

FACTS & FIGURES 2011



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Editorial by Jean-Pierre Jouyet

Chairman of the AMF

Since 2008, in response to the crisis, the international community has laid down ambitious guidelines for regulators. These ambitions, which aim to deliver more efficient and better regulated financial markets, are reflected in the AMF's strategic plan.

First and foremost, we have made it a point of honour to focus our efforts on enhancing investor protection and bolstering the confidence of individual investors. This goal of protecting investors is one the AMF's fundamental roles, helping maintain market confidence and, in doing so, financing our economy.

This is why I was keen to set up the Retail Investor Relations Division (DREP). The Division has quickly established an ongoing, lively dialogue with retail investors. DREP handled 10,770 cases in 2011, up 37% relative to 2010. Furthermore, sanction proceedings and financial service provider supervision activities now more systematically take into account the issue of compensation for losses.

Protecting investors also means protecting minority shareholders. As such, the AMF has continued its efforts to combat creeping takeovers. For example, Parliament has adopted an AMF-led initiative to lower to 30% the ownership threshold for share capital or voting rights above which a public offering becomes compulsory. When issuing Enforcement Committee decisions, the AMF has reiterated the importance of listed companies ensuring transparency in their corporate finance transactions and supported the reform of transparency requirements in relation to equity investments in listed companies.

The AMF's scope of intervention has also been extended. Whereas supervision has historically been focused on the equity and bond markets, the AMF has gradually widened its data collection procedures to include

derivatives trades, including those involving commodities. The sanction procedure has been readjusted by granting the AMF's Chairman, acting in agreement with the Board, the right to appeal decisions by the Enforcement Committee. The AMF has also been granted settlement powers in respect of cases involving breaches of conduct of business rules by professionals. The Board has already approved a number of agreements of this type, which are currently awaiting ratification by the Enforcement Committee. This measure represents a significant step forward.

Finally, in accordance with the third target in its strategic plan, the AMF has endeavoured to put in place a new regulatory framework for markets that fosters the development of financial activities, investor protection and the financing of the economy. Over the past four years, we have made progress at a European and international level within both the International Organization of Securities Commissions (IOSCO) and the European Securities and Markets Authority (ESMA). None of this work is yet complete, and the key challenge over the coming months will be negotiating the revision of MiFID. We hope that our efforts to convince others of our views on this critical directive will soon bear fruit.

All this progress has only been possible thanks to the widening of the contribution base passed in the 2011 Budget Act. Without this, it would have been impossible to properly undertake the new supervisory and inspection roles enshrined in the Banking and Finance Regulation Act.

This work is just the beginning. The roadmap that is still taking shape is a complex one, but we can feel proud of how far we have already come.

JEAN-PIERRE JOUYET



The AMF in profile

The AMF regulates the French financial market, its participants and the products that are sold on it.

As an independent public authority, it has regulatory powers and extensive financial and administrative autonomy. It has a Board and an Enforcement Committee and draws on the expertise of more than 400 staff to fulfil its duties.

2011 key data

Operating income

82.06

millions euros

Operating expenses

76.09

millions euros

Average workforce for the year

428

employees

Source: AMF

The AMF's duties: to regulate, inform and protect

The AMF is responsible for:

- safeguarding investments in financial products;
- ensuring that investors are properly informed;
- maintaining orderly financial markets.

The AMF cooperates with the other authorities responsible for overseeing financial and banking activities, including the Banque de France, the Autorité de contrôle prudentiel (ACP) and the Commission de régulation de l'énergie (CRE). It also lends its support to worldwide and European regulation by participating in international bodies and cooperating with regulators in other countries.

The AMF's powers: regulation, authorisation, inspection, supervision, investigation and enforcement

The AMF is empowered to:

- make rules (General Regulation, Instructions, Recommendations, etc.);
- issue authorisations (approvals and authorisations);

- supervise and monitor markets and market participants and conduct investigations and inspections;
- punish regulatory infringements;
- at the request of the parties, mediate between retail investors and investment services providers (ISPs) or listed companies to settle disputes.

The AMF's jurisdiction: markets and market participants, corporate finance transactions and financial products

The AMF has jurisdiction over:

- financial markets and market infrastructures;
- fundraising and disclosures by listed companies;
- professionals authorised to provide investment services or financial investment advice and direct marketers;
- collective investment schemes invested in financial instruments and all other investments offered to the public.



The AMF Board

The AMF Board has 16 members. The Board is the AMF's decision-making body. Its powers include adopting new regulations, make individual decisions (on the compliance of tender offers, the authorisation of asset management companies and collective investment schemes, approvals, etc.), and scrutinise inspection and investigation reports. As an enforcing body, it can decide to instigate sanction or injunction proceedings. It can also propose the use of the settlement process (reserved for professional breaches) and approve any resulting agreements. It signs off the AMF's budget and approves its financial accounts.



