibi**  
Chairman



**Pierre de Lauzun**  
Chief Executive

# Full-time staff

## The Board at 15 April 2011

- Gilles Aupin**  
Louis Capital Markets
- Arnaud de Bourousse**  
Octo Finances SA
- Patrick Brault**  
Natixis
- Bernard Gavagni**  
BNP Paribas Arbitrage SNC
- Stéphane Giordano**  
SG Securities (Paris) SA
- Catherine Langlais**  
NYSE Euronext Paris SA
- Sophie Langlois**  
Dexia Securities France
- Pierre Lasserre**  
MF Global SA
- Jean-Bernard Laumet**  
HSBC Bank PLC
- Éric le Boulch**  
CM – CIC Securities
- Bertrand Patillet**  
Crédit Agricole  
Cheuvreux SA
- Jean-Paul Péchery**  
Rothschild & Cie Banque
- Vincent Remay**  
Tradition Securities And  
Futures
- Philippe Tibi**  
UBS Securities France SA
- Charles-Henri de Trédern**  
Oddo et Cie

## The Executive Committee at 15 April 2011

- Philippe Tibi**  
Chairman
- Jean-Bernard Laumet**  
Vice-Chairman
- Charles-Henri de Trédern**  
Treasurer
- Pierre de Lauzun**  
Chief Executive

### Chief Executive



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# Profile



# AMAFI

**Association française des marchés financiers (AMAFI) represents professionals working in the securities industry and financial markets in France. Reflecting the diversity of firms and activities involved in the sector, AMAFI generates ideas and analyses for a business that is vital to the national economy.**

**A**MAFI's work extends to all activities on regulated, unregulated, primary and secondary financial markets.

## **A focal point of market expertise for more than 20 years**

AMAFI has been representing market professionals since 1988, when it was set up as the Association française des sociétés de bourse (AFSB). During this time it has worked unceasingly as an active contributor to the many consultations and reforms that have transformed financial markets and in assisting its members adapt to them. In line with these changes, the association has itself evolved over the years, particularly in recognition of the growing European and international dimension to doing business in the financial markets.

The first visible manifestation of this gradual process of change came in 1996 when AFSB became *Association française des entreprises d'investissement* (AFEI). The change expressed the association's desire to work within the new legal framework arising from the transposition that same year of the 1993 Investment Services Directive. At the same time, AFEI became a member of *Association française des établissements de crédit et des entreprises d'investissement* (AFECEI), the organisation responsible for investment firms and credit institutions.



Another step forward came in 2008, when the association changed its name to Association française des marchés financiers (AMAFI), highlighting the fact that its activities are of increasing interest to all market participants, whatever their status. AMAFI is now the prime focus of the collective efforts of financial market professionals established in France. ■

## **AMAFI in 2010 Key figures**

- 29** consultation responses
- 40** analytical and briefing memos
- 7** conferences and events
- 1** set of professional standards
- 1** professional best practice
- 9** standing committees and
- 12** working parties

## **AMAFI reflects the diversity of firms and activities in the financial industry**

- **More than 120 members** directly involved in the financial markets (intermediaries, banks, infrastructures), including independent firms and subsidiaries of French and foreign groups.
- **10,000 financial professionals** operating in all business areas (broking, dealing, underwriting, corporate finance, etc.) and **all products** (cash and derivatives markets, equities, fixed income, commodities).

# What we do



**AMAFI represents financial market professionals in France. To that end, and with a view to both national and international developments, we work closely with our members through standing committees and working parties. Our effectiveness is directly related to our ability to contribute constructively to thinking on industry-critical issues. We are therefore committed to coordinating our efforts with other industry participants and with our sister organisations abroad.**

**A**MAFI plays an active part in shaping the domestic, European and international regulations that provide the framework in which our members operate. It does this by conveying the industry's views and opinions to the institutions and authorities concerned. It also fosters collective analysis and informs members about issues of common interest.

## **Identifying the most appropriate regulatory solutions**

One of AMAFI's top priorities is to ensure that the framework within which the industry operates is appropriate to our members' activities. Financial activities are increasingly heavily regulated, and the need for far-reaching reforms in the light of lessons learned from the crisis has given fresh impetus to this trend. When new laws and regulations are being drafted at domestic, European or international level, AMAFI seeks and promotes solutions that address the needs and expectations of its members, while ensuring that their business is not unduly restricted. Our success in meeting these objectives is directly related to the constructive nature of our contributions, which address the objectives of the proposed laws or regulations.

## **European and international standards, domestic oversight and sanction**

Although the standards governing the financial industry are now chiefly European, or in some cases international, the functions of oversight and sanction are still carried out domestically. In consequence AMAFI is active at all three levels.

At the domestic level, our main talking partners are the Treasury, the securities regulator (AMF), the banking and insurance supervisor (ACP, ex-Commission Bancaire) and the financial intelligence unit Tracfin.

AMAFI is also active at European and international level. Its many institutional contacts include the European Commission, the European Securities and Markets Authority (ESMA, the new body that replaces CESR), the International Organization of Securities Commissions (IOSCO) and the Financial Action Task Force (FATF). To take its activities forward at this supranational level, AMAFI and its counterparts created two venues for discussion and coordination: the International Council of Securities Associations (ICSA), founded in 1989, and the European Forum of Securities Associations (EFSA), set up in early 2007. AMAFI has also been an associate member of the Futures Industry Association (FIA) since 2007, and in recognition of the growing influence of IOSCO as a meeting point for the world's regulators, AMAFI has been an affiliate member of that organisation since 2005. In that capacity it is very ►

## **A constructive viewpoint**

To be effective, we need a precise understanding of our members' wants and needs. We proceed in three stages:

- Our staff identify the major points that they believe require attention.
- This initial approach is honed by drafting a working paper setting out AMAFI's position. The paper is produced by our members in the standing committees and ad hoc working parties.
- The working paper is submitted to the Board or the Executive Committee for approval before being forwarded to the relevant body and sent out to our members.

## **Professional standards contribute to creating a formal operating framework**

Professional standards are tools that apply industry-wide, and their proper enforcement is therefore checked by the financial regulator. For that reason, adopting a professional standard is a complementary or alternative solution to action by the public authorities. Since the French financial community is concerned about its attractiveness in a very open competitive environment where European standards are already highly developed, there is little room for professional standards. However, they are used in certain areas, such as due diligence by firms when assisting issuers with certain types of transaction, as well as liquidity contracts and remuneration of financial market professionals. These standards are drawn up alone or jointly by AMAFI and revised on a regular basis.

- ▶ active within the IOSCO's Self Regulatory Organisations Consultative Committee (SROCC).

### **An innovative employment framework for the industry: the CCNM**

AMAFI is a signatory of the national collective bargaining agreement for financial market activities (CCNM), which has governed employer/employee relations for a number of its members since 1 July 2010. The CCNM superseded the previous agreement, CCNB, which had been in force since 1990. In this context, AMAFI represents employers in management/union discussions (see A fresh approach to employee relations, page 30). The CCNM can be downloaded from the Library area of the AMAFI website: [www.amafi.fr](http://www.amafi.fr)

### **Initiating research and debate on issues of common interest**

AMAFI is a forum for discussing and examining subjects of common interest to our members. Our main aim is to provide them with analytical tools to help them position themselves strategically with respect to changes in the operating environment. As part of this, AMAFI prepares master agreements for fields of activity that interest our members. We also prepare and circulate memorandums setting out the industry position on issues and queries that have been referred to us, in the form of professional best practices or professional recommendations (see box).

### **Informing our members**

AMAFI keeps members informed about developments and trends in their operating environment. We comment on the major statutes and regulations which affect that environment, analysing the issues from our members' perspective. AMAFI also organises conferences, often in partnership with other organisations, that focus on specific questions of member interest, usually topical subjects.

## **Recent AMAFI master agreements and professional standards**

- 2011**
  - AMAFI code of conduct for liquidity agreements (update of the 2005 edition)
  - Remuneration of financial markets professionals – AMAFI standard (update of the 2009 standard)
- 2010**
  - Standard securities note for OCEANE issues without pre-emptive rights or priority subscription periods
  - Standard securities note for capital increases with pre-emptive rights (update of the 2008 note)
- 2009**
  - Remuneration of financial markets professionals – AMAFI standard
  - Master liquidity agreement for Alternext
- 2008**
  - Standard securities note for equity issues with pre-emptive rights
  - Master agreement for business introducers (update of the 2003 edition)
- 2006**
  - AFEI-AFG Charter on commission sharing arrangements
  - AFEI-FBF Code of Conduct: Due diligence by investment services providers taking part in a corporate financing transaction (update of the 2002 Code)

### **Assisting members individually**

Although our role is not to act as an outside consultant, from time to time AMAFI can help members tackle individual issues. Our aid is essentially confined to providing guidance, unless the question is one that actually turns out to concern all members. Unsurprisingly, most of the calls for help concern legal, tax and ethics issues.

Furthermore, while it does not act in lieu of a law firm, AMAFI accepts requests from members for assistance with disciplinary proceedings or controls ordered, for example, by the ACP or the AMF. Requests may also concern disputes arising from tax inspections. (In France, taxpayers can ask for their case to be examined by a local commission and can request assistance from a taxpayers' representative – in this case, AMAFI). In each situation, AMAFI tries to help the member by providing a collective viewpoint. ▶

### **AMAFI master insurance policy**

Offering flexible coverage options that truly reflect the activities of AMAFI members, the insurance master policy is totally optional and reserved for AMAFI members. It offers a broad range of coverage and deductible choices and many other options to enable members to protect themselves against business risks such as professional liability, fraud/embezzlement, and computer abuse.

## **The three main types of document issued by AMAFI**

- Professional standards apply to the entire industry. Implementation can therefore be supervised by the competent authority or authorities.
- Professional best practices establish a recognised means of implementing a legal or regulatory obligation. They do not preclude the use of other equivalent – or more stringent – means of implementation.
- Professional recommendations are an interpretation or means of implementing a legal or regulatory obligation.



► **Participating in the public debate on the usefulness of financial markets**

The usefulness of financial markets is regularly called into question, yet they play a key role in developing modern economies. Naturally, the crisis has strengthened the public's negative perceptions of the markets, although it simultaneously showed why they are indispensable.

On the Board's initiative, AMAFI is taking an increasingly prominent part in the public debate on the usefulness of financial markets and thereby helping to create a stronger market culture in France (see Business financing and allocation of savings, page 27). ■

**Recent conferences**

**7 June 2011**

AMAFI-*Revue Banque* lecture-discussion on the usefulness of financial markets

**15 February 2011**

AMAFI-Ernst&Young breakfast conference: "Choosing a remuneration policy in the new regulatory framework"

**8 February 2011**

AMAFI-APRIONIS morning briefing on pension reform

**19 January 2011**

Debt / forex market discussions "New challenges in the aftermath of the crisis"

**18 January 2011**

AMAFI-TAJ breakfast conference on new tax measures affecting investment services providers

**5 October 2010**

The new employee benefit regime under the CCNM bargaining agreement, in partnership with APRIONIS

**7 July 2010**

Presentation to members of the national collective bargaining agreement for financial market activities (CCNM)

**30 June 2010**

"MiFID status report: What adjustments are most needed to improve market efficiency?", in partnership with the Financial Data Vendor Association (FDVA)

**23 March 2010**

Breakfast debate on the taxation of bonuses

**18 March 2010**

AMAFI -*Les Échos* conference on new regulations and systemic stability

# Media and partnerships

**By developing its media tools, AMAFI is giving greater visibility to its efforts on behalf of the firms it represents. A higher profile increases the credibility of the positions it expresses.**

Our communication tools have been strengthened by overhauling our key media – newsletters and the website – and updating their content to make them more accessible. We have also forged closer relations with the press and stepped up our editorial and event-related partnerships.

## Media to serve our members

AMAFI has expanded its range of communication tools over the years. The two newsletters, *L'Info AMAFI* and *AMAFI Financial Newsletter* and the website [www.amafi.fr](http://www.amafi.fr) are the keystones of our communications.

Published every two months with a print run of 1,700, *L'Info AMAFI* was given a makeover at the end of 2010 and now puts greater emphasis on news and current events. More dynamic in its outlook, the letter summarises the key issues that AMAFI is working on at the national, European and international levels. A feature article deals in depth with a topical issue relating to financial market business. *L'Info AMAFI* is written not only for our members but also for our regular talking partners – MPs, ministries, the Treasury, supervisors - to alert

them to matters of specific interest to its members' activities and operations. *L'Info AMAFI's* English-language stablemate, *AMAFI Financial Newsletter*, is published three times a year and emailed to readers in Europe and elsewhere in the world. Organised around a feature article covering a current domestic or international theme, *AMAFI Financial Newsletter* provides an overview of the association's main activities in areas of interest to readers outside France.

Both the French and the English newsletters can be downloaded from [www.amafi.fr](http://www.amafi.fr)

## www.amafi.fr has found its audience

AMAFI's website attracts more and more traffic as time goes by (see box). Visitors to the site's public area can find information about AMAFI and its members as well as its activities, public policy Board. In addition, the site contains key information about financial markets and businesses. There is also a press room.

The restricted area of the site provides direct and subscriber members with access to AMAFI's entire library of documents, including memos, consultation responses, documents and reports.



It also features news about ongoing projects being handled by the committees and working groups. In addition, each committee has its own restricted area where documents can be shared.

