FSB- G20 - MONITORING PROGRESS – France September 2011

# *# in brackets are # from the 2010 template*		G20/FSB RECOMMENDATIONS		DEADLINE	PROGRESS TO DATE *Explanatory notes:* *In addition to information on progress to date, specifying steps taken, please address the following questions:* *1. Have there been any material differences from relevant international principles, guidelines or recommendations in the steps that have been taken so far in your jurisdiction?* *2. Have the measures implemented in your jurisdiction achieved, or are they likely to achieve, their intended results?* *Also, please provide links to the relevant documents that are published.*	PLANNED NEXT STEPS *Explanatory notes:* *Timeline, main steps to be taken and key mileposts (Do the planned next steps require legislation?)* *Are there any material differences from relevant international principles, guidelines or recommendations that are planned in the next steps?* *What are the key challenges that your jurisdiction faces in implementing the recommendations?*
I. Improving bank capital and liquidity standards						
1	(Pitts)	Basel II Adoption	All major G20 financial centres commit to have adopted the Basel II Capital Framework by 2011.	By 2011	The Basel II framework has entered into force in France since 2007, through the French transposition of the EU Capital Requirement Directive which integrates the Basel II framework in the EU legislation.	
2	(FSB 2009) (Tor)	Basel II trading book revision	Significantly higher capital requirements for risks in banks' trading books will be implemented, with average capital requirements for the largest banks' trading books at least doubling by end-2010. We welcomed the BCBS agreement on a coordinated start date not later than 31 December 2011 for all elements of the revised trading book rules.	By end-2011	International principles have been integrated in a Directive amending the EU Capital Requirement Directive, called CRD3. Trading book revisions will have to be implemented by Member States by 31/12/2011. The Prudential Supervisory Authority is in the process of bringing into force in national law the Directive. French institutions are currently integrating the new international standards in their methodologies and risk management and developing the adequate models in order to meet the deadline of December 2011.	Formal vote of the EU Directive was made in July 2010 and transposition at national level has started and will be completed before the date of application (31/12/2011). On-site inspections will be carried out in autumn at national level to check the consistency with international standards of banks' enhanced models.

3 (5, 6, 8)	(Seoul)	Adoption and implementation of international rules to improve bank capital and liquidity standards (Basel III); including leverage ratios (Note) Please explain developments in i) capital standards, ii) liquidity standards and iii) leverage ratios respectively.	We are committed to adopt and implement fully these standards (Basel III) within the agreed timeframe that is consistent with economic recovery financial stability. The new framework will be translated into our national laws and regulations, and will be implemented starting on January 1, 2013 and fully phased in by January 1, 2019.	January 1, 2013 and fully phased in by January 1, 2019.	The Prudential Supervisory Authority and the Banque of France have actively participated to the expert groups of the BCBS and the CEBS on the supplementary measure. We have carried out a lot of work (including impact assessments) to contribute to the design of such a measure at the international level, which has to be internationally fully comparable and has to integrate off balance-sheet items. There is currently no instrument dedicated to the measure and limitation of leverage in the French legislation. However some measure of leverage is integrated in the general assessment conducted by the Banque de France on the financial system. The Prudential Supervisory Authority and the Banque de France have actively participated to the expert groups of the BCBS and the CEBS on the capital to enhance both its quantity and quality. It has carried out a lot of work (including elements of impact assessments) to contribute to the design of such a measure at the international level. The Banque de France, including the Prudential Supervisory Authority, has always supported a high quality definition of capital and especially tier 1 capital and has included in its pillar 2 analysis the composition and quality of the capital base of the institutions. The Banque de France and the Prudential Supervisory Authority have contributed to the group of the BCBS which has developed an international framework for liquidity measurement, standards and monitoring. The first proposal was published on 17 December 2009 for public consultation.	The Prudential Supervisory Authority is taking part of the EU working group in charge of the design of the measure in Europe (as part of the so called CRD IV) and will participate to the monitoring phase as foreseen in the GHOS Press releases of 26 July and 12 September 2010. The Prudential Supervisory Authority participates to the EU working group in charge of the drafting of CRD IV in Europe Implementation of the new French regulation (order of 5 May 2009) applicable end June 2010 would have been a preparatory step before the planned implementation of international standard, which would take place via a future amendment of European Directive ("CRD IV")
4 (4, 7, 9, 48)	(WAP)	Strengthening supervision and guidelines on banks' risk	Regulators should develop enhanced guidance to strengthen banks' risk	Ongoing	France participated to the elaboration of the CEBS guidelines on stress testing (published in August 2010)	Expected review process of BCBS guidelines on "Best practices for supervisory stress testing" in 2010, under the CEBS aegis and as result, targeted at European Authorities.