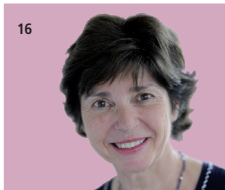
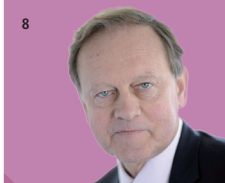
- 1 - Jean-Pierre Jouyet**
Chairman, appointed by Presidential decree.
- 2 - Jacques Delmas-Marsalet**
Councillor of the Conseil d'État, appointed by the vice president of the Conseil d'État. **1**
- 3 - Martine Ract-Madoux**
Court of Cassation trial judge, appointed by the chief justice of the Court of Cassation. **2**
- 4 - Philippe Adhémar**
Conseiller maître of the Cour des comptes, appointed by the auditor general of the Cour des comptes. **3**



- 5 - Robert Ophèle**
Representative of the Banque de France, appointed by the governor of the Banque de France. **1**
- 6 - Jérôme Haas**
Chairman of the Autorité des normes comptables. **3**
- 7 - Monique Cohen**
Appointed by the president of the Senate. **3**
- 8 - Jean-Michel Naulot**
Appointed by the president of the National Assembly. **2**
- 9 - Christian de Boissieu**
Appointed by the chairman of the Conseil économique et social. **2**



- 10 - Marie-Ange Debon** **3** Appointed by the finance minister, after consultation with organisations representing listed industrial and commercial companies, firms managing collective investment schemes, other investors, investment services providers, market operators, clearing houses, settlement system operators and central securities depositories (CSDs).
- 11 - Jean-Luc Enguéhard** **1**
- 12 - Jean-Pierre Hellebuyck** **2**
- 13 - Sophie Langlois** **1**
- 14 - Olivier Poupard-Lafarge** **1**
- 15 - Christian Schricke** **3**
- 16 - Sylvie Lucot**
Representing employee shareholders, appointed by the finance minister. **2**



Ramon Fernandez
Director General of the Treasury and Economic Policy

The government commissioner sits on all AMF commissions, including the full Board, the Enforcement Committee and the Specialised Commissions. The Commissioner attends in an advisory capacity but may request a second deliberation.

- 1** Specialised Commission no. 1
- 2** Specialised Commission no. 2
- 3** Specialised Commission no. 3

These three Specialised Commissions are authorised by the Board to examine inspection and investigation reports, and may decide to initiate sanction proceedings where applicable. They are also authorised to approve agreements entered into as part of a settlement.

The Enforcement Committee

The Enforcement Committee has 12 members, none of whom sit on the Board. It has the power to impose penalties and sanctions on any legal entity or natural person infringing laws and regulations on public offerings of securities and financial markets or acting in a manner that impairs investor protection or interferes with the orderly operation of the market. It makes decisions pursuant to the statement of objections submitted to it by the AMF's Board. It ratifies settlement agreements (reserved for professional breaches) submitted to it by the Board. It has total freedom of decision-making in carrying out its duties.



1 - Claude Nocquet ①
Chair of the Enforcement Committee.
Chair of the First Division.

Court of Cassation trial judge, appointed by the chief justice of the Court of Cassation.

2 - Jean-Claude Hassan ②
Chairman of the Second Division.

Councillor of the Conseil d'État, appointed by the vice president of the Conseil d'État.

3 - Michel Pinault ①
Councillor of the Conseil d'État, appointed by the vice president of the Conseil d'État.

4 - Marie-Hélène Tric ②
Court of Cassation trial judge, appointed by the chief justice of the Court of Cassation.

5 - Jean-Claude Hanus ①

6 - Bernard Field ②

7 - Guillaume Jalenques de Labeau ②

8 - Pierre Lasserre ②

9 - France Drummond ①

10 - Bruno Gizard ①

11 - Jean-Jacques Surzur ①

12 - Joseph Thouvenel ②

Members appointed by the finance minister

Representatives of the employees of companies or institutions providing investment services or managing collective investment schemes, market operators, clearing houses, settlement system operators and CSDs; appointed by the finance minister.



Ramon Fernandez
Director General of the Treasury and Economic Policy

Sits on all AMF commissions, including the full Board, the Enforcement Committee and the Specialised Commissions. Attends in an advisory capacity but may request a second deliberation.

① First Division

② Second Division



Consultative Commissions and Scientific Advisory Board

The AMF has set up five Consultative Commissions to foster dialogue and consultation. Furthermore, it organises financial market consultations via working groups. It can also draw on input from members of its Scientific Advisory Board to help with its work.

The Five Consultative Commissions

Under the terms of the Monetary and Financial Code, the AMF's Board may decide to form Consultative Commissions.

It has thus formed five permanent Consultative Commissions. Consisting of experts appointed by the AMF Board for a three-year term, the commissions are chaired by Board members who coordinate their work and report back to the Board.

Each commission addresses a specific topic:

- retail investors, chaired by Jacques Delmas-Marsalet;
- markets and exchanges, chaired by Jean-Michel Naulot;
- clearing, custody and securities settlement, chaired by Jérôme Haas;
- individual and collective asset management, chaired by Jean-Pierre Hellebuyck;
- disclosures and corporate finance, chaired by Olivier Poupart-Lafarge.

The main purpose of the Consultative Commissions is to clarify any Board decisions that are liable to affect professionals working in the areas in question or that relate to the protection of retail investors' interests. They may be asked to provide an opinion on applications and procedures in progress. They are not involved in any individual decisions made by the Board. They thus assist the AMF in its deliberations and help it formulate its positions in the light of changes in techniques, products and market structures, as well as the evolving legal and financial environment, both domestic and international.

Scientific Advisory Board

The AMF has set up a Scientific Advisory Board composed of prominent personalities from the academic and financial worlds. Its members include several world-renowned foreign researchers, giving it a broad international perspective. The Scientific Advisory Board has a three-fold remit:

- to provide the AMF with more comprehensive information about ongoing academic research in the financial field;
- to identify developments that might have an impact on the AMF's areas of activity;
- to research issues of concern to the regulator.