In view of the increasing traffic on the website, AMAFI introduced new pages at the beginning of 2010. "Dossiers" offers direct access to the feature articles published in the various issues of *L'Info AMAFI*, while the latest AMAFI "Interviews" and "Tribunes" appearing in the press are available in the press room. An area has also been set aside for the Scientific Advisory Board, with a selection of documents and project materials that inform AMAFI's thinking. A Jobs Board comprises one section for companies, which can advertise vacancies and browse the CV library, and another for applicants, who can check out job offers, apply online and file their CV. ►



## www.amafi.fr: intense traffic in 2010

- 200,000 pages read, almost 16,000 per month;
- 40,000 visitors, on average nearly 3,500 per month;
- The average visitor stays for 9 minutes and reads 7 pages;
- More than 80% of visitors are in Europe and 10% in North America.
- Among the most popular areas are "Library", "News" and the presentation sections (Who we are / What we do / Our members).

- In addition, members receive a monthly newsletter describing the main upgrades, and subscriber members are alerted by email whenever the site is updated.

More than ever, [www.amafi.fr](http://www.amafi.fr) is both an effective tool for AMAFI members and a showcase for outside visitors, notably foreign readers of its English version.

### Developing press relations and partnerships

AMAFI maintains and develops strong links with the economic and financial press. These efforts have paid off. In the period from May 2010 to May 2011, our press coverage increased yet again: more than 130 articles mentioned AMAFI, which is seen as the natural spokesperson on issues relating to financial markets.

In the special circumstances of the crisis our views were conveyed extremely well via articles, columns and interviews with AMAFI's Chairman and its Chief Executive. Press coverage has also diversified. The range of media now in contact with AMAFI extends beyond economics and finance specialists to the mainstream and foreign press. The issues addressed included the crisis and reform of the global financial system, the AMF's disciplinary powers, commodity markets and remuneration policies.

### High-profile media sponsorship

In 2009 AMAFI started to sponsor events in partnership with the media. Our objective was to raise our profile by associating ourselves with major events organised by leading newspapers. On 18 March 2010 we sponsored a conference with *Les Échos* on new

financial regulations and systemic stability. This well-attended event offered delegates an opportunity to dialogue with European Internal Market Commissioner Michel Barnier and follow a panel discussion entitled "New financial market regulation: a bulwark against a future crisis?", which featured a presentation by AMAFI Chief Executive Pierre de Lauzun. Another conference with *Les Échos* is scheduled for 13 October 2011 on another vitally important issue: international regulation of commodity markets. The event will attract a broad range of participants, including representatives of the UN Food and Agriculture Organisation, the European Union, the French agriculture ministry, as well as producers and economists and other stakeholders. ■

### Press review: a monitoring service for members only

In 2010 AMAFI launched a daily media monitoring service at preferential rates. Covered by a master agreement, the service has been organised with Press Index, a specialist in press reviews for companies and institutions.



### Partnerships AMAFI-*Revue Banque*

Among AMAFI's successful editorial partnerships, the December 2010 special issue of *Revue Banque* on financial system reform was widely praised. Drawing on the outcomes of the G-20 summits – from Washington in November 2008, which launched the regulatory overhaul, to Seoul in November 2010 – the publication looked at the issues on the G-20 roadmap, including supervision, banking tax, credit rating agencies, representation on international bodies, pay, derivatives regulation, venture funds and commodity speculation. It also reviewed past achievements and future challenges.

A second special issue, on the economic and social usefulness of financial markets, came out in early June 2011. Featuring a wide range of contributions, especially from members of AMAFI's Scientific Advisory Board, the publication examined the role of markets in areas such as the financing of economic activity and the management of public savings and social risks. It concluded by discussing the conditions for effectiveness and efficiency. A debate, billed as an authors' forum, was organised to coincide with the release of the publication.

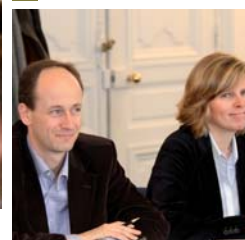
### AMAFI members in the Louvre

As part of their public relations and patronage policy, AMAFI members can benefit from a special partnership with the Louvre museum through Cercle Louvre Entreprises, a corporate sponsors club. Several membership categories are available, each with its own benefits, so that members can associate their image with that of the Louvre and organise events in the prestigious setting of one of the world's greatest museums.



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# Standing committees



## Legal Committee

### Chair

#### Rapporteurs

Karin Aganian	<b>Laurent Durand – HSBC France</b>
Philippe Arestan	<b>Sylvie Dariosecq / Marie Thévenot – AMAFI</b>
Magali Arrivé	EDRIM SOLUTIONS
Magali Augereau	CRÉDIT AGRICOLE CIB
Jean-Nicolas Barbier	BANQUE NOMURA France
Vincent Begon	J.P.MORGAN SECURITIES Ltd
Jean-Pierre Bornet	GOLDMAN SACHS PARIS INC & Cie
Élise Bravo	BNP PARIBAS
Bertrand Bréhier	BPCE
Henri Casadesus	EUROCLEAR France
Jérôme Caye	SOCIÉTÉ GÉNÉRALE
Cécile Degove	MORGAN STANLEY SA
Isabelle Dhellemmes	BNP PARIBAS
Céline Dontenville	CDC PLACEMENT
Sophie Drion	NEWEDGE GROUP
Christophe Durupt	BPCE
Richard Exbrayat	NATIXIS
Andreja Fajgelj	CRÉDIT AGRICOLE CHEUVREUX SA
	BNP PARIBAS
	CITI GROUP GLOBAL MARKETS Limited
Pierre Fiset	CITI GROUP GLOBAL MARKETS Limited
Fatima Gonzalez Donaire	AUREL BGC
Pauline Guérin	S.G. SECURITIES (Paris) SA
Karen Halimi	ROYAL BANK OF SCOTLAND NV
Véronica Iommi	CRÉDIT SUISSE France
Karine Jan	CM – CIC SECURITIES
Jean-François Jondeau	FÉDÉRATION BANCAIRE FRANÇAISE
Guiraud Lamé	NATIXIS
Jean Martinelli	DEUTSCHE BANK AG – Succursale de Paris
Abdel-Hamid Mazouz	CRÉDIT SUISSE France
David Morlier	BANQUE NOMURA France
Marlène Müller	FORTUNEO
Nathalie Riez-Thiollet	J.P.MORGAN SECURITIES Ltd
Olivier Sabourin	CRÉDIT AGRICOLE CHEUVREUX SA
Patricia Salomon	EDRIM SOLUTIONS



## Compliance Committee

### Chair

#### Rapporteurs

Magali Arrivé	<b>Xavier de La Maisonneuve – SOCIÉTÉ GÉNÉRALE</b>
Pascale Audoli-Holz	<b>Stéphanie Hubert / Marie Thévenot – AMAFI</b>
Jean-Nicolas Barbier	BANQUE NOMURA France
Alain Belmont	DEXIA HOLDING
Olivier Beyne	GOLDMAN SACHS PARIS INC & Cie
Jean-Pierre Bornet	SOCIÉTÉ GÉNÉRALE
Vincent Carrasset	ODDO et Cie
Henri Casadesus	BPCE
Aurélien Cauche	BARCLAYS CAPITAL
Thierry Cazaux	MORGAN STANLEY SA
Edouard Cochet	NATIXIS
Delphine Colombel	AUREL BGC
	BNP PARIBAS
	CITIGROUP GLOBAL MARKETS Limited
Roger Da Rocha	KEPLER CAPITAL MARKETS
André Dazelle	CRÉDIT AGRICOLE CHEUVREUX SA
Roland de la Tullaye	NEWEDGE GROUP
Francis Desorgher	DUBUS SA
Nicolas Dot	AXA INVESTMENT MANAGERS IF
Charlotte Fantauzzo	DEUTSCHE BANK AG – Succursale de Paris
	EXANE-BNP PARIBAS
Catherine Frenzel	CRÉDIT AGRICOLE SA
Thierry Georges	FÉDÉRATION BANCAIRE FRANÇAISE
Benoît Gourisse	LCH. CLEARNET SA
Frédéric Gravier	BARCLAYS CAPITAL
Julien Guéguen	BNP PARIBAS EQUITIES France
Fabienne Larroque	HSBC France
Guillaume Loeuille	ROYAL BANK OF SCOTLAND NV
Elsa Luyton	ROYAL BANK OF SCOTLAND NV
Cécile Marcelle	BANQUE NOMURA France
David Morlier	HSBC France
Florent Palaysi	EXANE-BNP PARIBAS
Yann Pierlas	CRÉDIT AGRICOLE CHEUVREUX SA
Dorothee Pirel	CITIGROUP GLOBAL MARKETS Limited
Nassime Riazi	J.P.MORGAN SECURITIES Ltd
	DEUTSCHE BANK AG – Succursale de Paris
	NATIXIS
Nathalie Riez-Thiollet	KEPLER CAPITAL MARKETS
Marianne Savel	BNP PARIBAS ARBITRAGE SNC
Jacques Sudre	
Stéphanie Tassin	
Étienne Valence	



## Tax Committee

### Chair

#### Rapporteur

Sébastien Beaufré  
Bénédicte Binet  
Nathalie Brunet  
Pierre-Olivier Cohen  
Patrick Couque  
Catherine de Bettignies  
Patrick Dégot  
Daniel Djibré  
Jérôme Dupard  
Mylène Gervy  
Francis Laudette  
Nathalie Léonard  
Rozenn Louvel  
Pilar Mabire  
Nicolas Meunier  
Benôit Morel  
Anne Morillot  
Thérèse Nauleau  
Strauss Emmanuel

### Laurence Martinez – PROCAPITAL

#### Éric Vacher – AMAFI

MORGAN STANLEY SA  
NATIXIS  
CM – CIC SECURITIES  
UBS SECURITIES France SA  
CRÉDIT AGRICOLE CHEUVREUX SA  
BNP PARIBAS ARBITRAGE SNC  
EXANE-BNP PARIBAS  
ODDO et Cie  
CRÉDIT AGRICOLE CHEUVREUX SA  
CRÉDIT AGRICOLE CHEUVREUX SA  
NEWEDGE GROUP  
HSBC SECURITIES France SA  
PROCAPITAL  
SOCIÉTÉ GÉNÉRALE  
HSBC SECURITIES France SA  
BANQUE NOMURA France  
NATIXIS  
SOCIÉTÉ DE BOURSE PAREL SA  
NATIXIS

## AMAFI-AFTI Markets Committee - Equity Post-Trade

### Chair

#### Rapporteur

Paul Beck  
Hortense Boizard  
Sylvie Bonduelle  
Marc-Antoine Bourdet  
Philippe Brillat  
Patrick Crésus  
Jocelyn de Bourmont  
Guy de Leusse  
Elin Fålted  
Françoise Guérin  
Guillaume Héraud  
Laurent Larroche  
Gildas Le Treut  
Fabrice Novel  
  
Jocelyne Ozdoba  
Bertrand Patillet  
Alain Pochet  
Yara Tarabichi  
Marc Tibi  
Dan Toledano

### Alain Pochet – BNP PARIBAS SECURITIES SERVICES

#### Emmanuel de Fournoux – AMAFI

EUREX  
BNP PARIBAS SECURITIES SERVICES  
SOCIÉTÉ DE BOURSE PAREL SA  
UBS SECURITIES France SA  
SOCIÉTÉ DE BOURSE PAREL SA  
EXANE-BNP PARIBAS  
SOCIÉTÉ GÉNÉRALE CIB  
ODDO et Cie  
NYSE EURONEXT PARIS SA  
CRÉDIT AGRICOLE CHEUVREUX SA  
SOCIÉTÉ DE BOURSE PAREL SA  
NATIXIS  
ABN AMRO BANK NV  
CITIBANK International PLC (Paris Branch)  
AILANCY  
CRÉDIT AGRICOLE CHEUVREUX SA  
BNP PARIBAS SECURITIES SERVICES  
STATE STREET BANQUE SA  
BNP PARIBAS SECURITIES SERVICES  
EUROCLEAR France

## Corporate Finance Committee

### Chair

#### Rapporteurs

Valéry Barrier  
  
Stéphane Courbon  
  
Sophie Drion  
Laurent Durand  
Éric Forest  
Florence Gréau  
Gauthier Le Milon  
Frédéric Lorin  
Jean Martinelli  
  
Cyril Michel  
Antoine Tarnaud  
Isabelle Thizy

### Bernard Vignoles – CRÉDIT AGRICOLE CIB

#### Sylvie Dariosecq / Marie Thévenot – AMAFI

DEUTSCHE BANK AG – Succursale de Paris  
MERRILL LYNCH PIERCE, FENNER & SMITH SAS  
NATIXIS  
HSBC France  
ODDO et Cie  
SOCIÉTÉ GÉNÉRALE CIB  
BNP PARIBAS  
BNP PARIBAS  
DEUTSCHE BANK AG – Succursale de Paris  
HSBC France  
ROTHSCHILD & Cie BANQUE  
ROYAL BANK OF SCOTLAND NV

## Collective Bargaining Commission

### Chair

#### Rapporteur

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Olivier Brot  
Éric Fichot  
Christian Fine