	(FSF 2009) (FSF 2008) (FSB 2009)	management practices	management practices, in line with international best practices, and should encourage financial firms to re-examine their internal controls and implement strengthened policies for sound risk management. 1.4 Supervisors should use the BCBS enhanced stress testing practices as a critical part of the Pillar 2 supervisory review process to validate the adequacy of banks' capital buffers above the minimum regulatory capital requirement. II.10 National supervisors should closely check banks' implementation of the updated guidance on the management and supervision of liquidity as part of their regular supervision. If banks' implementation of the guidance is inadequate, supervisors will take more prescriptive action to improve practices. Regulators and supervisors in emerging markets will enhance their		The BCBS Principles for Sound Liquidity Risk Management and Supervision have been introduced within the French regulatory framework by the Order of 5 May 2009 on the identification, measurement, management and control of liquidity risk and by a modification of the Order n°97-02 on the internal control. CEBS papers on: i) Liquidity risk management (september2008), ii) Liquidity Identity Card on the information to be exchanged within supervisors colleges and iii)Liquidity buffers & survival periods (December 2009) have also completed the framework applicable to French credit institutions Both the methodology and the outcome of the European stress test were fully disclosed in 2010. (http://www.banque-france.fr/fr/instit/telechar/discours/cecb-stress-test-vue-et-resultats.pdf)	The Order of 5 may 2009 has entered into force end June 2010 and has fostered the requirements on liquidity risk measurement, management and control for all France-based credit institutions. Furthermore, credit institutions are incited to improve their internal liquidity risk methodologies by developing their own internal advanced approaches while complying with regulatory requirements (e.g. leading of stress tests, diversification, mismatch reporting, buffers…).

			supervision of banks' operation in foreign currency funding markets.			
II. Addressing systemically important financial institutions (SIFIs)						
5 (19)	(Pitts)	Consistent, consolidated supervision and regulation of SIFIs	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards.	Ongoing	See also reply on hedge funds	
6 (43, 44)	(Pitts) (Seoul)	Mandatory international recovery and resolution planning for G-SIFIs	Systemically important financial firms should develop internationally-consistent firm-specific contingency and resolution plans. Our authorities should establish crisis management groups for the major cross-border firms and a legal framework for crisis intervention as well as improve information sharing in times of stress. We agreed that G-SIFIs should be subject to a sustained process of mandatory international recovery and resolution planning. We agreed to conduct rigorous risk assessment on G-SIFIs through international supervisory colleges and negotiate	End-2010 (for setting up crisis management groups) Ongoing	The Prudential Supervisory Authority and Banque de France put on the agenda of French banks' core supervisory colleges meetings that took place in Autumn 2009 and 2010 the issue of cross border bank resolution. Supervisors exchanged in-depth on the various legal frameworks and they agreed to investigate further all potential impediments to a coordinated solution. The French Authorities contributed to the public consultation launched by the European Commission at end 2010 on an EU framework for cross-border crisis management in the banking sector, including the development of contingency and resolution plans by SIFIs *(see also above § 20)*.	Information sharing among supervisors will be continued, and the item will be discussed annually at the core supervisory colleges. Discussions have already begun and have intensified throughout 2011 with banking institutions concerned by the resolution plans in the context of Crisis Management Group meetings