To bring its work to the attention of a broader audience, the AMF holds an annual Academic Conference. Its seventh annual conference was held in Paris on 11 May 2012, in partnership with the *Autorité de contrôle prudentiel (ACP)*, on the subject "The consequences of the financial crisis for household savings and the marketing of financial products". The conference, which brought together professionals, representatives of retail investors and regulators, was an opportunity to review the effects of the crisis on the allocation of household investment portfolios and the marketing of financial products.



Developing financial regulation in France and internationally

Alongside other public and private sector bodies, the AMF helps ensure market confidence and plays an active role in developing the French market. It also plays a major role in international financial standard-setting bodies in an effort to promote the integrity and efficiency of financial markets in a globalised world.

The AMF and the French financial community

At a domestic level, the AMF enjoys ongoing contact with leading stakeholders, including the following:

- Parliament: the presidents of the National Assembly and the Senate each appoint one member of the AMF Board. The AMF's Chairman is regularly heard by both these institutions, to which he presents the AMF's annual report;
- the Banque de France, with which the AMF has a long-established working relationship and is in regular communication;
- the ACP: in particular, the two authorities work together in the context of the joint unit

set up to improve investor protection. The AMF is in regular contact with other authorities, including the Autorité des normes comptables (Accounting Standards Authority), the Haut conseil du commissariat aux comptes (National Auditors' Oversight Board), the Commission de régulation de l'énergie (Energy regulation Commission) and the Autorité de régulation professionnelle de la publicité (Advertising Profession Regulatory Authority).

Finally, and more generally, it maintains regular dialogue with financial market professionals – investment services providers, issuers, industry bodies, etc. – by holding consultations and organising special events aimed at professionals.

Bilateral and multilateral relations between the AMF and regulators in other countries

The AMF has signed more than 40 cooperation agreements with other authorities on matters such as the exchange of information, the conduct of investigations and technical cooperation, as well as two multilateral agreements between the members of ESMA and IOSCO. The AMF is also a signatory of the charter for a partnership between regulators of Mediterranean countries and a member of the *Institut francophone de la régulation financière* (IFREFI), which brings together financial regulators who use French as their working language. It acts as secretary to both these organisations.

The AMF on the international stage

The AMF is involved in various international and European bodies.

AT AN INTERNATIONAL LEVEL

International Organization of Securities Commissions (IOSCO)

The AMF is a member of IOSCO, which brings together financial regulators at a global level. Its main purpose is to establish international standards to:

- improve efficiency and transparency on securities markets;
- protect investors;
- facilitate cooperation between regulators in the combat against financial crime.

Financial Stability Board

The FSB is composed of the financial regulators, central banks and finance ministries of significant international financial centres, together with international institutions (the International Monetary Fund, the World Bank, the European Commission, etc.) and international regulatory organisations (IOSCO, the Basel Committee, etc.).

Joint Forum

Members of the Joint Forum consist of senior supervisors from the banking, insurance and securities sectors, working together to address issues common to all three sectors to achieve a globally coherent regulatory system.

AT A EUROPEAN LEVEL

The AMF is a member of the **European Systemic Risk Board**, tasked with detecting and preventing risks that could interfere with financial stability in the European Union.

The European Securities and Markets Authority (ESMA), formed in early 2011, is responsible for harmonising the regulation and supervision of EU financial markets and has binding powers to accomplish this task. Its members consist of the 27 financial market regulators from the EU Member States (of which the AMF is one) and observers: the regulators from Norway, Iceland and Lichtenstein, the European Commission, the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Systemic Risk Board.

College of Euronext Regulators

The College of Euronext Regulators consists of the five regulatory agencies of the countries in which Euronext is present: the AMF (France), the AFM (Netherlands), the CBFA (Belgium), the CMVM (Portugal) and the FSA (UK).

Investor protection: a focal point of AMF activity

Because protecting investors also means informing and supporting them, the AMF provides retail investors with tools and services to help them with their investment approach. It also offers a mediation service to help retail investors involved in disputes with financial intermediaries or listed companies.

Answering questions from retail investors and professionals

The AMF has put in place *AMF Épargne Info Service*, which can be accessed via www.amf-france.org or by calling +33 (0)1 5345 6200.

AMF Épargne Info Service answers questions from retail investors and professionals about the AMF, financial markets, market operations, investment services providers, corporate finance transactions, etc.

In partnership with the Banque de France and the ACP, the AMF has also developed the *Assurance Banque Épargne Info Service* (ABEIS) platform, which offers a common entry point for users in the banking, insurance and financial markets sectors. ABEIS provides guidance and information to the public via a website (www.abe-infoservice.fr), a helpline (+33 (0)8 1190 1801), or by mail (ABE Info Service, 61 rue Taitbout, 75436 Paris Cedex 09, France).

Online educational information

The AMF provides dedicated information for retail investors on its website (www.amf-france.org):

- educational guides explaining how markets work, giving details of financial products and setting out basic rules for managing investments wisely;
- warnings about unlawful products and practices.

The AMF also participates in the actions of the Institute for Public Financial Education by helping to finance its budget and sitting on its board of directors.