### Jean-Bernard Laumet – HSBC SECURITIES France SA

#### Alexandra Lemay-Coulon – AMAFI

CRÉDIT AGRICOLE CHEUVREUX SA  
ODDO et Cie  
BNP PARIBAS ARBITRAGE  
UBS SECURITIES France SA

## Derivatives Committee

### Chair

#### Rapporteur

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Sabine Aulagnon  
Pascal Aumand  
Gilles Barbet  
Lionel Bec  
  
Paul Beck  
Patrice Brault  
  
Jean-Philippe Cavrois  
  
Christophe Chazot  
Gilles Clerc  
Brian Daly  
Bernard de la Bruslerie

### Béatrice Ambrosi – NEWEDGE GROUP

#### Dominique Depras – AMAFI

BNP PARIBAS ARBITRAGE SNC  
BNP PARIBAS  
EXANE-BNP PARIBAS  
EXANE-BNP PARIBAS  
TRADITION SECURITIES AND FUTURES  
EUREX  
TRADITION SECURITIES AND FUTURES  
TRADITION SECURITIES AND FUTURES  
HSBC France  
NYSE EURONEXT PARIS SA  
MORGAN STANLEY SA  
NATIXIS

Bernard Gavgani	BNP PARIBAS
Christophe Josué	NEWEDGE GROUP
Maxim Kahn	SOCIÉTÉ GÉNÉRALE CIB
Constantin Langhade	NEWEDGE GROUP
Marc Lemmel	HSBC France
Hugues Morin	MOSAIC FINANCE
Stéphane Plais	CRÉDIT AGRICOLE CIB
Olivier Sigolet	CRÉDIT AGRICOLE CHEUVREUX SA
Grégory Strypsteen	NEWEDGE GROUP
Stéphane Tyc	BNP PARIBAS ARBITRAGE SNC
Fabien Vincent	EXANE-BNP PARIBAS
Nicolas Von Kageneck	EUREX

## Mid Cap Committee

<b>Rapporteur</b>	<b>Sylvie Dariosecq - AMAFI</b>
Alice Aymé	GILBERT DUPONT SNC
Charles-Henri Berbain	ARKEON FINANCE
Daniel Blain	AVENIR FINANCE
Hubert Brac de la Perrière	EXANE-BNP PARIBAS
Philippe Cassagnes	CM - CIC SECURITIES
Bruno Chekroun	SOCIÉTÉ GÉNÉRALE CIB
Romain Colnet	SOCIÉTÉ GÉNÉRALE CIB
Robert de Vogué	ARKEON FINANCE
Sophie Drion	NATIXIS
Patrick Eynard	CM - CIC SECURITIES
Marc Fiorentino	EUROLAND FINANCE SA
Éric Forest	ODDO et Cie
Jérôme Franck	AUREL BGC
Bruno Gaheri	CM - CIC SECURITIES
Cyril Gérard	CRÉDIT AGRICOLE CHEUVREUX SA
Olivier Ginet	ODDO et Cie
Cyrille Gonthier	PORTZAMPARC SOCIÉTÉ DE BOURSE
Florence Gréau	SOCIÉTÉ GÉNÉRALE CIB
Antoine Leca	GILBERT DUPONT SNC
Florent Mahé	NATIXIS
Nicolas Martin	AUREL BGC
Pascal Mathieu	GILBERT DUPONT SNC
Edouard Narboux	ROTHSCHILD & Cie BANQUE
Jean-Paul Péchery	ROTHSCHILD & Cie BANQUE
Éric Prodhomme	CRÉDIT AGRICOLE CHEUVREUX SA
Damien Rahier	PORTZAMPARC SOCIÉTÉ DE BOURSE
Cédric Richard	NATIXIS

## Commodities Committee

<b>Chair</b>	<b>Haroun Boucheta - SOCIÉTÉ GÉNÉRALE CIB</b>
<b>Vice-Chair</b>	<b>Fanny Sensen - BNP PARIBAS CIB</b>
<b>Rapporteur</b>	<b>Dominique Depras - AMAFI</b>
Béatrice Ambrosi	NEWEDGE GROUP
Claire Anderson	POWERNEXT SA
Yvette Bange	MF GLOBAL UK Ltd (Paris Branch)
Lionel Bec	TSAF OTC
Paul Beck	EUREX
Olivier Beyne	ODDO et Cie
Jonathan Bradshaw	ABN AMRO BANK NV
Bertrand Bréhier	SOCIÉTÉ GÉNÉRALE
Jeanine Busserolle	SIGMA TERME
Jean-Philippe Cavrois	TRADITION SECURITIES AND FUTURES
Antoine Chacun	ODDO et Cie
Olivier Coupard	CRÉDIT AGRICOLE CIB
Roland de la Tullaye	NEWEDGE GROUP
Elie de Richemont	SIGMA TERME
Delphine Feyrit	LCH. CLEARNET SA
Jean-Philippe Folco	NEWEDGE GROUP
Guillaume Fouchères	EXANE-BNP PARIBAS
Jérôme Gandino	NEWEDGE GROUP
Frédéric Gravier	LCH. CLEARNET SA
Nicholas Kennedy	NYSE EURONEXT PARIS SA
Richard Kennedy	UBS SECURITIES France SA
Nicolas Kompalitch	EXANE-BNP PARIBAS
Claire Laudrain	ORBEO
Gildas Le Treut	ABN AMRO BANK NV
Benoît Marie	ORBEO
Bertrand Meyer	BNP PARIBAS
Christophe Migeon	SOCIÉTÉ GÉNÉRALE CIB
François-Xavier Olivieri	GASELYS
Néolida Olouman	BLUENEXT
Philippe Pesque	NEWEDGE GROUP
Lionel Porte	NYSE EURONEXT PARIS SA
David Rapin	BLUENEXT
Pascal Soulard	BLUENEXT
Éléonore Thiebaut	EPEX SPOT SE
Christophe Tindy	SOCIÉTÉ GÉNÉRALE
Sévérine Vailly	SOCIÉTÉ GÉNÉRALE
Nicolas Von Kageneck	EUREX

## Working parties

Aside from its **9 standing committees**, AMAFI relies on **12 working parties** specialising in topical issues to carry its action forward.

- Compliance officer training
- Major shareholding notifications
- Anti money-laundering and counter terrorist financing
- Structured products
- Regulation 97-02 on internal control
- Remuneration
- Trading restrictions during takeover bids
- MiFID review
- Pre-sounding
- Market structure
- VAT on commodity derivatives
- Short selling

# External bodies in which AMAFI is involved

## International

### International Council of Securities Associations (ICSA)

AMAFI is a founder member of ICSA. Founded in 1989, the council is a forum for international cooperation and coordination. Members exchange information, discuss topics of common interest and lobby to promote their views. Pierre de Lauzun, AMAFI Chief Executive, is a member of the Advisory Committee.

### International Organization of Securities Commissions (IOSCO)

Sponsored by the Autorité des Marchés Financiers (AMF), AMAFI has been an affiliate member of IOSCO since April 2005.

### Futures Industry Association (FIA)

AMAFI became an associate member of FIA in June 2007.

## Europe

### European Forum of Securities Associations (EFSA)

AMAFI, with Avec Assosim (Associazione Italiana Intermediari Mobiliari), LIBA (now AFME) and SSDA (Swedish Securities Dealers Association), co-founded this body in early 2007. A forum for cooperating on and talking about the shared issues that face European financial market participants, EFSA has since welcomed two new members: Spain's Asociación de Mercados Financieros (AMF) and the Danish Securities Dealers Association (DSDA).

#### A driving force at European and international levels

**2007:** AMAFI sets up EFSA with its European partners. AMAFI joins FIA in the same year.

**2005:** AMAFI becomes an affiliate member of IOSCO.

**1989:** AMAFI becomes a founder member of ICSA.

## National

### Market bodies

#### Association Française des Établissements de Crédit et des Entreprises d'Investissement (Association of French Credit Institutions and Investment Firms) - AFCEI

Philippe Tibi, AMAFI Chairman, is Vice-Chairman of AFCEI.

#### Comité Consultatif de la Réglementation et de la Législation Financière (Consultative Committee on Regulation and Financial Legislation) - CCLRF

Bertrand de Saint Mars (AMAFI) represents investment firms. His alternate is Sylvie Dariosecq (AMAFI).

#### Comité Consultatif du secteur financier (Finance Sector Consultative Committee)

Stéphanie Hubert (AMAFI).

#### ACP Consultative Commissions

Emmanuel de Fournoux (AMAFI) on the Consultative Commission on Prudential Affairs and Stéphanie Hubert (AMAFI) on the Consultative Commission on Anti-Money Laundering and Counter Terrorist Financing.

#### Fédération Bancaire Française (French Banking Federation) - FBF

#### Commission Banque d'Investissement et de Marché - BIM

Philippe Tibi, AMAFI Chairman (UBS Securities France SA), Charles-Henri de Trédern (Oddo et Cie) and Bertrand de Saint Mars (AMAFI).

#### Professional Ethics Committee - Banque d'Investissement et de Marché

Stéphanie Hubert (AMAFI).

#### Technical Committee - Banque d'Investissement et des Marchés

Sylvie Dariosecq (AMAFI).

#### European Affairs Liaison Committee - CLAE

Véronique Donnadiou (AMAFI).

#### Paris Europlace

#### Board

Philippe Tibi, AMAFI Chairman (UBS Securities France SA).

## **Medef (French Business Confederation) Committees and Groups**

### **Finance Committee**

Pierre de Lauzun and Bertrand de Saint Mars (AMAFI).

### **Tax Committee**

Éric Vacher (AMAFI).

### **Economics Commission**

Pierre de Lauzun (AMAFI).

### **Business Law - Financial Law Committee - Unlisted Companies working group**

Sylvie Dariosecq (AMAFI).

## **Association Française des Professionnels du Titre (French Association of Securities Professionals) - AFTI**

### **Board of Directors**

Emmanuel de Fournoux (AMAFI).

### **Training Group**

Alexandra Lemay-Coulon (AMAFI).

### **Post-Trade Group - Equities**

Emmanuel de Fournoux (AMAFI).

### **Tax Monitoring Unit**

Éric Vacher (AMAFI).

### **Legal Affairs Monitoring Unit**

Marie Thévenot (AMAFI).

## **Other bodies**

### **Haut Comité de Place (High-Level Market Committee)**

Pierre de Lauzun, AMAFI Chief Executive, is a member of the HCP, set up in July 2007 by the finance minister.

### **Comité de Place Euroclear France (Euroclear France Market Advisory Committee)**

Guy de Leusse (Oddo et Cie) and Emmanuel de Fournoux (AMAFI).

### **Euronext Committee**

Philippe Tibi, AMAFI Chairman.

## **Employment-related bodies**

### **Comité Interentreprises de la Bourse (Inter-company works council for the securities industry) - CIE**

Jean-Bernard Laumet, CIE Chairman (HSBC Securities), Jean-Pierre Allot, CIE Vice-Chairman (retired) and Alexandra Lemay-Coulon (AMAFI).

### **HUMANIS Group (ex APRIONIS)**

#### **ALTEA (ex-IRRAPRI), supplementary retirement scheme for executive staff**

Alain Le Bohec (CA Cheuvreux) is an expert advisor to the finance commission; Alexandra Lemay-Coulon (AMAFI) is a director and member of the finance commission.

#### **GIE Retraite complémentaire (employer association of supplementary retirement schemes)**

Alexandra Lemay-Coulon (AMAFI), director.

#### **APRI Prévoyance - APRIONIS Prévoyance**

Alexandra Lemay-Coulon (AMAFI) is a director, member of the employment commission and a member of the finance commission.

#### **SMAPRI (health insurance arm of APRIONIS)**

Jean-Pierre Allot (retired), director.

# Our members

**On 31 March 2010 AMAFI had 125 members (investment firms, credit institutions, trading and post-trade infrastructures).**

## Becoming a member

Membership is open to all entities that are active in financial markets, including credit institutions, investment firms, market operators, clearing houses and central depositories.

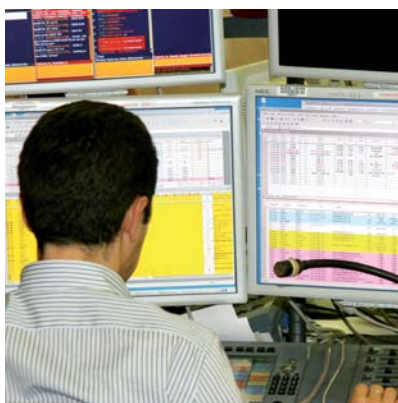
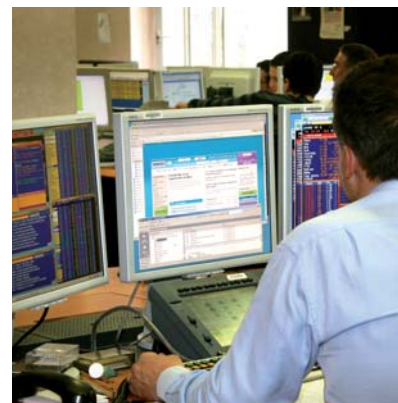
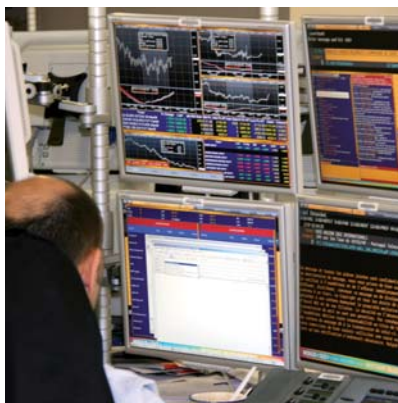
There are three membership categories: Direct Member, Associate Member and Correspondent Member. For more information on joining and a description of all three categories, visit [www.amafi.fr](http://www.amafi.fr), and go to the "AMAFI" section. The choice of category depends on the role the applicant wants to play in AMAFI's activities.