	(Lon)		institution-specific crisis cooperation agreements within crisis management groups. To implement the FSF principles for cross-border crisis management immediately. Home authorities of each major financial institution should ensure that the group of authorities with a common interest in that financial institution meets at least annually.			
7 (45)	(Seoul) (Tor)	Implementation of BCBS recommendations on the cross-border bank resolution	We reaffirmed our Toronto commitment to national-level implementation of the BCBS's cross-border resolution recommendations. We endorsed and have committed to implement our domestic resolution powers and tools in a manner that preserves financial stability and are committed to implement the ten key recommendations on cross-border bank resolution issued by the BCBS in March 2010.	Ongoing	The order n° 2010-76 which is organizing the merger of the licensing and supervision authorities, for banks and insurances, grants the new supervisory authority with new powers relevant in bank resolution: (i) The Authority may require any person under its control to establish and submit for its approval, an emergency (recovery) plan containing all appropriate measures to restore or strengthen its financial position, improve its management and ensure the adequacy of its organization to its activities or its development objectives. The person is required to respond within a month. (Article L. 612-32 of the Monetary and financial code). (ii) Moreover, the Authority shall take the necessary precautionary measures, when the solvency or liquidity of a person under its control or where the interests of its customers, policyholders and beneficiaries are compromised or likely to be so (Article L.612-33 of the Monetary and financial code).	The Banque de France and Prudential Supervisory Authority strongly support and participate to the building of an EU framework for cross-border crisis management in the Banking sector.

	(WAP) (FSF 2008)		National and regional authorities should review resolution regimes and bankruptcy laws in light of recent experience to ensure that they permit an orderly wind-down of large complex cross-border financial institutions. VI.6 Domestically, authorities need to review and, where needed, strengthen legal powers and clarify the division of responsibilities of different national authorities for dealing with weak and failing banks.		Such measures may consist in placing the person under special supervision; temporarily restrict or prohibit the exercise of certain transactions by that person, including the acceptance of premiums or deposits; suspend, restrict or temporarily prohibit the free disposal of all or part of the assets of the controlled person; order a firm to suspend payment of surrender value or the payment of advances on contracts; transfer ex officio all or part of the portfolio of contracts held by the concerned company; prohibit or limit the distribution of a dividend to the shareholders, or a return to the holders of membership shares; suspend one or more officers of the controlled person.	
8 (41)	(Lon) (Seoul)	Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009. We agreed to conduct rigorous risk assessment on these firms through international supervisory colleges …	June 2009 (for establishing supervisory colleges) Ongoing	The Prudential Supervisory Authority has established colleges for the 3 most significant cross-border banks in France since 2005. In addition, one college has been set up for a major insurance company. The AMF is participating in the college of regulators for Euronext and committees of regulators for Euroclear and LCH.Clearnet. New colleges have been established by the end of 2010 pursuant to the provisions of the EU Directive 2009/111 (Capital Requirement Directive 2).	
9 (42)	(FSF 2008)	Supervisory exchange of information and coordination	V.7 To quicken supervisory responsiveness to developments that have a common effect across a number of institutions, supervisory exchange of information and	Ongoing	The Prudential Supervisory Authority is fully involved in national and international initiatives aimed at enhancing supervisory coordination. At the national level: creation of the Conseil de Régulation Financière et du Risque Systémique, and of a single supervisor for banks and insurers. At the international level: colleges of supervisors, participation in EBA and BCBS work, member of the Senior Supervisors Group etc.)	European supervisors' joint risk assessment to start in 2011 (CRD2)

			coordination in the development of best practice benchmarks should be improved at both national and international levels.		The AMF participated in the IOSCO group that has published recommendations for international cooperation in supervisory matters.	
10 (New)	(Seoul)	More effective oversight and supervision	We agreed that supervisors should have strong and unambiguous mandates, sufficient independence to act, appropriate resources, and a full suite of tools and powers to proactively identify and address risks, including regular stress testing and early intervention.	Ongoing	The French supervisory framework complies with this effective oversight and supervision principle as the French supervisory authority has a well defined and clear mandate with independence and appropriate tools and powers. The Autorité de Contrôle Prudentiel's (ACP) missions are to ensure financial stability and to protect clients of credit institutions subject to its supervision. The ACP shall monitor credit institutions' compliance with the laws and regulations applicable to them and for penalizing any breaches found. (Monetary and Financial Code, Art. L612-1). The ACP is in charge with the ongoing supervision of credit institutions' operating conditions and watches over the quality of their financial situation. In particular the ACP controls that credit institutions comply with their solvability and liquidity requirements. The ACP is responsible for granting authorizations and exemptions for credit institutions. The ACP ensures also that credit institutions comply with rules pertaining to customers' protection. The ACP also has powers to protect consumers and to control the distribution of financial products. (Monetary and Financial Code, Art. L612-1 to L613-34). The ACP can also trigger the intervention of the Deposit Guarantee Fund (DGF). All credit institutions authorized in France belong to a DGF whose purpose is to indemnify the depositors in the event of their deposits or other repayable funds being unavailable. (Monetary and Financial Code,	