Ombudsman Office

Mediation¹ seeks out-of-court settlements to disputes arising between investors and financial intermediaries or issuers. Disputes can touch on any of the various areas falling within the AMF's jurisdiction: the marketing of financial products, the content of disclosures, order execution (timeliness and content), portfolio management, etc. Mediation is confidential, free of charge and non-binding, with each party having the right to terminate the procedure at any time.

QUESTION / ANSWER

Q : I am in a dispute with my financial intermediary or with a company in which I own shares. What should I do?

A : You may only bring a request for mediation to the attention of the Ombudsman when you have already taken prior action against the investment services provider or issuer in question. If you receive no response from the investment services provider or issuer within two months, or if the response you receive is not satisfactory, you may submit your case to the AMF's Ombudsman. The Ombudsman will assess your claim to see whether it is eligible for mediation. You are advised to enclose with your claim copies of any documents that might help the Ombudsman with his assessment, including in particular any correspondence exchanged with the person or entity responsible for the loss you believe you have suffered and any other supporting documents.

2011 key data

AMF Épargne Info Service

Number of cases handled:

10,770

of which

98%

were handled directly by AMF Épargne Info Service, and

55%

were submitted by individual investors

Enquiries

Number of enquiries handled:

953

Mediation

Number of cases closed in 2011:

578

of which

46%

culminated in a settlement.

Source: AMF

1. The Ombudsman can be contacted via the internet at www.amf-france.org: mediation forms are available by clicking on "Ombudsman's Forms" on the home page or by writing to Marielle Cohen-Branche, Autorité des marchés financiers, 17 place de la Bourse, 75082 Paris Cedex 02, France.



Regulation of markets, professionals and investment products

The AMF approves market rules and market infrastructure. It approves corporate finance transactions by listed companies and authorises financial services professionals and collective investment schemes falling within its jurisdiction.

2011 key data

Entities reporting to the AMF at 31 December 2011

Investment management companies:

599

Investment services providers (other than investment management companies):

469

Collective investment schemes:

12,096

Total assets under management:

1,226

billion euros

Personal investment management

Percentage of companies receiving authorisation in under 75 days:

77%

Source: AMF

Oversight of markets

The AMF approves rules for both regulated markets (equity markets, bond markets, markets in greenhouse gas emissions allowances, etc.) and organised markets (e.g. Alternext). It also approves operating rules applicable to the infrastructures that enable those markets to operate (clearing houses, settlement system operators and CSDs). Finally, it issues professional licences to compliance officers and those responsible for monitoring transactions and supervising market members within those market operators.

Oversight of professionals

Protecting investors also means verifying the reliability of those with whom they have financial dealings. After receiving authorisation requests from professionals wishing to provide investment services, the AMF:

- authorises investment management companies on the basis of the competence and reputation of their executives and the resources upon which they draw in carrying on their business;
- issues opinions or submits observations to the ACP regarding the programmes of operations of investment services providers (ISPs) other than investment management companies;
- issues professional licenses for compliance officers within the investment departments of ISPs and compliance officers responsible for internal control within management companies;

- authorises associations representing financial investment advisors which, among other things, ensure that their members comply with conduct of business rules.

Oversight of collective investment schemes

The AMF authorises the creation and marketing to investors of the following types of investment scheme:

- open-end and closed-end funds, venture funds, innovation funds, company savings schemes, futures funds, local investment funds, etc.;
- property investment vehicles (real estate investment trusts and funds);
- securitisation vehicles (securitisation funds and schemes);
- schemes specialising in areas such as film production, fisheries and forestry development;
- miscellaneous assets.

In particular, the AMF checks that investment prospectuses contain essential disclosures: the Key Investor Information Document (KIID), which sets out, in two to three pages, information about the product that is clear, accurate and not misleading. These documents must be provided to anyone expressing an interest in collective investment schemes. The AMF monitors each product throughout its lifetime, paying particular attention to the clarity of disclosures to investors.

QUESTION / ANSWER

Q : How do I check whether a professional or product has been authorised?

A : If you are contacted by a professional and want to check that the entity in question has been authorised, you can go to the AMF website and look under "Check for an authorisation". You can verify the authorisations of investment services providers (ISPs), investment management companies, financial investment advisers (FIAs) and real estate investment trust management companies, as well as direct marketers of banking and financial services. You can also check the authorisations of products that are offered to you, including CIS (open-end and closed-end funds, etc.), foreign CIS and schemes specialising in areas such as film production and fisheries.



Regulation of corporate financing and disclosures

The AMF regulates fundraising and disclosures by listed companies. All such companies are required to regularly inform the public about their business activities and results, as well as about transactions such as mergers and takeovers. The AMF makes sure that disclosures are comprehensive, consistent, easily understood and disseminated to the public at large.

Corporate financing

The AMF regulates corporate finance transactions by listed companies and checks documents issued by such companies when they carry out such transactions:

- initial public offerings;
- capital increases and rights issues;
- public cash offers, exchange offers, buyout offers, etc.;
- mergers, demergers, etc.

The AMF ensures that for each transaction, companies offering securities to the public provide comprehensive and reliable information on a timely basis and in an equitable manner to all. The AMF scrutinises the documents prepared by

listed companies, such as prospectuses, offer documents, shelf registration documents, base documents and securities notes. Depending on the specific circumstances, these documents are either approved by the AMF prior to publication or are filed with the AMF and examined ex-post.

For public cash offers, exchange offers and buyout offers, the AMF checks that the offer complies with regulations.