Firms that are required by law to belong to an AFCEI-affiliated trade association and are fulfilling this obligation by joining AMAFI must opt for Direct Member status.

## Becoming a Subscriber Member

This membership category is open on a limited basis to entities that, while not qualifying as members per se, wish to participate and are considered by the Board to play a role that warrants their being associated with AMAFI.

At present, all Subscriber Members are law firms specialised in finance. ■



## New members (to 31 March 2011)

- Axeltis
- BNP Fin'ams
- Compagnie Financière Jacques Cœur
- Crédit Agricole SA
- Derivatives Capital
- Deutsche Börse
- European Equities
- Exclusive Partners
- FairHedge SAS
- Finavéo et associés
- NFinance Securities
- Sélection 1818



# Our members

## A

- ALTERNATIVA
- AMUNDI INTERMEDIATION
- ARFINCO
- ARKEON FINANCE
- AUREL BGC
- AXA ÉPARGNE ENTREPRISE
- AXA INVESTMENT MANAGERS IF
- AXELTIS

## B

- B\* CAPITAL
- BANQUE NOMURA France\*
- BANQUE PALATINE\*\*
- BARCLAYS CAPITAL
- BBSP PARTNERS SAS
- BINCK BANK\*\*
- BLUENEXT
- BNP PARIBAS ARBITRAGE SNC
- BNP PARIBAS EQUITIES France
- BNP PARIBAS FIN'AMS\*
- BNP PARIBAS SECURITIES SERVICES\*
- BOURSE DIRECT

## C

- CACEIS CORPORATE TRUST
- CANTOR FITZGERALD EUROPE\*\*
- CARAX SA
- CDC PLACEMENT
- CITI GROUP GLOBAL MARKETS Ltd\*
- CLARESCO BOURSE
- CM – CIC ÉPARGNE SALARIALE
- CM – CIC SECURITIES
- COMPAGNIE FINANCIERE JACQUES CŒUR
- CRÉDIT AGRICOLE CHEUVREUX SA
- CRÉDIT AGRICOLE SA\*
- CRÉDIT AGRICOLE TITRES
- CRÉDIT SUISSE FRANCE

## D

- DERIVATIVES CAPITAL
- DEUTSCHE BANK AG – Succursale de Paris\*
- DEUTSCHE BÖRSE\*
- DEXIA SECURITIES France
- du PASQUIER & Cie France
- DUBUS SA

## E

- EASY BOURSE
- EDRIM SOLUTIONS
- EUROCLEAR France SA\*
- EUROCORPORATE SA
- EUROLAND FINANCE SA
- EUROPEAN EQUITIES SAS
- EXANE-BNP PARIBAS
- EXANE DERIVATIVES
- EXANE FINANCE
- EXANE OPTIONS
- EXCLUSIVE PARTNERS
- EXOE SAS

## F

- FAIRHEDGE SAS
- FEDERIS ÉPARGNE SALARIALE
- FERRI INTERMEDIATION
- FINAVEO et Associés
- FONGEPAR SA
- FORTUNEO

## G

- GASELYS
- GESTEPARGNE INVESTISSEMENT SERVICE
- GFI SECURITIES LIMITED\*\*
- GILBERT DUPONT SNC
- GINALFI FINANCE
- GLOBAL EQUITIES
- GLOBAL EQUITIES CAPITAL MARKETS
- GOLDMAN SACHS PARIS INC & Cie
- GROUPAMA ÉPARGNE SALARIALE

## H

- H et ASSOCIÉS
- HPC
- HSBC BANK PLC

## I

- INSTINET Europe Ltd
- INTERFI
- INVEST SECURITIES

## J

- JB DRAX HONORE (SAS)
- J.P.MORGAN SECURITIES Ltd

## K

- KEPLER CAPITAL MARKETS

## L

- LCH. CLEARNET SA
- LOMBARD ODIER DARIER HENTSCH
- LOUIS CAPITAL MARKETS UK LLP

## M

- MERRILL LYNCH PIERCE FENNER & SMITH, SAS
- MF GLOBAL UK Ltd (Paris Branch)
- MFEX MUTUAL FUNDS EXCHANGE AB\*\*
- MORGAN STANLEY SA\*
- MOSAIC FINANCE
- MTS France

## N

- NATIXIS\*
- NATIXIS ASSET MANAGEMENT FINANCE
- NATIXIS CORPORATE SOLUTIONS Ltd Paris Branch
- NEWEDGE GROUP
- NFINANCE SECURITIES
- NYSE EURONEXT PARIS SA

\* Associate members

\*\* Correspondent members

## O

- OCTO FINANCES SA
- ODDO et Cie
- ODDO CONTREPARTIE
- ODDO CORPORATE FINANCE
- ODDO OPTIONS SNC
- ORBEO
- ORIENT FINANCE SAS

## P

- PORTZAMPARC SOCIÉTÉ DE BOURSE
- POWERNEXT SA
- PRADO ÉPARGNE
- PROCAPITAL

## R

- RAYMOND JAMES EURO EQUITIES
- RAYMOND JAMES INTERNATIONAL SAS
- REGARD BTP
- ROTHSCHILD & CIE BANQUE
- ROYAL BANK OF SCOTLAND\*

## S

- SELECTION 1818
- SG OPTION EUROPE
- SG SECURITIES (Paris) SAS
- SICAVONLINE SA
- SIGMA TERME
- SKANDIA INVEST SA
- SOCIÉTÉ DE BOURSE PAREL SA

## T

- TRADITION SECURITIES AND FUTURES
- TSAF OTC

## U

- UBS Limited – Succursale de France
- UBS SECURITIES France SA

## V

- VANILLA TECHNOLOGY
- VIZILLE CAPITAL FINANCE

## SUBSCRIBER MEMBERS

- ALLEN & OVERY
- ASHURST LLP
- BRANDFORD-GRIFFITH & ASSOCIES
- CLIFFORD CHANCE
- CMS BUREAU FRANCIS LEFEBVRE
- DE PARDIEU BROCAS MAFFEI
- ERNST & YOUNG
- FIDAL
- FRESHFIELDS BRUCKHAUS DERINGER
- GIDE LOYRETTE NOUËL
- LANDWELL & ASSOCIES
- LINKLATERS
- NORTON ROSE
- SNR DENTON LLP
- TAJ Société d'avocats



# Highlights



# Crises and markets: the reforms continue



**Sweeping reforms have been underway for several months at the urging of the G-20. Naturally, the European and domestic regulatory agendas are heavily influenced by the G-20's work streams, but they show evidence of greater rigour in various areas. AMAFI does not gainsay the need for a stringent scope of practice for market activities - in fact, it has been calling for one since November 2008<sup>1</sup> - but it points out that such a framework is pointless without proper coordination at international level. This is important insofar as differences of opinion are becoming more pronounced, not just over the additional action that needs to be taken but also over the action already in progress. The stakes are high. Europe must ensure that its markets are secure and efficient without imposing constraints which could prompt participants to take their business elsewhere. And it must keep full control of those markets, which are absolutely vital for economic growth.**

In this demanding environment, AMAFI continued to work on a number of issues and seek solutions for achieving the chosen regulatory objectives while acknowledging the constraints under which market participants operate.

## **G-20: from crisis response to a new world economic order**

The aim of the G-20 summits in London (April 2009) and Pittsburgh (September 2009) was to identify the initial regulatory steps to be taken to tackle the economic and financial crisis. Since the response to the crisis had to be on a par with its intensity, a number of assertive decisions were taken. These included setting up the Financial Stability Board to replace the Financial Stability Forum, extending regulation and oversight to all financial institutions, instruments and markets that play a systemic role, setting stricter capital

requirements for financial market participants, strengthening the clearing of standardised over-the-counter derivatives, and regulating the remuneration policies of significant financial institutions.

The summits in Toronto (June 2010) and Seoul (November 2010), as well as the forthcoming meeting in Paris in November 2011, are concerned not so much with the crisis as with the search for a new world economic order, which hinges on reducing global imbalances. The three main items now on

the G-20 agenda are reforming the international monetary system, bolstering financial regulation, and supervising commodity markets. This shift of focus has two impacts: the agreements that have been reached are proving hard to translate into visible decisions, and less political attention is now being paid to effective enforcement of earlier decisions.

The second of these impacts warrants special consideration at a time when fairly significant differences between countries are beginning to emerge. ►



*Politicians need to be more aware of the fact that the global organisation of markets is an issue of cardinal importance. An in-depth discussion of what constitutes a well functioning market must be put back on the agenda."*

**Pierre de Lauzun, Chief Executive, AMAFI**

► **Commodity derivatives:  
AMAFI contributes to the G-20's  
deliberations**

Regulating commodity markets is on the work programmes of both the G-20 and the European Commission. Against a backdrop of upward price trends and strong volatility, it is vitally important to improve the way these markets operate. Commodity derivatives are a focal point of attention because they display high volatility, which hovers around 30% for farm produce but can reach 50% or even 100% for raw materials such as oil. Another crucial factor for regulators is that commodities are becoming increasingly financialised. Much work has already been done to address these issues, notably at international level by the IOSCO Task Force on Commodity Futures Markets, which is co-chaired by the US Commodity Futures Trading Commission and the UK Financial Services Authority and reports to the G-20. In this context, AMAFI decided to contribute input from French market professionals to the G-20's deliberations. Its paper, published in January 2011 and based on a review of the factors that distinguish commodity markets significantly from "pure" financial markets, identified twelve areas of action, seven of them being high priority<sup>2</sup>. Based on

a methodological approach, the aim is to ensure that the regulators concerned have the information and tools needed to calibrate their action and cater to the needs of well-functioning commodity markets.

The contribution was profiled in an opinion piece by Pierre de Lauzun, posted on the Echos.fr website (see Profile, page 9). It will also serve as background material for a conference on international regulation of commodity markets, which AMAFI and *Les Échos* are organising on 13 October 2011.

The work on commodity derivatives has also informed discussions at European level in connection with the MiFID review. The European Commission wants the revised directive to include a section on this issue. However, in its response to the consultation launched at the end of 2010 (see box: 7 Priorities), AMAFI pointed out the drawbacks of that approach, whereby a number of different issues end up being addressed in the same piece of legislation. In AMAFI's view, the strong link between the derivatives and physical markets warrants a separate directive that should also include market abuse issues, even if many of the measures in the future text are predicated completely on those in MiFID. ►

**AMF**

Autorité des Marchés Financiers / French securities regulator

**ASF**

Association Française des Sociétés Financières, Financial companies association

**CEBS**

Committee of European Banking Supervisors

**CESR**

Committee of European Securities Regulators

**CFTC**

Commodity Futures Trading Commission

**CEIOPS**

Committee of European Insurance and Occupational Pensions Supervisors

**CRD**

Capital Requirements Directive

**DGT**

Direction Générale du Trésor / Treasury Directorate

**DTCC**

Depository Trust & Clearing Corporation

**EFSA**

European Forum of Securities Associations

**ESFS**

European System of Financial Supervisors

**ESMA**

European Securities and Markets Authority

**ESRB**

European Systemic Risk Board

**FBF**

Fédération Bancaire Française / French Banking Federation

**FSB**

Financial Stability Board

**IASB**

International Accounting Standards Board

**ICSA**

International Council of Securities Associations

**IIF**

Institute of International Finance

### Commodities – A background brief

- Commodity derivatives markets interact strongly with the underlying physical markets, especially as regards the information specific to physicals.
- The majority of financial regulators have a lesser grasp of commodity derivatives, and most of the transactions and participants in these markets go unsupervised.
- Industrial and agricultural firms, which are key players, can locate their business and trading outside regulated areas if they feel that regulations do not improve market functioning.
- There is no conclusive research to substantiate the claim that the increasing involvement of financial investors causes disruptions, particularly in terms of volatility. On the contrary, evidence shows that their presence is important to industrial and agricultural firms, which can find counterparties for their hedging requirements.

## Seven priority targets for commodity market regulation

- Mandate the Financial Stability Board directly to steer and coordinate the regulation of commodity derivatives markets (CDMs).
- Establish criteria to identify staples that are essential for human needs; draw up a list of these staples; identify non-G-20 countries that are important to achieving a critical mass of countries and that are willing to take part in setting up and implementing the new regulatory framework for each staple.
- Determine, for each staple, exactly what information about the physical market is vital for orderly operation of CDMs; ensure that a critical mass of contributors is assembled; determine, for each staple or group of staples, an organisation that is responsible for centralising and disseminating this information worldwide; give this organisation specific rules on how individual information is processed and published.
- Make sure that forward contracts for an underlier traded on a sufficiently broad and active derivatives market are considered as commodity derivatives, allowing for a transition period if necessary.
- Draw up a standardised international classification of market participants, probably based on the scheme created by the CFTC; ensure that the work initiated by the G-20 to create trade repositories for derivatives in general is extended to commodity derivatives; draw up the rules applicable to trade repositories; plan to use the resulting knowledge to examine how the classification of market participants could subsequently be clarified in order to gain a clearer picture of the hedging transactions carried out by each category.
- Authorise regulators to use position limits where necessary; examine in greater depth how position limits could be used to identify categories of market participants depending on the types of trades they carry out and how a global position limit mechanism could be put in place to capture all transactions; ensure that offsetting positions taken to meet the same requirement can be netted against each other to ensure that position limits function properly.
- Support the review initiated by the IASB to establish accounting standards that take full account of the nature of commodity derivatives used to hedge actual risk.