					Art. L312-4) The ACP has extensive powers to address compliance with law and to ensure that credit institutions have sound risk management and financial situations. The ACP has a whole set of efficient tools to ensure that credit institutions comply with its decisions. The ACP is empowered with the following administrative powers it can apply where a credit institution's solvency or liquidity situation is such that the ACP judges that interests of customers are in jeopardy or likely to be so : - placing the institution under special control, - prohibiting certain operations, - suspending or prohibiting the use of institution's assets, - suspending or prohibiting payment of dividends and - temporary or permanent removal of senior executives. (Monetary and Financial Code, Art. L612-33). The ACP can also appoint a provisional administrator "to whom will be transferred all the powers for administering, managing and representing" the credit institution (Monetary and Financial Code, Art. L612-34) or appoint a liquidator (Monetary and Financial Code, Art. L613-24 to L613-31). The ACP may impose the following disciplinary sanctions : warning; reprimand; prohibition on the execution of certain transactions and any other restriction on the conducting of its business; temporary suspension of one or more persons of the management body, with or without appointment of a provisional administrator; automatic dismissal of one or more of those same persons, with or without appointment of a provisional administrator; partial or full deletion of the credit institution or investment firm from the list of authorized credit institutions or investment firms, with or without appointment of a provisional administrator.	

					As set out in Article L. 511-41-3 of the Monetary and Financial Code ("pillar II injunctions to credit institutions"), the ACP is enable to require higher solvency ratios than the legal minimum whenever they deem this justified by specific risk characteristics of a credit institution. As regards its resources, the ACP has budgetary independence based on a compulsory financial contribution from credit institutions.	
III. Extending the regulatory perimeter to entities/activities that pose risks to the financial system						
11 (27)	(Lon)	Review of the boundaries of the regulatory framework	We will each review and adapt the boundaries of the regulatory framework to keep pace with developments in the financial system and promote good practices and consistent approaches at an international level.	Ongoing	The recent creation of the French Prudential Supervisory Authority, resulting from the merger between the banking and insurance authorities aims notably to strengthen financial stability by giving France a supervisory authority capable of monitoring risks across the financial sector reform and eliminates "blind spots" in the monitoring. The French government has approved the budget needed for the implementation of the AMF Strategy Proposals outlining its plans to extend the boundaries of it regulatory reach to include all markets, products (over-the-counter markets, commodities markets, etc.) and actors (credit rating agencies), in tandem with other national, European and international regulators. The purpose is to monitor significant financial trends and market participants' strategies (investment services providers, asset managers), and prevent and detect market abuse, and develop new IT tools for these purposes. The Law voted in October 2010 also gave specific new powers to the AMF with regard to carbon market. The AMF has also recently significantly revamped its organisation to create a new Directorate bringing under the same umbrella the surveillance of markets, market intermediaries and market infrastructures, with the objective to	French authorities are currently actively involved in the work taking place at international level regarding the regulation and monitoring of the shadow banking system (e.g. the AMF co-chairs the IOSCO's workstream on Money Market Funds). The Banque de France and the French Treasury are members of the FSB dedicated task force for shadow banking and will participate in the new workstreams set up to make recommendations for regulation in the 5 areas identified by the FSB.[1]