In addition, the AMF makes sure that promotional materials relating to corporate finance transactions are clearly recognisable as such and contain no potentially misleading statements.

QUESTION / ANSWER

Q : What is the scope of an AMF approval?

A : Before approving a prospectus, the AMF makes sure that the information it contains is comprehensive, easily understood and consistent. Approval does not mean that the AMF is endorsing the investment or assessing the issuer's circumstances.

2011 key data

Approvals of corporate
finance transactions:

584

Registration documents
filed and recorded:

362

Registration document
filing rate:

63%

Source: AMF



Monitoring of issuers, professionals and products and market supervision

Every day, the AMF monitors financial disclosures by listed companies and information provided to investors about financial products. It also ensures that financial intermediaries comply with their professional obligations and supervises the financial markets and the behaviour of market participants.

2011 key data

Number of transactions requiring monitoring:

143

million

Number of on-site inspections of ISPs and FIAs initiated:

49

Investigations opened in 2011:

74

Number of proceedings submitted to the Enforcement Committee:

33

Number of cases examined:

22

Number of rulings issued:

20

Source: AMF

Monitoring compliance among financial intermediaries

The AMF monitors all professionals authorised by it to provide investment services. In particular, it:

- verifies all information submitted to it either systematically or at its request and checks that services offered by financial intermediaries comply with regulations;
- monitors investment services providers and financial investment advisers to ensure that they comply with rules applicable to their areas of activity;
- supervises direct marketers acting on behalf of investment management companies.

Monitoring information about authorised financial products

The AMF supervises authorised products throughout their lives. It checks that they comply with regulations and ensures that information provided to investors (including annual reports, information letters and advertising materials) is of sufficiently high quality. Particular attention is paid to marketing materials in connection with products available to the general public.

QUESTION / ANSWER

Q : How does the AMF supervise markets?

A : The AMF has powerful resources to monitor price fluctuations and detect any infringement of applicable laws and regulations. It examines numerous alerts every day and carries out in-depth analysis of an average of 500 “anomalies” every year. It has also developed tools for monitoring order books on Euronext Paris.

Monitoring of financial disclosures by listed companies

The AMF monitors ongoing information to ensure that listed companies disclose price-sensitive information promptly to the general public.

It also monitors periodic information to ensure that listed companies publish their annual financial statements, annual and interim financial statements and quarterly sales figures on time. In the event of late filing, the AMF publishes the names of the companies in question on its website. In the event of serious delays, it may also petition the courts to issue injunctions and penalties. To improve the standard of information supplied to the market, the AMF publishes an annual report and recommendations on corporate governance and internal control in listed companies.

Supervision of financial markets

The AMF oversees:

- financial instruments admitted to listing on Paris stock exchange: equities, fixed income, derivatives and greenhouse gas emission allowances, etc.;
- professionals operating in financial instrument markets (credit institutions, investment firms, investment management companies, financial investment advisers and direct marketers acting for investment management companies);
- market infrastructures.

The AMF also monitors all transactions in instruments listed on Euronext Paris, regardless of trading venue, including over-the-counter trades and those carried out on multilateral trading facilities.



Investigation powers relating to market supervision or to information disclosed by listed companies

The decision to open an investigation is made by the AMF's Secretary General. Most investigations are triggered by observations made in the course of market surveillance or monitoring listed companies or complaints. They may also be initiated at the request of foreign authorities. Investigations are opened by decision of the Secretary General of the AMF. They relate to, but are not limited to, one or more facts or events that could constitute a breach of laws and regulations, such as insider dealing, price manipulation, dissemination of false information, information liable to harm the orderly operation of the markets, etc. When the secretary general decides to open an investigation, he appoints investigators. The AMF's investigative procedures are set out in a charter

informing entities or individuals of the principles to which investigators undertake to adhere and the behaviour that is expected of those questioned in the course of investigations.

An investigation involves obtaining and analysing information mainly gathered from business premises, received following written requests or during interviews with individuals likely to be of interest to the investigation. It may also entail submitting information requests to foreign regulators with which the AMF has signed a cooperation agreement or which has corresponding functions to the ones of the AMF.

How is an inspection conducted?

The AMF observes behaviour that may constitute market abuse.

While performing market supervision duties, acting on information received from another AMF department or foreign authority based on a suspicious transaction reports, responding to requests from judicial authorities or acting on complaints, the AMF may observe behaviour that appears to constitute a breach of the AMF General Regulation.

The AMF's secretary general decides to open an investigation.

The decision to open an investigation is made by the AMF's secretary general. He appoints investigators who have the power to request any document, interview anyone they choose and enter business premises. Information may not be withheld from investigators on the grounds of professional secrecy, except by representatives of the law. Investigators analyse the information they gather, together with any information obtained from foreign regulators with which the AMF has signed a cooperation agreement or which has corresponding functions to the ones of the AMF.

Before the investigation is completed, a detailed letter is sent to potential respondents.

Before the investigation is completed, potential respondents are interviewed in connection with the acts of which they are accused. A detailed letter setting out legal and factual information gathered during the investigation is sent to persons likely subsequently to be charged by the AMF Board. These persons have one month to submit their observations, which are then submitted to the Board along with the investigation report.

The investigation report is submitted to the AMF Board.

The investigation report indicates whether the evidence points to a breach of the AMF General Regulation. It is submitted to the Board and is not made public.

The Board examines the report and decides what action, if any, should be taken.