### ► Regulation of short selling: a domestic and European issue

In September 2008, to cope with the sharply escalating crisis, almost all the world's regulators urgently – if not hastily – brought in disparate measures to temporarily regulate short selling of financial stocks. Since then, the question of short selling has taken up much of AMAFI's time and attention. This is because Europe needs a harmonised regulatory system that responds to the concerns of regulators and a section of public opinion but that is also conducive to the orderly operation of capital markets.

Further developments occurred in 2010. In France, the lower house of parliament went one step further than simply establishing a legal basis for the emergency measures taken by the AMF to cope with exceptional market situations. While debating the Banking and Financial Regulation Bill, the ►

### AMAFI supports the aim of regulating short selling

AMAFI supports the aim of regulating short selling. To be effective, however, the framework must be based on three main foundations:

- Maintain short selling that is helpful for an efficient market, but ban disruptive short selling, i.e. where a principal goes short without having "reasonable" assurance of being able to make timely delivery, notably by borrowing securities
- Detect behaviours that are disruptive under normal market conditions in order to punish them. This involves informing the regulator about settlement fails when they occur in order to punish those not attributable to circumstances the seller could not possibly foresee, and introducing harmonised buy-in procedures that are sufficiently strict.
- Manage exceptional circumstances effectively, giving exceptional powers to the domestic regulator while making provisions for them to be deployed quickly in a European framework under the authority of ESMA.

► legislature sought to regulate short selling by drastically reducing the settlement cycle from T+3 to T+1. Concerned that such a move would put the French market in an atypical and technically unsustainable position, AMAFI joined forces with other industry stakeholders to seek viable alternatives. The solution that was ultimately adopted, at the instigation of the Senate, is similar to the one that AMAFI had been arguing for, namely to prohibit shorting unless the seller has taken the necessary measures vis-à-vis a third party to obtain reasonable assurance of being able to make timely delivery of the securities it has sold. Further, although the settlement period has actually been shortened, albeit to T+2, the measure will not apply until an equivalent, harmonised measure is brought in at European level.

In September 2010, while the French legislature was fixing the domestic arrangements, the European Commission presented a draft regulation on short selling and certain aspects of credit default swaps. Naturally, AMAFI wholeheartedly endorses this move towards harmonisation. However, some aspects of the proposed regulation attracted our attention because of the difficulties they create. These include:

- the procedures for buy-ins and penalties in the event of a settlement fails, which fall well short of the ambitious regulatory framework that Europe needs;

- identification of short sale orders sent to trading platforms, which has numerous technical consequences and delivers information with little significance;

- the need to give ESMA real powers to unify practices across European financial centres.

For these reasons, AMAFI released an outline paper<sup>3</sup> in December 2010 to summarise its position on this issue. The

memo, which juxtaposed the measures under the draft regulation with AMAFI's proposals, was sent to several members of the European Parliament to provide a basis for discussion in the Economic and Financial Affairs Council (ECON), which is handling the issue on behalf of the European Parliament. Although a number of welcome advances have been made, the proposal is still being debated through a three-way dialogue between the Parliament, the Council and the Commission. The discussions are unlikely to come to fruition before the second half of 2011.

### **MiFID review: issues affecting market structure**

The review of the Markets in Financial Instruments Directive (MiFID) was prompted by the fact that many market participants, ranging from investors and issuers to financial institutions, have mixed views on its impacts. While the financial crisis makes it hard to obtain a precise evaluation, certain changes in the equity market microstructure call for an in-depth examination or, in some cases, for adjustments of varying significance to the operating framework. In accordance with the guidelines set out in the report submitted by Pierre Fleuriot\* in February 2010 to the finance minister, to which AMAFI

contributed<sup>4</sup>, France wants the review to be based on two priorities, namely greater transparency and better regulation of financial markets. Throughout 2010 AMAFI naturally made an active contribution to various discussions on this theme. Its work focused on three main projects.

First, on behalf of EFSA, AMAFI attended a series of informal meetings initiated by the European Commission in late 2009 to seek expert opinions on various key aspects of the directive, including non equity market transparency, dark pools, high frequency trading, best execution, post-trade transparency and conduct of business rules. The issue that undoubtedly commanded the strongest consensus was better consolidation of post-trade data. The majority of participants felt that the need for significant developments in other areas was less pressing. The European Commission also sought opinions on whether clients investing in highly complex products could all be categorised as retail clients. AMAFI initiated a debate on this issue at EFSA, and a detailed Issues Paper\*\* was sent to the Commission in March 2010. The paper stressed that, unless the boundary between the duty to inform and the provision of advice is erased, then the current framework already delivers all the necessary guarantees. ►

### **MiFID review: AMAFI's key recommendations**

- Focus Level 1 action on high-level principles and objectives, to be translated into regulatory measures at Levels 2 and 3 based on the results of vital additional research in a number of areas.
- Hold in-depth discussions on a model that is based on fostering competition among market infrastructures, given that such competition is both limited and flimsy.
- Deal with commodity derivatives markets in a separate directive, taking into account their importance and the specific issues raised by the way they operate.
- Approach reporting-related issues from the standpoint of efficient use of data by regulators.
- Place less emphasis on the legislative approach, since the critical issue at present is to harmonise oversight and sanction practices.

► In April 2010, prompted by the gathering momentum of technological developments such as high-frequency trading, co-location and sponsored access, CESR (now ESMA) launched a consultation on how these technologies might impact the secondary equity market in Europe. AMAFI's contribution<sup>5</sup> stressed the vital importance of these issues, reflected in the far-reaching changes that have occurred in under two years. AMAFI also pointed out that an approach based solely on posing questions to stakeholders was largely irrelevant, since the information being sought is highly strategic. We recommended that an in-depth analysis be carried out after reaching agreement on a methodology, the type of data to be collected and how they should be used. Only then will it be possible to precisely analyse the positive and negative effects of these developments and determine whether they ought to be regulated and, if so, how to proceed.

More importantly, at the end of the year and after several postponements, the Commission published a consultation paper on the MiFID review. With more than 140 questions on all areas covered by the directive, the document dealt with numerous aspects ranging from the structure and transparency of markets, including commodity derivatives markets, to investor protection. Naturally, the Commission's initiative is crucial. Questions about market structure need to be addressed in light of the concerns felt by many investors and firms as a result of recent developments. Unfortunately, given the importance of these issues, the Commission did not base its consultation on an overall discussion of the objectives to be achieved in terms of market organisation or on the relevance of a model based on fostering competition among market infrastructures. As it had earlier pointed out in different contexts,

AMAFI believes such a discussion is especially important since Europe must keep control of the consequences of creating a regulatory framework for its markets. Moreover, AMAFI considers that including client protection in the review needlessly diverts it from its primary goal, especially since the MiFID-based protective framework weathered the crisis successfully. So although certain aspects of investor protection are certainly worth examining at this level, they are not nearly as urgent or important as issues of market structure. AMAFI sent a highly detailed contribution on these issues<sup>6</sup> to the European Commission in February 2011. Draft legislation is due out before summer 2011.

## Liquidity and capital requirements on the Basel Committee agenda

Engaged in a thorough overhaul of the supervisory framework for financial market participants, the Basel Committee published two documents in December 2009, on capital requirements and management of liquidity risk, and put them out to consultation. In its comment letter, drafted by the Financial Stability Committee chaired by AMAFI Chief Executive Pierre de Lauzun, ICSA reiterated support for general efforts to improve the measurement of market risk and develop a uniform definition of capital. It pointed out, however, that since such reforms were overarching they would affect a very varied range of markets and firms. Consequently national authorities should be allowed to calibrate the detailed application of these measures in a way that reflects local financial and economic conditions.

While acknowledging the need for more effective recognition of liquidity risk, ICSA argued that the two ratios proposed by the Basel Committee will interact with other measures and that they cannot be designed using a one-size-fits-all approach because they will be used by very different kinds of market participants. In conclusion ICSA stressed the risk that the combined effects of the proposed measures could impair banks' ability to play their role in promoting economic activity. For that reason the economic impact of the Basel proposals should be studied carefully, not only by conducting a quantitative impact study but also by analysing the overall effect that these regulatory changes will have on the international financial system and the real economy.

## European supervision: new authorities with greater powers

Building on the deliberations of the Larosière Group<sup>\*\*\*</sup>, to which AMAFI made an active contribution<sup>7</sup>, a sweeping overhaul of Europe's regulatory and supervisory architecture was undertaken in 2010. This is one of the most noticeable and immediate outcomes of the crisis as far as Europe is concerned. Two bodies – the European Systemic Risk Board (ESRB), responsible for macroprudential oversight, and the European System of Financial Supervisors (ESFS), in charge of supervising individual financial institutions – were launched on 1 January 2011. Under the ESFS, three new authorities responsible, respectively, for the securities, banking and insurance sectors, were created out of the former Level 3 committees (CESR, CEBS and CEIOPS) set up through the Lamfalussy procedure. The European Securities and Markets

► Authority (ESMA), like its fellow authorities, has broader powers than its predecessor: it can draft binding technical standards, report flagrant breaches of financial market legislation by a national authority to the European Commission, give harmonised interpretations of prevailing European laws and regulations, and settle disagreements among national authorities if necessary.

AMAFI fully endorses these new developments, which should help minimise differing interpretations of European standards by Member States. Now that Europe has adopted a particularly substantial body of harmonised rules, AMAFI believes that reducing such differences, some of which concern key issues, is essential to creating an integrated financial market. That said, although the new authorities certainly have genuine powers, whether they can use them in practice has still to be proven. The manner in which the institutional agreement on the new arrangements was reached, with an ambitious Parliament and a very hands-off Council, and the conditions in which the authorities' chairmen and executive directors were appointed might suggest that the new bodies have yet to establish their influence and credibility.

### **The carbon market: a stronger domestic framework but security still lacking at European level**

Europe has demonstrated political will to cut greenhouse gas emissions by creating a carbon market and setting a precise schedule for ramping it up. Since France operates the world's leading spot market for CO<sub>2</sub> allowances, the finance minister appointed Michel Prada\*\*\*\* (see box) in January 2010 to chair a commission charged with mak-

### **Findings of the Prada report**

The report submitted by the Prada Commission in April 2010 reviews the organisation of carbon markets, looking at issues such as the legal definition of quotas, market access, transparency and conduct of business rules, while stressing the need for European-level regulation and supervision. The Commission also stressed that although access to the market should remain very open, tighter regulation was needed to ensure integrity and efficiency. These findings were presented to France's European partners with a view to drafting a Directive.

ing recommendations for organising and regulating the carbon market. AMAFI played an active part in the commission's work, with the backing of the Carbon Group set up as part of the Commodities Committee.

Expanding on this work, the DGT consulted the industry in summer 2010 on draft legislation aimed at strengthening the framework and regulation of the cash carbon market in France. While AMAFI expressed support for the plan for a regulated market in carbon trading, it stressed that the abuse and customer protection measures associated with regulated market status need not necessarily apply in full because of their potentially negative impact on competitiveness<sup>8</sup>. Accordingly, the arrangements eventually adopted in the Financial and Banking Regulation Act contained few of the measures that were put out for consultation.

The AMF was responsible for implementing the regulatory aspects of the Act on the basis of a consultation launched in December 2010. In view

of the need to introduce the new mechanism into the schedule for organising CO<sub>2</sub> allowance auctions at European level, AMAFI focused its contribution a few key points, while calling for a fuller analysis at a later date<sup>9</sup>.

The VAT regime applicable to carbon trading was safeguarded by transposing into French law the March 2010 Anti-Fraud Directive, which introduced the reverse charge procedure. More broadly, the VAT regime for commodity derivatives (particularly gas and electricity contracts) and CO<sub>2</sub> allowances is highly complex and likely to distort competition within Europe. For this reason, AMAFI set up a Commodity Derivatives VAT Group to analyse the tenor of the tax provisions applicable to trading in these instruments and, where appropriate, to outline solutions for bolstering the competitiveness of the Paris markets in this area.

At present AMAFI is concentrating in particular on the seriously unsettling impact of the theft of emission permits from a number of central depositaries. Europe needs to take assertive action to improve the security of the carbon market and enable it to play the role it has been assigned. The Association submitted proposals on this issue to the European Commission in early 2011. ►

### **European work on carbon markets**

In the second half of 2010 the European Commission presented the regulatory provisions for preparations to implement Phase III of the European Union Emissions Trading Scheme, scheduled for 2013. At the same time it issued proposals for modifying the organisation of public auctions of CO<sub>2</sub> allowances.

► **CRD3 sets stricter rules on bonuses**

The issue of remuneration, particularly the variable component (generally referred to as bonuses), accounted for a significant percentage of the criticisms levelled at the financial system. This was one of the priority work areas of the G-20, and the Pittsburgh Summit endorsed the principles put forward by the FSB. In 2010 the principles were incorporated into European standards in 2010, France having already transposed them faithfully into its own regulatory framework. CRD3, adopted by the European Parliament in July 2010 but not published until December, includes measures – which go beyond

the FSB’s proposals on certain issues – for regulating remuneration systems and policies. Precise standards have been set for the structure and payment schedule for variable remuneration, and companies are required to pay at least 50% of their bonuses in shares and to defer payment of at least 40% of the amount. These measures apply to variable remuneration paid in 2011 for 2010.