[1] http://www.financialstabilityboard.org/press/pr_110901.pdf

					better monitor developments in the markets. Lastly, the AMF has stepped up its vigilance with regard to the development of more complex and/or risky products offered to investors and advocates a cross-cutting approach to regulations. French authorities contributed to the recent work on shadow banking system and less regulated entities, especially on money-market funds, hedge funds, and securitisation vehicles. The AMF has developed specific rules for money market funds, which were later replaced by the common set of standards agreed by CESR. The National Council of Systemic Risk and Financial Regulation were set up to facilitate the co-operation between supervisory authorities and to monitor transfers of risks and potential accumulation of risks outside the regulated sector at European level in May 2010.	
12 (30)	(FSF 2008)	Supervisory resources and expertise to oversee the risks of financial innovation	V.1 Supervisors should see that they have the requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks.	Ongoing	The Article IV review conduct by the IMF in the first semester of 2009 concluded to the consistent supervisory coverage of all lending institutions by the Prudential Supervisory Authority. The AMF has set up in early 2010 an in-house risk committee to identify early-stage risks more easily. It has recruited staff with significant industry expertise in order to increase its ability to monitor market developments. Furthermore, the AMF has also established a new Retail Investors Relations Division in charge of monitoring marketing campaigns and new products being offered to investors. Specific attention is being devoted to complex products. The AMF is also taking actions, in application of the UCITS directive and later of the AIFM directive, to ensure fund managers have sufficient resources and valuation tools to correctly understand and control the risks associated with investment strategies As examples, the AMF has developed significant expertise and research to better understand the	

					risks related to high frequency trading and exchange-traded products, two significant innovations in the marketplace. This includes close dialogue with market participants, other authorities and academics. Lastly, the AMF's Academic Scientific Board holds an annual conference bringing together the views of academics and practitioners on changes in the markets. This year's event was devoted to the issue of the financialisation of commodities markets.	
Hedge funds						
13 (33)	(Seoul) (Lon)	Regulation (including registration) of hedge funds	We also firmly recommitted to work in an internationally consistent and non-discriminatory manner to strengthen regulation and supervision on hedge funds, … Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their leverage, necessary for assessment of the systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate	End-2009	In France, all asset management companies are required by law to be registered with and have their programme of activity approved by the AMF. They all are subject to ongoing supervision and oversight by the AMF. Individual fund managers are required to be "fit and proper" (honesty, fairness and expertise). They all must adopt and implement risk management procedures and processes that are adapted to the fund type that the manager envisages managing. All collective investment schemes but two types - (very specific investment funds tailored made for professional/sophisticated investors and SICAF (closed-end funds)) - must be approved by the AMF at inception and when a substantial change is made to fund rules. The two types of funds that are not subject to AMF approval are subject to investment restrictions and leverage limits and therefore report to the AMF on an ongoing basis regarding respect of these restrictions and limits. The two fund types that are not subject to AMF approval are required to disclose the level and source of leverage they use on request by the AMF.	The AMF welcomes the adoption of the Directive on alternative investment fund managers which, in particular, will impose as from its implementation in July 2013 across EU reporting obligations on systemic aspects related to alternative funds

			risk management.			
14 (34)	(Lon)	Effective oversight of cross-border funds	We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009.	End-2009	In the case of a French asset management company managing a non EU fund, the AMF may request and obtain all information regarding the fund from the asset manager. By law, in the conduct of its oversight and investigation activities, the AMF is entitled to request, give and exchange information to/with its counterparts in other countries provided certain conditions are fulfilled.	Developments are expected in relation to the negotiations and adoption of the AIFM Directive and its implementation as well as adoption of its implementing measures. ESMA published during the summer 2011 a consultation paper setting out its proposals for the detailed rules on supervision and third country entities underlying the Alternative Investment Fund Managers Directive (AIFMD). These rules reflect the need to put in place a framework for entities outside the EU. ESMA has to deliver its final advice on implementing measures of the AIFMD to the European Commission by 16 November 2011.
15 (35)	(Lon)	Effective management of counter-party risk associated with hedge funds	Supervisors should require that institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures.	Ongoing	The Prudential Supervisory Authority makes a semi annual review of French banks' exposures to leverage counterparties based on data provided by banks. Regarding a specific sort of institutions which have hedge funds as their counterparties, namely funds of hedge funds (FoHF), in France FoHFs' managers are required, as a full part of the programme of activity that they all must submit to AMF's approval, to establish and maintain risk management procedures and processes, including mechanisms to monitor the underlying HF leverage (due diligence), and are required to set limits for single counterparty exposures (risk diversification).	Developments are expected in relation to the implementation of the AIFM Directive as from July 2013
16 (36)	(FSF 2008)	Guidance on the management of exposures to leveraged counterparties	II.17 Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties	Ongoing	The Prudential Supervisory Authority has conducted on-site reviews at the banks with the largest hedge funds exposures in 2009. The Prudential Supervisory Authority makes a semi annual review of French banks' exposures to leverage counterparties based on data provided by banks. Maturity mismatches are reported by all credit institutions on an individual basis in FR.	Additional supervisory actions to be conducted depending on market conditions and banks' strategies Developments are expected in relation to the implementation of the AIFM Directive as from July 2013