A given report may give rise to more than one action:

- if the Board finds no material breach, the case is closed. A letter of observations may, however, be sent to the persons under investigation to remind them of current regulations;
- if the Board considers that the investigation report establishes one or more potential breaches, it may:
 - propose a settlement in the case of breaches of professional obligations,
 - initiate sanction proceedings: in such cases, it serves a statement of objections to the respondent and submits the case to the chairman of the AMF Enforcement Committee, thus marking the opening of adversarial proceedings;
- if the report points to a possible criminal offence, it is submitted to the public prosecutor;
- if the report shows that the matter does not fall within the AMF's jurisdiction, it is forwarded to the competent national or international authorities.



Inspection powers relating to the supervision of professionals

The purpose of AMF inspections is to ensure that professionals regulated by the AMF, and the natural persons under their authority or acting on their behalf, meet the professional obligations set out in the French Monetary and Financial Code, the AMF General Regulation or AMF-approved professional rules of conduct.

The AMF has inspection powers over market professionals including more than 900 investment services providers (investment management companies, investment firms and credit institutions providing investment

services), market infrastructures (NYSE Euronext, multilateral trading facilities such as Alternext, the Marché Libre and Powernext Derivatives, clearing houses, the central securities depository, etc.) and approximately 4,600 financial investment advisers and the six industry bodies representing them.

Inspections are also governed by a charter informing inspected entities of the principles to which the AMF undertakes to adhere as well as the behaviour that is expected of those questioned in the course of inspections.

How is an inspection conducted?

Inspections are proposed in the normal course of activity.

On the basis of a risk-based approach and information of which it becomes aware, the AMF identifies behaviours or incidents that appear to constitute breaches of the obligations incumbent upon persons and entities under its authority. Inspections of such behaviours and incidents are proposed in the normal course of activity, and mainly relate to investment services providers.

For financial investment advisers, the Inspection Directorate mainly bases its activities on complaints and cases flagged up by and of interest to the joint unit set up by the AMF and the ACP.

The decision to carry out an inspection is made by the AMF's secretary general.

For each inspection, the AMF's secretary general appoints the chief inspector and defines the inspection's objectives. As is the case for investigations, the AMF may make use of external auditors (the ACP, the Banque de France, the Institut d'émission des départements d'outre-mer (the note-issuing bank for French overseas départements), the central securities depository, outside firms, etc.).

The findings are set out in an inspection report.

An inspection report is prepared after every inspection. This report is sent to the inspected entity's legal representative, who responds to it. Other executives of the inspected entity are informed of the inspection report by mail, and are notified that they may be held personally liable for certain acts.

A letter summarising the facts is sent to any other persons who might be held personally liable. Although the inspection report itself is not enclosed, this letter sets out any information that is critical to a proper understanding of the findings of the inspection.

The secretary general sends a follow-up letter to the respondent organisation or, if necessary, submits the case to the Board.

The Board examines the report and decides what action, if any, should be taken.

The Board examines the report and decides what action, if any, should be taken.

A given report may give rise to more than one action:

- if the report does not reveal any material breaches or criminal offences, the secretary general sends a follow-up letter to the audited entity advising it of corrective measures that need to be taken to remedy any identified misconduct;
- if the report identifies material breaches, the Board issues a statement of objections to the respondents, and may:
 - propose a settlement in the case of breaches of professional obligations,
 - initiate sanction proceedings by submitting the inspection report and the statement of objections to the Enforcement Committee;
- irrespective of any statement of objections, the secretary general may send a follow-up letter to the audited entity;
- if the report points to a possible criminal offence, it is submitted to the public prosecutor;
- if the report shows that the matter falls within the jurisdiction of another national or international authority, it is forwarded to the competent authority. The case may also be submitted to the French anti-money laundering agency, Tracfin, if it highlights potential money laundering activities.