In December 2010, following a consultation period, CEBS published a set of recommendations on remuneration policies and practices. In its response to the consultation<sup>10</sup>, aside from noting the unnecessarily stringent nature of some of the CRD3 provisions, AMAFI

emphasised the difficulties caused by the particularly short timeframe for implementing the new rules. It also pointed out the problems caused by the need for a level playing field, both within and outside the European Union. The new measures may create serious competitive distortions between branches and subsidiaries of European firms and their competitors, thereby hobbling their ability to develop in economic zones that, in many cases, are growing quickly. Work on transposing the CRD3 remuneration provisions into French law began in autumn 2010 and culminated in mid-December with amendments to Regulation 97-02, which ►

**Remuneration: AMAFI revises its professional standard**

Ever aware of the need to regulate remuneration, AMAFI has taken an assertive stance on this issue. In February 2009 it co-signed the industry standard published under the auspices of a working group led by Georges Pauget. In November 2009, building on the measures in Regulation 97-02, AMAFI published its professional standard along with a comment paper<sup>11</sup>. To accommodate recent amendments to the Regulation, it published a revised version of the standard and the paper<sup>12</sup>. This is a vitally important issue for investment firms, which have had many problems with implementing the relevant measures.

**AMAFI debate on remuneration policies**

In light of the evolving regulatory and professional framework, AMAFI, in association with Ernst & Young Société d’Avocats, organised a breakfast debate on 15 February 2011 on management of remuneration in the financial sector. Among the issues addressed were the types of firms and professionals concerned, the remuneration period, alternative remuneration solutions and rules on governance, structure and transparency.



## Governance and remuneration policies: a European Green Paper

In June 2010 the European Commission published a Green Paper for consultation on corporate governance and remuneration policies in financial institutions. Noting that shortcomings in governance were among the causes of the financial crisis, the Green Paper explores several areas for improvement, the chief focus being prevention of systemic risk. While AMAFI is in favour of a European initiative aimed at harmonisation in an area that can lead to competitive distortions, it points out that governance cannot be considered solely from the standpoint of major financial institutions, which have to deal with issues that are not only highly specific<sup>13</sup> but also very different from those facing smaller firms.

► strengthens the mechanism put in place in 2009. The target population now extends beyond market professionals to include all risk-takers, oversight functions and persons whose overall incomes are in the same remuneration bracket, insofar as their activity is likely to have a material influence on their firm's risk exposure. Other measures include requirements to pay at least 50% of variable remuneration in shares, set an appropriate ratio of fixed-to-variable remuneration, and introduce a minimum holding period. It should also be noted that the proportionality principle, based on the size and internal organisation of the firm as well as the nature, scope and complexity of its business, now applies not only to these rules but also to the annual disclosure requirement.

### Tighter rules on risk management

Risk management has been a key focus of international debate since 2008, especially because shortcomings in this area were partly blamed for the crisis. Following an industry-wide cooperative effort organised in 2009 by the Commission Bancaire (now the ACP), Regulation 97-02 was tightened

in January 2010 in an effort to consolidate management of risk within firms. The amendments were related to international deliberations by the Senior Supervisors Group and the IIF, which want firms to develop cross-cutting, forward-looking approaches to risk. Among the main outcomes are the requirement for firms to appoint a head of risk management, and confirmation of the role played by the firm's board and executive in overseeing and managing its risk exposures.

The new regulations are supplemented by a set of best practices prepared jointly by the FBF, AMAFI and the ASF, in collaboration with the supervisor. These practices are among the factors that will have to be taken into account when assessing whether firms are complying with applicable requirements.

However, firms are entitled to adopt a different approach if they wish, on condition they can prove to the regulator, upon request, that they are fulfilling their risk management obligations. AMAFI prepared a comment paper on the best practices, targeted more specifically on its members' concerns and clarifying certain aspects.

### EMIR: European regulation of OTC derivatives

In accordance with the decisions of the G-20, over-the-counter (OTC) derivatives – among the main culprits of the crisis – are to be covered by a European regulatory mechanism, the European Market Infrastructure Regulation (EMIR). The new mechanism was presented in mid-September as a proposal for a Regulation. For AMAFI's members, EMIR is vital. Not only does it set out the conditions in which OTC derivatives trades are eligible for clearing by a clearing house; it seeks to harmonise the rules applicable to central counterparties (CCPs) – a major step forward in regulatory terms, which both AMAFI and the French financial community as a whole have long been calling for. ►

### Three principles of EMIR

The draft Regulation is organised around three principles:

- Make central counterparty clearing mandatory for all over-the-counter derivatives, provided they meet pre-defined eligibility criteria (non-financial firms are not subject to this constraint unless their trading volume exceeds a certain threshold).
- Set standards for CCPs and trade repositories.
- Require market participants to report OTC derivatives trades to regulators.

► By and large, AMAFI considers EMIR to be a step in the right direction, even if certain aspects of the project ought to be amended<sup>14</sup>. In particular, given the lessons learned from the crisis, it believes that CCPs should be given access to central bank money, since this is the only way to make sure that they play their role properly in crisis situations. Also, in terms of market resilience, it is important that infrastructures such as CCPs and trade repositories be located in Europe and supervised by European regulators. More generally, the EMIR initiative needs to be closely coordinated with the prudential work underway at international and European levels. Examined by the European Parliament in March 2011, the EMIR proposal is due to come into force by 2012. It will then be up to ESMA to decide which derivatives can be standardised. One key issue will be to align the systems in place on both sides of the Atlantic, thus providing additional security.

### **Common reporting for OTC derivatives**

Since problems of market abuse go well beyond the confines of organised markets, CESR decided to extend the trade reporting requirement to cover OTC derivatives with an underlying admitted to trading on a regulated market. In doing so, the European regulators were taking up their option under MiFID, which only a handful of them had done prior to that decision. With the aim of reaching agreement on common reporting rules for all member states, CESR launched a consultation to seek the industry's views on its proposed procedures.

AMAFI worked closely with the AMF on this issue, which is vitally important in terms not only of market integrity but of the adjustments that market participants might have to make. It therefore submitted a number of proposals to CESR<sup>15</sup>, recommending among other things that the information already obtained by the DTCC should be used because it results from efforts made by firms worldwide to standardise OTC contracts. AMAFI also emphasised the potential benefits of an approach that can reduce the volume of derivatives reports that would otherwise be classified as "miscellaneous". And it pointed up a major flaw in the current system, namely that reports are duplicated. This weakness must be overcome before the scope of the reporting requirement is extended.

CESR also held a consultation on the standardisation and exchange trading of OTC derivatives. Responding, AMAFI said that whereas standardisation was indeed a desirable and shared objective because it would mitigate financial and operational risk by including these products in a clearing process, the benefits of trading them on organised platforms rather than over the counter had yet to properly demonstrated<sup>16</sup>. ■

### **More information**

- \* Fleuriot report, [www.economie.gouv.fr](http://www.economie.gouv.fr)
- \*\* EFSA's view on client categorisation, [www.efsa-securities.eu](http://www.efsa-securities.eu)
- \*\*\* Larosière report, [www.ec.europa.eu](http://www.ec.europa.eu)
- \*\*\*\* Prada report, [www.economie.gouv.fr](http://www.economie.gouv.fr)
- AMAFI memos available under "Library" at [www.amafi.fr](http://www.amafi.fr)
  1. Memo 08-51
  2. Memo 11-04
  3. Memo 10-70
  4. Memo 10-01
  5. Memo 10-22
  6. Memo 11-05
  7. Memo 09-05
  8. Memo 10-48
  9. Memo 10-72
  10. Memo 10-66
  11. Memo 09-60
  12. Memo 11-20
  13. Memo 10-50
  14. Memo 10-54
  15. Memo 10-20
  16. Memo 10-49

# Business financing and allocation of savings



**AMAFI directs particular attention to regulatory issues, but it also undertakes initiatives to stress that markets are economically and socially useful. Not only is their role in business financing bound to grow; they also play an important part in the allocation of savings, especially since households are having to cope with greater risks, notably to their pensions.**

## **Equity investment is a national priority**

Several studies have shown that equity is the best investment, even in the aftermath of a dreadful crisis. In the long run, with dividends reinvested, shares earn higher returns than other investment vehicles. That observation was underscored by the President of France when delivering the closing address to a series of conferences on industry. "Our companies need a stable base of shareholders that support their growth," he said.

In the second quarter of 2010, following up on these considerations, AMAFI contributed to a number of industry projects, notably a report on long-term saving published during the summer by the Medef.

Later, in September 2010, AMAFI released its own study on the issues involved in equity savings (AMAFI/10-57). The document stressed that, since the current tax treatment of savings is part of an overall regime and therefore more favourable to liquid, "secure" savings than to shares, equity investment is crucial. It helps prevent social risks, particularly as regards pensions and

long-term care, while providing companies with a sustainable source of financing and drastically reducing their reliance on foreign investors. The emphasis therefore needs to be placed on the economic and social usefulness of channelling long-term savings into shares, making sure that, whenever the savings tax regime is amended, equity investments benefit from more advantageous tax treatment than do other investment vehicles. In particular, at a time of rising tax and welfare levies, this "virtuous" form of investment should be given a relative advantage over other savings products. In practice, AMAFI has set out three areas for discussion concerning savings vehicles. Aside from maintaining or improving the existing equity savings scheme, the PEA, France needs to bring in a tax credit for equity investments, set up a retirement preparation plan (PPRA), and make capital losses on equities tax-deductible.

AMAFI's position was highlighted in an article titled "Equity savings: a national priority" published by Pierre de Lauzun in *Les Échos*. ►

## **AFG**

Association Française de Gestion financière / French Asset Management Association

## **AMF**

Autorité des Financial markets / French securities regulator

## **COB**

Commission des Opérations de Bourse, predecessor to the AMF

## **DGT**

Direction Générale du Trésor / Treasury Directorate

## **Medef**

Mouvement des entreprises de France / French Business Confederation

## Average annual real long-run returns (1900/2008)

	1900/2008	1900/1950	1950/2008	1950/1980	1980/2008
<b>France</b>					
Equities	3.2%	-0.6%	6.4%	5.2%	7.7%
Bonds	-0.2%	-5.8%	4.7%	2.0%	7.6%
Cash	-2.9%	-6.2%	0.0%	-2.3%	2.5%
<b>United States</b>					
Equities	6%	5.3%	6.6%	6.7%	6.5%
Bonds	2.0%	1.7%	2.3%	-1.7%	6.6%
Cash	0.9%	0.9%	0.9%	0.0%	1.8%
<b>Japan</b>					
Equities	3.7%	-0.1%	7.1%	12.5%	1.7%
Bonds	-1.2%	-6.2%	3.2%	0.7%	5.8%
Cash	-2.0%	-5.2%	0.8%	0.0%	1.6%

Source: Dimson – Marsh – Staunton – Elgeti (2008) for 1900-2007, SGAM for 2008

## Geographical origin of CAC 40 shareholders

% ownership	end-2006	end-2007	end-2008	end-2009*
<b>% held by non-residents</b>	44.9%	41.1%	40.2%	42.3%

\* Projection based on the relative weight of non-residents at end-2008. Only information at end-2008 was available on 1 January 2010, owing to the time needed to collect data.

Sources: Banque de France, DBDP-FMI



*Savings invested in equity are absolutely vital if our companies are to function properly. This is one of the vehicles on which our fellow citizens must rely in order to tackle the social risks they face, especially in terms of pensions."*

**Philippe Tibi,**  
AMAFI Chairman

### ► Usefulness of financial markets: AMAFI's commitment

AMAFI plays an active part in the public debate on the usefulness of financial markets and has taken several initiatives in this area. It set up a Scientific Advisory Board in 2010 (see box), co-produced a special issue of *Revue Banque* devoted to this issue,

and opened a participative area (Le Cercle) on [www.lesechos.fr](http://www.lesechos.fr). The opinion pieces by Pierre de Lauzun posted on this area – including the recently published "Commodities, regulation and sustainable development" and "Debt is the culprit in the eurozone crisis" – epitomise AMAFI's intention of providing input on topical issues.

### AMAFI Scientific Advisory Board

Established in May 2010 and composed of market economists, academics, journalists and market practitioners, the AMAFI Scientific Advisory Board raises the profile of industry professionals in topical debates over the economic and social value of financial markets, the financing of economic activity, management of long-term savings and, in general, all major social issues.

[www.amafi.fr](http://www.amafi.fr)  
"Scientific Advisory Board"

### Revitalise the mid-cap ecosystem

Market financing for medium sized companies is a source of concern for France's public authorities, which have taken several initiatives. AMAFI took part in a working group set up in November 2009 under the auspices of the DGT to make near-term proposals for strengthening independent investment research. The Association stressed (AMAFI/10-07) that there were multiple reasons why medium sized companies were finding it hard to access the market, and that these hurdles could not be overcome simply by making sure that independent

► research was economically viable. The entire mid-cap ecosystem needs to be revitalised, at a time when the range of services available to these firms is under strong pressure due to the economic situation and to European integration. Several measures are necessary, the most important being to tackle the inadequate allocation of savings to mid-cap investment, particularly since market financing for business growth is increasingly vital, notably for small, medium sized and mid-tier firms.