Securitisation						
17 (50)	(FSB 2009)	Implementation of BCBS/IOSCO measures for securitisation	During 2010, supervisors and regulators will: • implement the measures decided by the Basel Committee to strengthen the capital requirement of securitisation and establish clear rules for banks' management and disclosure; • implement IOSCO's proposals to strengthen practices in securitisation markets.	During 2010	The French transposition of the revised EU Capital Requirement Directive (CRD 3), which includes the measures decided by the Basel Committee on securitisation, market risks and disclosures is in progress. Based on the proposals issued by IOSCO in September 2009, IOSCO is expected to fine tune its recommendations and thus assist national implementation. IOSCO also published "Disclosure Principles for Public Offerings and Listings of Asset Backed Securities" in April 2010. Ongoing and permanent disclosure requirements of an ABS offered to the public are defined by EU regulation and French national legislation and regulation.	
18 (51, 52)	(Lon) (Pitts)	Improvement in the risk management of securitisation, including retainment of a part of the risk of the underlying assets by securitisation sponsors or originators	The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010. Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.	By 2010	The French transposition of the revised European Capital Requirements Directive (CRD2), which has introduced in the European framework a quantitative retention requirement (5%) for securitizations sponsors and originators, has been completed, and came into force by 31/12/10.	The French transposition of the quantitative retention requirement for securitizations sponsors and originators is available following the *link*. The adoption of the Alternative Investment Fund Managers Directive (AIFMD) at EU level has introduced a requirement for asset managers to ensure the sponsors and originators comply with the retention rule. For cross-sectoral consistency purposes, the requirement is identical to that introduced by Solvency II. On this issue, the AIFMD amends the UCITS directive and impose the same requirement on UCITS management companies. The AIFMD must be implemented in national legislation by July 2013.
19 (10)	(FSF 2008)	Strengthening of regulatory and capital framework for	II.8 Insurance supervisors should strengthen the regulatory and capital	Ongoing	During the crisis, the French Prudential Supervisory Authority has more closely supervised French operations of monoline insurers, which are reinsured by American companies and are now in	Solvency II, the new European risk-based regulatory framework will enter into force end 2012. As it takes into account the actual risks, the regulatory framework and the financial

		monolines	framework for monoline insurers in relation to structured credit.		run-off.	requirements will be strengthened for monoline insurers (no diversification benefit), and they would most likely be requested to develop an internal model, rather than fit in the "standard formula" framework.
20 (54)	(FSF 2008)	Strengthening of supervisory requirements or best practices fir investment in structured products	II.18 Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products.	Ongoing	Regarding a specific sort of institutional investor, namely asset and/or investment fund managers, the AMF requires that they perform due diligence when investing in structured products, prior to the investment and on an ongoing basis (during the investment). As full part of the programme of activity that every management company (whatever type of management functions they perform) must submit to AMF's approval, asset and/or investment fund managers are required to establish and maintain due diligence procedures that must be in particular: - documented and traceable; - expressly and clearly described in the programme of activity as approved by the AMF; - based on a qualitative and quantitative analysis of the financial instruments characteristics and the associated risks; - implemented using suitable human and technical resources. As part of its New Strategy Proposals, the AMF is reviewing this requirement to ensure that it is consistent with the Good Practices published by IOSCO in July 2009 in relation to Investment Managers' Due Diligence When Investing in Structured Finance Instruments (working group chaired by the AMF).[2]	
21 (14)	(FSF 2008)	Enhanced disclosure of securitised products	III.10-III.13 Securities market regulators should work with market participants to expand information on securitised products and their underlying assets.	Ongoing	IOSCO issued recommendations on securitization on 4 September 2009 resulting from the work undertaken by a task force that has been co-chaired by the AMF. IOSCO also published "Disclosure Principles for Public Offerings and Listings of Asset Backed Securities" in April 2010. Ongoing and permanent disclosure requirements of	See also 17 IOSCO's recommendations on securitization, published in September 2009 are the basis of additional work in order to facilitate the implementation at national level including work on the enhancement of disclosures in the securitization process.