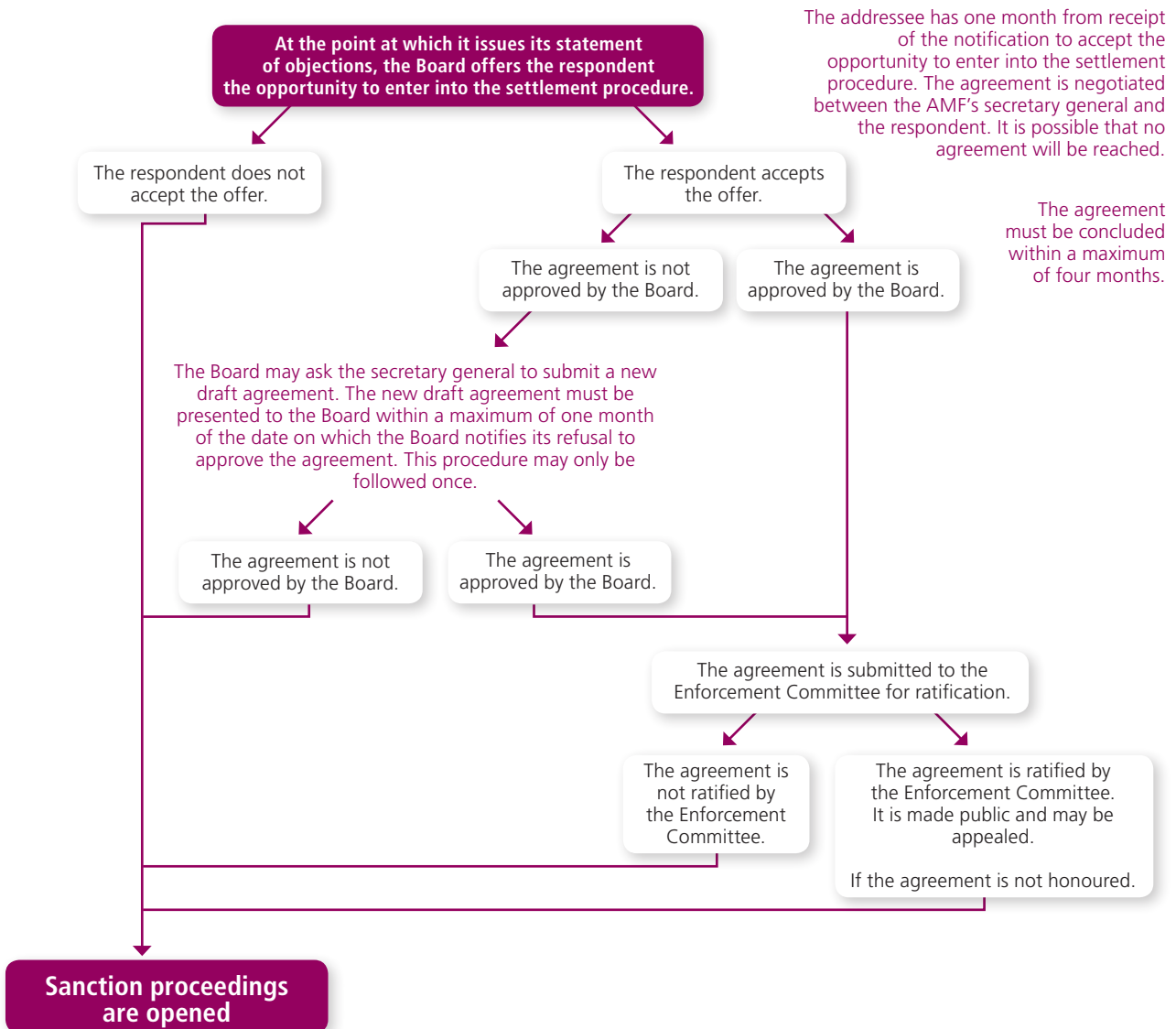


Settlement: an alternative to sanction proceedings

The settlement procedure is intended for financial intermediaries who have failed to comply with some of their professional obligations and where the case is sufficiently straightforward not to merit the initiation of sanction proceedings. The settlement procedure is

proposed to respondents by the Board as an alternative to sanction proceedings. Settlement agreements are drawn up by the secretary general and the respondent before being approved by the Board. They must then be ratified by the Enforcement Committee.

How does a settlement proceed?





Enforcement Committee sanction proceedings

On examining an investigation or inspection report, the AMF Board may decide to open sanction proceedings. In such cases, it serves a statement of objections to the respondent and forwards the case (including the statement of objections, the investigation or inspection report and any other relevant documents) to the Enforcement Committee. Following adversarial proceedings, the Enforcement Committee issues a ruling on

the objections and according to whether there is a breach of market rules or of market intermediaries' professional obligations, a pecuniary sanction and/or a disciplinary sanction may be ordered. The Enforcement Committee has complete freedom of action. Its decisions are open to appeal, including by the AMF's chairman.

What happens during sanction proceedings?

The statement of objections is sent to the respondent and the chairman of the AMF Enforcement Committee.

If the AMF Board decides to initiate sanction proceedings, its chairman serves a statement of objections both to the respondents and to the chairman of the AMF Enforcement Committee. The statement of objections constitutes the indictment. This sets out, inter alia, the allegations against the respondent together with the provisions which may have been breached. The respondent then has two months to submit comments to the chairman of the Enforcement Committee. These written comments are submitted to the prosecuting authority (the AMF), which may reply in writing.

The chairman of the Enforcement Committee appoints a rapporteur who appraises the case for sanctions.

The chairman of the Enforcement Committee appoints one of its members to act as a rapporteur who appraises the case for sanctions. The rapporteur may hear the respondent and the AMF Board's representative. He may also hear testimony from other persons. Once the case has been appraised, the rapporteur draws up a report on the findings and sends it to the respondents and to the AMF Board's representative. The respondent is summoned to a hearing before the Enforcement Committee. The respondents have 15 days to submit their comments on the report. The Board's representative may also present the Board's comments, in which case a copy must also be forwarded to the respondents.

The respondent is heard by the Enforcement Committee.

The hearing is open to the public, unless exceptional circumstances determine otherwise. The rapporteur's oral report is followed by a statement by the AMF Board's representative, who proposes a sanction, and a debate with the respondents and the Board's representative, possibly of the representative of the government and discussions with the respondents and the Board's representative. In any case, the respondent (or his adviser) has the right to be the last to speak.

The Enforcement Committee issues its decision.

At the end of the hearing, the rapporteur, the Board representative and the director general of the Treasury or his representative leave the chamber and the deliberation takes place. The respondent is informed of the Enforcement Committee's decision. The decision is publicly disclosed, unless such disclosure would seriously jeopardise the financial markets or cause disproportionate damage to the parties involved. The Enforcement Committee may also decide not to disclose the identity of the parties involved.

The respondent has two months in which to appeal.