#### **Liquidity contracts: the AMF revises the accepted market practice**

For more than a decade, first with the COB then with the AMF, AMAFI has played an instrumental role in developing and standardising the practice of liquidity contracts. The purpose of this technique, pioneered by Paris and now spreading to the rest of Europe, is to foster liquid trading and regular quotation of a company's securities, thereby avoiding price swings not warranted by market trends. It also contributes to orderly market operation and is particularly valuable for mid caps, which are structurally less liquid than larger firms.

In 2010 the AMF reviewed this accepted market practice, established in October 2008 on the basis of the original framework founded on AMAFI's Ethics Charter. Deliberations began in March with a consultation paper setting out proposed amendments to the practice. Aside from commenting on the paper (AMAFI/10-32), the Association adopted two work streams as a result of its dialogue with the AMF. The first consisted in establishing an operating

framework for investment services providers responsible for managing liquidity contracts. The rules state, among other things, that records must be kept of any atypical trades. The second work stream was to amend the sections of the AMAFI Charter on the arrangements for remunerating service providers so that, from 1 July 2011, the variable portion of remuneration cannot exceed 15% of the total consideration agreed with the issuer.

In light of this, the AMF published at end March 2011 a new decision accepting the market practice of liquidity contracts on the basis of the revised AMAFI Charter (AMAFI/11-13). Pursuant to the AMF's decision, AMAFI issued a document outlining a number of areas to which market makers should pay attention (AMAFI/11-17). ■

#### **Investment Research Charter for Small, Medium and Mid-Tier Companies**

The Investment Research Board, part of the Market Financing for Businesses Observatory, has set up a system that will allow eligible companies to get analyst coverage at lower cost and thus raise their profile in the investor community.

Companies that meet the maximum qualifying criteria in terms of market capitalisation and average daily trading volume must not have been followed by an analyst for 18 months. The cost of coverage is €14,000 ex VAT, one-third of which is paid by the company and the remainder by the investors represented by the AFG and also by NYSE Euronext. The analyst is chosen by the Investment Research Board, in which AMAFI participates, and his or her report will be published two weeks after being submitted to the company on the Observatory's website, [www.pme-bourse.fr](http://www.pme-bourse.fr), which went live on 1 March 2011.

#### **More information**

- AMAFI memos available under "Library" at [www.amafi.fr](http://www.amafi.fr)
- 1. Memo 10-57
- 2. Memo 10-07
- 3. Memo 10-32
- 4. Memo 11-13
- 5. Memo 11-17

# A fresh approach to employee relations



**The Collective Bargaining Agreement for Financial Market Activities (CCNM) was signed on 11 June 2010 to replace the Securities Industry Collective Bargaining Agreement (CCNB). The CCNM came into force on 1 July 2010 and forms the new collective framework for employee relations in the industry.**

After 18 months of negotiations, AMAFI signed the CCNM with five employee representative bodies: CFDT Bourse, CFTC Marchés Financiers, CGC-Marchés Financiers, FO Bourse and SPI-MT.

## **A new collective bargaining agreement**

On 1 July 2010 the CCNM superseded the CCNB, which dated from 1990. The new agreement was extended at the request of the labour ministry and is henceforth mandatory for all companies coming within its ambit, regardless of whether they are AMAFI members. This arrangement underscores the identity of the financial industry's workforce.

This balanced, responsible agreement establishes a new and up-to-date framework for employee relations, one that is suited to the highly specific nature of financial market businesses. For AMAFI, the overriding aim is to keep these businesses firmly in France, despite fierce competition, because they are vital to our economy, both for financing our companies and for tackling the social risks faced by savers and investors.

The CCNM was presented to AMAFI members on 7 July 2010 at Palais Brongniart at a session conducted by Jean-Bernard Laumet, vice-chairman of AMAFI and chairman of the Collective Bargaining Commission, along with members of the employers' delegation. At the same time, Humanis (formerly APRIONIS) presented the new health insurance and employee benefit scheme, which it runs.

The CCNM is available in the Library area of the AMAFI website at [www.amafi.fr](http://www.amafi.fr)

## **Online Jobs Board**

In December 2010, a jobs section was added to the French version of the AMAFI website so that employees who have been laid off can find another job within the industry.

Governed by Article 61 of the new Collective Bargaining Agreement for Financial Market Activities (CCNM),



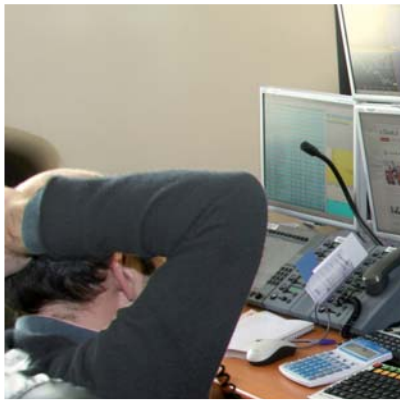
*With the new employee relations framework established by the CCNM, AMAFI has clearly shown its confidence in the future of our industry."*

**Jean-Bernard Laumet,**  
AMAFI Vice-Chairman  
and Chairman of the  
Collective Bargaining  
Commission

the online Jobs Board has been designed as a service for companies that apply the CCNM and for employees who have been made redundant. It comprises two sections: one for employers, which can advertise vacancies, post their employees' CVs and browse the CV library; the other ►

## **CCNM: key benefits**

- More efficient management of careers and employability: performance appraisals and career reviews, online Jobs Board, etc.
- A more ambitious Business Skills Monitoring Unit that seeks to map all jobs in the industry
- Better industry-specific schemes covering works committees, employee benefits, healthcare cost coverage, etc.
- Enhanced employee / management dialogue, with a bigger role and greater resources for representative organisations: operating subsidies for unions, time credits for their officers, etc.
- More flexible work organisation: homeworking, etc.



- ▶ for applicants, who can check out job offers, apply online and file their CV.

### Employment Intelligence Unit

As in previous years, the Employment Intelligence Unit analysed the quantitative and qualitative changes in employment patterns in the industry\*. The data collected from member firms were examined at a meeting on 7 December 2010.

### Referrals to the Joint Commission

In 2010 the Joint Commission was asked to validate a company agreement on

working time, a new prerogative under the 2008 statute and one that has been incorporated into the CCNM. Composed of representatives of employers and employees, the Joint Commission issues opinions on whether bargaining procedures are being respected and whether the agreement complies with applicable regulations. Moreover, as a conciliator, the Joint Commission may be asked to interpret issues relating to the collective agreement and industrial disputes, dismissal for gross or wilful negligence and discrimination against trade unions.

### Pay scale

In accordance with the agreement signed by AMAFI and the SPI-MT trade union, the new pay scale came into effect on 1 January 2011, pursuant to the Collective Bargaining Agreement for Financial Market Activities.

The scale is available on the French version of the AMAFI website ([www.amafi.fr](http://www.amafi.fr)) under Documentation sociale. ■

### Employment Intelligence Unit: Key figures

■ **Length of service:** the percentage of staff with less than five years of service slipped to 54.05% from 58.29% in 2008, whereas the 5-14 year bracket edged up to 30.18% from 27.21% in 2008. All length-of-service brackets above 5 years were up slightly on 2008. This uptrend is visible throughout the period 2000-2009, especially in the 15-24 year bracket.

■ **Age:** the total workforce has aged to some extent, with 22.34% of employees under 30 (29.11% in 2008) and 9.08% aged 50 and over (7.23% in 2008). That trend holds true for the period 2000-2009: the share of employees under 30 contracted from 31.82% of the workforce to 22.34% and that of 40-49 year-olds from 17.38% to 28.07%.

■ **Skills:** executive and managerial level staff were steady at around 76% of the total workforce.

■ **Women in the workforce:** the percentage of women in the industry has levelled off at around 37%-38% since 2006, when this demographic was first monitored.

■ **Training:** the number of applications under the Individual Right to Training scheme soared from 87 in 2008 to 486 in 2009.

# Other areas of action



**Regulatory issues, including ones not directly linked to the crisis, continue to make up an important part of AMAFI's activity. The new Banking and Financial Regulations Act, the establishment of the ACP, major shareholdings disclosures, AML/CTF measures, the review of the Market Abuse Directive and other issues kept AMAFI busy in 2010.**

## **Banking and Financial Regulations Act: strengthening the oversight of financial markets and participants**

Following on directly from calls made at the G-20 meeting in Pittsburgh, the bill submitted in December 2009 ultimately led to the adoption of a new Banking and Financial Regulations Act for France in October 2010. The new legislation contains a host of important provisions and was closely watched by AMAFI as it made its way through parliament<sup>1</sup>. Aside from the measures mentioned earlier on short-selling and the carbon market (see "Crisis and markets: the reforms continue", pages 20 and 23), other noteworthy measures in the new Act include:

- the creation of a Financial Regulation and Systemic Risk Board comprising representatives from the Banque de France and financial sector authorities and tasked with advising the minister on preventing and managing systemic risk;
- the appointment of the AMF as the competent authority to register and supervise credit rating agencies, pursuant to the new provisions arising from the European Regulation of 16 September 2009;
- steps to enhance the oversight of European banking groups, notably through colleges of supervisors, which the ACP is authorised to set up in order to supervise entities under its jurisdiction;

■ changes to the enforcement powers of the AMF, which is now empowered to open administrative settlement proceedings;

■ reforms to the takeover regime "to increase shareholder protection and prevent creeping acquisitions". The changes include lowering the threshold for triggering mandatory bids to 30% and, consistent with the industry position that emerged following consultations held in summer 2009, aligning the calculation method with that used for major shareholdings (see below).

## **Establishment of the Autorité de Contrôle Prudentiel**

Following on from work done in 2009, the Autorité de Contrôle Prudentiel (ACP), France's new prudential oversight authority, was established on 9 March 2010. It held its first board meeting on the same day, signalling the dissolution of the ACP's predecessors,

namely the Commission Bancaire, ACAM, the CECEI and the CEA. The ACP, which is chaired by the governor of the Banque de France, has taken over all the rights and responsibilities of those authorities, including their contractual and international commitments.

The ACP has a similar architecture to that of the AMF, with a board (including two sector-specific sub-boards) and a totally separate enforcement committee. It is tasked with ensuring the stability of the financial system and protecting the customers of entities under its supervision in the banking, payment services, investment services and insurance sectors.

The ACP is authorised to perform on-site inspections and documentary audits, has enforcement powers and can issue sanctions through its enforcement committee. The ACP and the AMF have set up a joint unit that is in charge of supervising the marketing of financial products and participants' compli- ▶

## **Codes and Professional Best Practices**

In August 2010, the Treasury launched a consultation on draft legislative changes aimed at implementing proposals made by Bruno Delétré in his report on compliance with professional obligations to customers in the financial sector<sup>2</sup>. AMAFI warmly welcomed the proposal to give the ACP the ability to recognise codes and best practices established by the industry to supplement the existing legal and regulatory framework<sup>3</sup>. It stressed, however, that the status of these codes and best practices should be clearly defined and that they would obviously have to be drawn up by the industry, potentially at the ACP's instigation.

These proposals were incorporated into the Banking and Financial Regulations Act.

## Transparency for securities financing transactions

Building on the Mansion Report of February 2008, the Treasury consulted the industry on a proposed legislative change aimed at introducing a disclosure requirement for shareholders holding more than 2% of the company's voting rights three days before the general meeting as a result of a securities financing transaction (SFT). While backing the proposal<sup>4</sup>, AMAFI nevertheless raised two major concerns. First, it argued that the method for calculating the 2% threshold should count only the shares held following an SFT. Second, it said that the shares held in firms' trading books should not be included in the 2% threshold since they do not allow voting rights to be exercised. AMAFI also proposed that the exemption for shares held in the trading book from major shareholding notifications should be extended to include the new disclosure requirements on temporary transfers.

After the consultation, the Banking and Financial Regulations Act introduced a requirement to disclose shares held following an SFT. While the reporting threshold was lowered to 0.5% in the end, AMAFI's other points of concern were taken into account. In particular, a reporting exemption was granted for shares held by firms in the trading book.

► ance with obligations to their customers. The new authority is financed through contributions towards inspection expenses.

AMAFI participates in the work of the ACP's consultative commissions. It is represented by Emmanuel de Fournoux (prudential issues) and Stéphanie Hubert (AML/CTF).

### Major shareholdings and transparency

In February 2010, a CESR consultation proposed including "instruments of similar economic effect to holding shares" in the scope of instruments

used to calculate major shareholdings. AMAFI's Major Shareholdings Group stressed that CESR's paper not only totally ignored work done by ESME in this area under a mandate from the European Commission, but also gave strong, blanket support to a position that just one Member State has so far endorsed<sup>5</sup>.