[2] http://www.iosco.org/library/pubdocs/pdf/IOSCOPD300.pdf

					an ABS offered to the public are defined by EU regulation and French national legislation and regulation.	
IV. Improving OTC derivatives markets						
22 (17, 18)	(Seoul) (Pitts) (Lon)	Reforming OTC derivative markets, including the standardisation of CDS markets (e.g. CCP); and trading of all standardized OTC derivatives on exchanges, clearing and trade repository reporting.	We endorsed the FSB's recommendations for implementing our previous commitments in an internationally consistent manner, recognizing the importance of a level playing field. All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements. We will promote the standardization and resilience of credit derivatives markets, in particular through the establishment of central clearing counterparties subject to effective regulation and supervision. We	By end-2012 at the latest	The French Central bank and bank supervisor contribute to the OTC Supervisors Group chaired by the New York Fed in support of standardization, central clearing and reporting in trade repositories to reduce counterparty risk and increase transparency in the global OTC credit, interest rate and equity derivatives markets. The two French banks concerned are currently fully compliant with these requirements. The French authorities (Banque de France, Autorités des marches financiers and the Prudential Supervisory Authority) also participate in the Forum of regulators of OTC derivatives which addresses the issues of reporting and information sharing. At the European level French authorities are also actively supporting the European Commission initiative to strengthen market infrastructures, in particular to increase the flow of eligible transactions for central clearing. The French supervisor is supporting the effort by the ODSG to improve the post-trade processing environment and, among other things, to set and monitor targets to be met by the industry (the G15 dealers) to centrally clear interest rate derivatives, equity derivatives and credit default swaps by December 2009 and carefully review commitment letters issued by the industry LCH Clearnet SA, the French CCP, launched a clearing service for CDS. The future framework will largely depend on the European legislation that has been published on 15 September 2010. and which is still under negotiation although a final text is expected to be published in early 2012.Following a mandate given by the FSB and aiming at establishing	The AMF and Banque de France in their respective roles are role contributing to the CPSS-IOSCO work stream on principles related to the CCP for derivatives. In addition, CPSS-IOSCO published in March 2011 a consultation document revising the principles for payment systems, CCPs, trade repositories and central depositories. The report is expected to be finalized in early 2012. Further submission levels and clearing targets will be set by the ODSG with the industry by Q1 2011 with a focus on priorities and implementation of new rules. The G15 scope is being reviewed by supervisors, including the French ACP, and consideration is given to its broadening. A repository for Equity derivatives has being established by MarkitSERV in London while other non cleared derivatives will be reported to the US DTCC (CDS). Other structures are being designed for FX and commodities. The ORDF has described high level expectations with respect to information format and access for the various TR and is currently working on a new phase where information quality and quantity would be improved. Prudential incentives for centrally clearing contracts with qualifying CCP have been released for public consultation in December 2010 by the BCBS where the ACP and Banque de France are directly involved.

			call on the industry to develop an action plan on standardisation by autumn 2009.		recommendations to implement the G20 objectives, IOSCO has published a report to which the French regulator has contributed actively to promote trading of all standardised and sufficiently liquid OTC derivatives on organised multilateral trading platforms. The French regulator and central bank both participated actively in the preparation of a second report mandated by the FSB on reporting and aggregation of data in the trade repositories.	
V. Developing macro-prudential frameworks and tools						
23 (25)	(Lon)	Amendment of regulatory systems to take account of macro-prudential risks	Amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of systemic risk.	Ongoing	Specific surveys or stress tests have been run on those types of exposures in banks balance sheets such as hedge funds. French authorities have jointly drafted their first collective assessment of systemic risk for the French Financial Sector. A public version of this assessment is being prepared for publication and will be followed by further exercises with a view to prepare works the ESRB, the ACP (merged banks and insurance supervisors) and the National Council of Systemic Risk and financial regulation, which will be chaired by the Finance Minister. A Law voted in October 2010 mandates the AMF to consider financial stability objectives when accomplishing its missions. An internal Risk Committee has been set up in 2010 to facilitate internal coordination and intelligence and to help identifying risks at an earlier stage and developing mitigating actions. The Risk Committee contributes to the Risks and Trends Mapping report published annually by the AMF[3]. The AMF also participates in the elaboration of ESMA's Risks, Trends and Vulnerabilities Reports. At international level, the AMF contributed to the IOSCO's report on systemic risk published in February 2011[4] and is a Member of the new IOSCO Standing Committee on Risk and Research.	The AMF and Banque de France will contribute to the work of the National Council on Systemic Risk and Financial Regulation and of the ESRB, as well as other work on risks and vulnerabilities conducted at international level (FSB, IOSCO). .