The respondent may appeal the Enforcement Committee's decision within two months of notification of the sanction. The appellate court is the Cour d'appel de Paris. If the sanction involves a professional, such as an investment services provider or FIA, the appeal is sent before the Conseil d'État.

The AMF's chairman may also appeal the decision.

The AMF's chairman may also appeal the Enforcement Committee's decision, with prior consent from the Board, or may lodge an incidental appeal following an appeal by the respondent.



2011 Highlights

Managing the consequences of the European debt crisis

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

With effect from 10 August, the AMF noted very high levels of volatility, high trading volumes on some days and, in particular, repeated rumours in connection with financial stocks, generating large-scale movements by market participants.

Believing that the market in such securities was no longer operating under normal conditions, the AMF made use of its emergency powers and banned short-selling in the securities of ten banks and insurers listed on the Paris stock exchange with effect from 11 August.

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

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

The financial crisis and the management of its consequences were of major concern to the AMF. Particular attention was paid to analysing the channels through which rumours were spread and any trades that arose as a result.

The AMF also further developed its ability to analyse the credit derivatives market, including in relation to risk arising from sovereign debt. Furthermore, the AMF stepped up its vigilance in monitoring listed companies in difficulty and management companies suffering the effects of the crisis. More than ever, financial disclosures to the markets were at the centre of attention.

Safeguarding investments

Recommendations on compensation for retail and institutional investors

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

A new AMF Ombudsman

Marielle Cohen-Branche, a former judge at the Court of Cassation and a former member of both the AMF Enforcement Committee (from 2003 to 2011) and the Comité de la médiation bancaire (Bank Mediation Committee), was appointed AMF Ombudsman on 16 November 2011. In fulfilling her role, the Ombudsman is supported by the Mediation Unit within the Retail Investor Relations Division and now reports directly to the AMF chairman. This new structure arises from a desire to bolster the mediation function, in line with the AMF's strategic plan. The Ombudsman is appointed for three years, and may subsequently be reappointed.

Investor protection actions undertaken with the ACP

In 2011, the AMF and the ACP launched a series of concrete actions intended to strengthen investor protection. Various alerts were issued warning investors of the existence of unauthorised operators offering services on the forex market. Furthermore, the legal framework governing rolling spot forex contracts was clarified, requiring operators offering these types of service to be properly authorised to provide investment services in France and to apply protection rules identical to those required for other financial instruments.

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

Overhauling the regulatory framework and enhancing the attractiveness of the Paris financial centre

Transposition of the UCITS IV Directive and introduction of the Key Investor Information Document (KIID)

The transposition of the UCITS IV Directive into French law in 2011 represented an opportunity to overhaul the provisions of the Monetary and Financial Code and the AMF General Regulation.

The transposition of the Directive served to improve investor information by introducing the Key Investor Information Document (KIID) and to overhaul the UCITS market to foster free circulation of UCITS within Europe and cross-border mergers between UCITS.

New rules on public cash offers

In January 2011, the AMF General Regulation was amended to reflect changes in the rules governing public cash offers, including the lowering of the mandatory bid threshold to 30% on regulated markets. The mandatory bid was also introduced on organised multilateral trading facilities such as Alternext.

Encouraging access to markets for SMEs and mid-tier enterprises

For the second time, a seminar was organised for small and mid caps by the AMF and NYSE Euronext. The seminar, entitled "The stock market and SMEs", was held in Lyon. The next seminar is scheduled to take place in Nantes in September 2012.

Registration and regulation of rating agencies

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

Transparency of disclosures

Working group on general meetings in listed companies

In May 2011, the AMF tasked a working group chaired by Olivier Poupart-Lafarge, a member of the AMF Board, with putting together proposals on the following subjects: dialogue between shareholders and issuers at general meetings, the functioning of general meetings and voting on regulated agreements. The working group's report was published in February 2012 and was subject to public consultation until 31 March 2012.

AMF recommendations on the transparency of financial information during crisis periods

In a sensitive economic environment that varies by both geographical region and business sector, the transparency and accuracy of information relating to risk takes on increased importance.

The AMF has recommended that the issuers concerned adapt and clarify their financial information accordingly, particularly when presenting results and publishing annual reports and registration documents. This recommendation complements the recommendation on the publication of 2011 financial statements, which, in particular, addressed subjects linked to the economic environment such as the measurement and impairment of financial instruments.

Market integrity

Introduction of settlement powers

Settlement powers, under which the AMF may more quickly and transparently deal with certain cases not warranting sanction proceedings, could be put into practice with effect from August 2011 (when the relevant implementing decree was published). The AMF's secretary general proposed the first settlement agreements in the second half of 2011. Once approved by the Board and ratified by the Enforcement Committee, these agreements should be publicly disclosed some time in the first half of 2012.

Transparency in relation to short-selling

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

Reorganisation of the AMF's market supervision, investigation and inspection functions

In April 2011, the AMF made changes to its organisational structure with the twin aims of boosting the operational monitoring of markets, post-trade activities and participants and rationalising its enforcement powers, which were previously under the control of two different divisions. A new entity, the Markets Division, was formed. Its purpose is to better take into account the full range of issues in respect of market operation, previously handled by different departments. It brings together aspects relating to the regulation of market infrastructures, the prevention of market abuse and the supervision of market intermediaries. Furthermore, investigation and inspection duties were brought together within a single division to increase synergies and methodological convergence.

Organisation Chart



..... Specific functional link

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Autorité des marchés financiers

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