AMAFI pointed out that while the desire to enhance the transparency of the instruments in question was perfectly justified, the real challenge was to deliver appropriate transparency with a view to achieving maximum harmonisation across Europe. Accordingly, ►

#### ACP

Autorité de Contrôle Prudential / Prudential Supervision Authority

#### AFG

Association Française de Gestion financière / French Asset Management Association

#### AFME

Association of Financial Markets in Europe

#### AMF

Autorité des Marchés Financiers / French securities regulator

#### ANSA

Association Nationale des Sociétés par Actions / French Association of Joint-Stock Companies

#### CESR

Committee of European Securities Regulators

#### DGT

Direction Générale du Trésor (formerly DGTPE) / Treasury Directorate

#### DLF

Direction de la Législation Fiscale / Tax Legislation Directorate

#### ESMA

European Securities and Markets Authority

#### ESME

European Securities Markets Experts Group

#### FATF

Financial Action Task Force

#### FBF

Fédération Bancaire Française / French Banking Federation

#### ICSA

International Council of Securities Associations

#### IMA

Investment Management Association

### A new mechanism for reporting major shareholdings

Addressing the lessons of LVMH building up its stake in Hermès, at end-2010, AMAFI, acting through its Major Shareholdings Group, prepared an industry proposal on the transparency needed in cash-settled equity derivatives. Since the proposal was endorsed by ANSA and the FBF, the three associations jointly submitted it to the finance minister and the Chairman of the AMF.

The proposed mechanism would materially increase the transparency of these instruments, without however equating them completely with instruments already counted under the major shareholding regime. Doing so would muddy the information provided to the market and issuers and could have an extremely negative impact on the mandatory bids regime, which could in turn make life very difficult for listed companies. The proposed solution, based on separate and independent reporting of cash-settled instruments, would achieve the same transparency as the total assimilation approach while avoiding its pitfalls.

### AML/CTF: ACP guidelines

The ACP continued to consult with professionals. AMAFI was closely involved as it sought to raise awareness about the specific features of financial market businesses, in the lead-up to publication by the ACP of new guidelines on politically exposed persons, wealth management, equivalent third countries and third-party introductions.

- ▶ AMAFI supports ESME's position that material positions in these instruments – which do not give access to voting rights in the vast majority of cases – should be reported separately, rather than with holdings of shares or voting rights.

### Europe gets to work on modernising the Transparency Directive

Following work by CESR on the question of including instruments of similar economic effect to holding shares in major shareholding disclosures, the European Commission began a consultation in summer 2010 on proposals to modernise the Transparency Directive. For AMAFI, the central question concerns reporting for cash-settled derivatives, i.e. should they be reported separately or with shares and equivalent instruments? Once again, while putting forward concrete proposals, AMAFI came out strongly in favour of separate disclosure<sup>6</sup>, which is the only way to provide markets and issuers with the information that they actually need. AMAFI also advocated the idea of maximum harmonisation within the EU, which will probably require a European regulation on this subject and potentially on all subjects relating to major shareholdings.

The other part of the consultation looked at the attractiveness of regulated markets for small listed companies and ways to promote greater appeal. AMAFI said that it supported the approach in principle, but stressed the need to avoid creating an overly complex system and setting too low a threshold for defining small companies (market capitalisation of at least €1 billion).

### Anti-laundering measures: work by the FATF

In response to the calls made by the G-20 London meeting in April 2010, the FATF introduced new procedures to identify jurisdictions that are non-cooperative or at high risk from an anti-money laundering/counter terrorist financing (AML/CTF) perspective. This led to the publication of two lists. These were eagerly awaited, insofar as all the countries initially named as non-cooperative jurisdictions had been taken off the list. The FATF also began reviewing some of its standards, taking account of the fourth round of evaluations, with a particular focus on standards that are important to customer due diligence requirements.

As part of the review, ICSA raised a number of concerns, both during FATF consultations and in meetings between the FATF and representatives of the private sector:

- If there are no reliable data to identify beneficial owners, the FATF should require governments to provide finan-

cial institutions with data about the beneficial owners of legal entities registered in their territory.

- The risk-based approach should be used to identify beneficial owners, and specific exemptions should be provided, for example for listed companies.

■ Although the risk-based approach is inherently imperfect, the interpretative note that the FATF is planning to prepare to help supervisors oversee implementation of this requirement must not interfere with the necessary flexibility in this area.

### Review of the Market Abuse Directive

AMAFI has been involved in the review of the Market Abuse Directive (MAD) since the process began in April 2010. AMAFI took part in the public hearing as well as in the consultation organised on the subject by the European Commission in summer 2010. It stressed that the MAD and MiFID reviews should be the opportunity for a complete overhaul of the system of supervision for European markets<sup>7</sup> and pointed out that an overhaul would be even more necessary, as suggested, if the directive's scope was extended.

While AMAFI supports the principle of extending the directive beyond financial instruments admitted to a regulated market, it nevertheless feels that this extension should be controlled to ▶

### Back to work on standard securities notes

Reforms to the public issuance framework prompted the Corporate Finance Committee to resume its work on preparing standard securities notes. After several exchanges with the AMF, in July 2010 AMAFI published a new standard securities note for issues of convertible bonds redeemable in new or existing shares without pre-emptive rights<sup>8</sup> and a revised version of the first standard securities note for issues of shares with pre-emptive rights<sup>9</sup>. The purpose of these notes is to facilitate the approval process. They are also intended to simplify dealings between the AMF and professionals on the documentation presented for approval and so create more supportive conditions for issues.

► maintain the effectiveness of the supervision arrangements, given that human and technical resources are necessarily limited.

■ Inclusion of derivative instruments that are not themselves subject to the directive should be done on a case by case basis, according to the associated risk of abuse. ESMA could potentially be given responsibility for setting the priorities in this regard.

■ Multilateral trading facilities that do not deal in instruments admitted to trading on a regulated market should be allowed to operate outside the Market Abuse regime subject to certain conditions. This would allow small EU companies to access financing without being subject to overly arduous requirements.

■ A special anti-abuse system should be created for commodity derivatives. The aim should not be to simply replicate rules that were drawn up for equities and bonds, since information on the underlying physical market is of critical importance.

■ Protection for whistleblowers should be strengthened and harmonised within Europe.

### **A framework for marketing complex financial instruments**

In October 2010, the AMF/ACP joint unit published a position (AMF) and a recommendation (ACP) on selling complex financial instruments (structured investment funds and complex debt securities, commonly referred to as structured products) directly or as the underlying instruments in life insurance policies.

Acting through the Structured Products Group set up under the authority of its Compliance Committee, AMAFI engaged extensively with the AMF from the outset of the process in June 2010 and pointed out problems with the ini-

tial proposal<sup>10</sup>. Dialogue with the AMF made it possible to resolve or mitigate a number of difficulties, notably in relation to authorised exemptions, the definition of complexity criteria and the clarity of the position.

Furthermore, after being lobbied jointly by AMAFI, the AFG and the FBF, the ACP agreed to begin talks on two differences between its recommendation and the AMF's position, concerning the treatment for products whose capital is more than 90% protected at maturity and the treatment for products that are sensitive to extreme scenarios. These differences were still being addressed as this report went to press. ►

### **AMAFI sets up a Pre-Sounding Group**

Investor pre-sounding is coming under increased scrutiny from several European regulators, including the AMF. The practice has been around for a long time on equity markets and has arrived more recently on fixed income markets. But it is not precisely defined, even though pre-sounding is subject to specific rules in the AMF's General Regulation. Some aspects of pre-sounding raise questions, including the sharing (or not) of privileged information, standardisation of terminology, the pre-sounding procedure, and coordination between the syndicate responsible for carrying it out.

For these reasons, AMAFI's Compliance Committee set up a Pre-Sounding Group in autumn 2010. The goal is to draw up an inventory of practices and organisational arrangements in the area and identify collective measures that could be taken. The first study was devoted to the information divulged in pre-soundings, since the relevant article in the AMF General Regulation could be interpreted as systematically linking pre-sounding with inside information, whereas in fact this is often not the case.

### **AMF enforcement procedures**

The eagerly awaited AMF Investigation Guide was published at the end of 2010. It supplements and rounds out the reforms to the AMF's investigation and enforcement procedures set in train by the government and parliament. Most of the reform measures were introduced by the Banking and Financial Regulations Act of October 2010.

Addressing an important need highlighted by AMAFI in its 2009 report on the AMF's disciplinary powers<sup>11</sup>, the charter also supplements regulatory provisions adopted in December 2010, which strengthen the use of the adversarial approach, not merely in the phase leading up to the Enforcement Committee ruling, but also when the Board makes its decision, which may lead to a statement of complaint.

## ► VAT package

The VAT Package came into effect on 1 January 2010. The new framework, which modifies the VAT place-of-supply rules with regard to services, had raised some interpretation issues among firms both in France and elsewhere in Europe. Their main concern was that the Paris financial centre might become less attractive, potentially prompting reorganisations among European financial groups. AMAFI's members were reassured by the DLF's official statements, which drew on earlier work by the directorate and AMAFI. The option to make financial transactions liable for VAT, which may be exercised in France, will not spill over to services supplied by a head office or branch outside France. Also, the com-

### London learns about France's VAT Package

In March 2010, AMAFI held meetings in London with the IMA and AFME to talk about France's transposition of the VAT Package, and specifically about the provisions on the place-of-supply rules for services and their consequences for financial market professionals. In the presentation to the IMA, AMAFI stressed the competitive advantage enjoyed by French brokers – as well as, indirectly, their European and UK customers – because of differences in national legislation on VAT for financial transactions. The meeting with AFME was a chance to take a broader look at a range of tax issues, including French transposition of the VAT package, clarification of rulings by the French authorities on the scope of the option to make financial transactions liable for VAT, and the VAT regime applicable to OTC derivatives and commodity transactions.

petitive advantage that investment services providers in France currently enjoy when supplying BtoB services to taxable parties outside France is not at risk. The provisions secured by AMAFI also provided reassurance to firms in the UK (see Box).

### France introduces a skills certification system

The French financial industry introduced a professional certification scheme on 1 July 2010. The aim is to lay the foundations of a common regulatory culture shared by all customer-facing finance professions, under the authority of the Financial Skills Certification Board (HCCP) set up by the AMF. AMAFI participated actively in creating the scheme, notably through its contributions to the Operating Committee acting under the responsibility of the HCCP.

Since 1 July, employers have been responsible for ensuring that all new hires go on a training course within six months to obtain certification. The training programme contains 20 or so chapters focused primarily on business ethics and regulation. Under a grandfathering clause, anyone who was already in their position on 1 July is exempt from the requirement.

Training is provided by specialised organisations authorised by the AMF following an extremely stringent procedure. However, financial institutions, retail banks, investment banks and management companies may also organise their own internal programmes. Many of them are interested in this idea, since they already have excellent staff training systems in place. ■

### More information

AMAFI memos available under "Library" at [www.amafi.fr](http://www.amafi.fr)

1. Memo 10-61 a and b
2. Memo 10-02
3. Memo 10-51
4. Memo 10-17 a and b
5. Memo 10-16
6. Memo 10-47
7. Memo 10-44
8. Memo 10-42
9. Memo 10-41
10. Memos 10-39, 10-55 and 10-56
11. Memo 09-48

### Second joint meeting for bond and foreign exchange market professionals

In partnership with other industry associations, AMAFI organised the second joint meeting for bond and foreign exchange market professionals on 19 January 2011. Around 200 people took part in three panel discussions: "Examining the impact of regulatory changes on short-term liquidity", "Does the rise of electronic trading meet the needs of market participants?", and "Indices: reflecting or guiding markets?".

# Last but not least...

 Throughout 2010, AMAFI kept a close watch on a number of other major dossiers, including the following.

## AMF policies

In December 2010, the AMF published a document entitled "Principles for the organisation and publication of AMF policies", which followed on from an industry-wide consultation in spring 2010<sup>1</sup> and work that it has done to facilitate access to AMF policies. The document addresses a number of points raised by AMAFI. In particular, it tackles the matter of restating policies adopted prior to 1 September 2010, specifying that the Board will be involved and professionals consulted if the scope of a previous policy is modified.

## Investor compensation

The AMF published a report by its working group on compensation for losses suffered by retail savers and investors, which AMAFI took part in. In general, AMAFI believes that careful discussion should be conducted to determine the AMF's potential role and contribution in this area, given the risks of interference with its core duty of supervising markets and participants<sup>2</sup>. AMAFI highlighted a number of concerns. For example, the legitimate desire to prioritise out-of-court settlements should not make life awkward for smaller firms by applying best practices defined by large institutions. AMAFI also drew attention to the relationship between internal mediation mechanisms and the AMF ombudsman.

## Harmonisation of securities law

The European Commission held a consultation on harmonising securities law, building on work done over recent years at European level. Voicing positions that were widely endorsed within the French financial community, AMAFI came out strongly against a number of the Commission's proposed measures<sup>3</sup>. In particular, it stressed that it could not back the idea, especially in a post-crisis environment, of calling into question the rights of ownership to financial securities enjoyed by end investors under the laws of France and many other European countries. AMAFI also pointed out that the arrangements should protect the integrity of share issues and preserve the *acquis communautaire* in terms of conflict of law rules.

## Public offers: restrictions on trading by institutions

At the end of 2009, steps were taken to overhaul the framework restricting trading by affected persons and service providers in securities covered by a public offer. These measures introduced greater flexibility and freedom for institutions in determining their trading policies. However, AMAFI noted that some of the provisions raised interpretation issues, not all of which were resolved by the Q&A published by the AMF to address AMAFI's requests. AMAFI therefore provided guidance to help institutions implement the new arrangements<sup>4</sup>. ■

### More information

■ AMAFI memos available under "Library" at [www.amafi.fr](http://www.amafi.fr)

1. Memo 10-26
2. Memo 11-15
3. Memo 11-02
4. Memo 10-14



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