[3] http://www.amf-france.org/documents/general/9998_1.pdf
[4] www.iosco.org/library/pubdocs/pdf/IOSCOPD347.pdf

24 (26)	(Lon)	Powers for gathering relevant information by national regulators	Ensure that national regulators possess the powers for gathering relevant information on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions.	Ongoing	The Prudential Supervisory Authority has developed a traditional ongoing process, through existing and new reporting, regular review processes and exchanges with on site and off site supervision. In addition, French authorities took part to all ad hoc surveys launched at the IMF or ECB level. The AMF is currently reviewing the flow of information between hedge fund managers and the AMF in order to ensure that the information on systemic aspects is relevant and in line with IOSCO recommendations (based on the work undertaken by the Task Force on Unregulated Entities).	As regards alternative funds, including hedge funds, the AIFM Directive, once implemented (as from July 2013), will impose such information gathering in view of collecting information on systemic aspects from alternative funds' managers and will impose upon national competent authorities the obligation to gather this information with ESMA and ESRB at EU level. In the EU, ESMA will finalize its proposals following the consultation during the summer 2011 regarding the implementing measures under the AIFMD and it aims to submit its advice to the European Commission by 16 November 2011. Ways to exchange such information at the international level should be further studied and organized (e.g. through the FSB).
25 (28)	(FSF 2009)	Use of macro-prudential tools	3.1 Authorities should use quantitative indicators and/or constraints on leverage and margins as macro-prudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macro-prudential (system-wide) level… Authorities should review enforcing minimum initial margins and haircuts for OTC derivatives and securities financing transactions.	End-2009 and ongoing	Working groups have been implemented with banks and banking associations to monitor their margin policies. In addition, a lot of quantitative indicators have been developed already for internal purposes (submitted to Governor of the Banque de France and the Board of the Prudential Supervisory Authority) or published (Annual report of the Prudential Supervisory Authority). Several types of stress tests have also been developed (bottom up with banks; in house: at macro (scenario) and micro (what if type) levels, using different types of data sources etc.). The Prudential Supervisory Authority also played an active role in the European stress test runs in July 2011 on 4 major groups. Banque de France also participated in the CGFS working group on margins and haircut and to the drafting of the CGFS report and will participate in the EU data collection exercise in the context of the BIS lead statistic collection on conditions prevailing in OTC and securities lending.	Forthcoming reporting on banks margins. Regular European stress test exercise under the CEBS aegis Starting in 2013, the reporting by alternative investment funds requested by the AIFM Directive will allow the AMF to develop new tools and indicators covering the hedge fund industry (notably on the global leverage of this industry).
26 (29)	(WAP)	Monitoring of asset price changes	Authorities should monitor substantial changes in asset prices and their implications for the macro economy	Ongoing	This dimension is included in the stress testing exercises regularly conducted by the Prudential Supervisory Authority with the financial institutions. It also a dedicated part of the French financial sector risk assessment (see above)	

			and the financial system.			
27 (32)	(FSF 2008)	Improved cooperation between supervisors and central banks	V.8 Supervisors and central banks should improve cooperation and the exchange of information including in the assessment of financial stability risks. The exchange of information should be rapid during periods of market strain.	Ongoing	The Prudential Supervisory Authority Secretary General is a Directorate of Banque de France. Consequently cooperation and exchange of information between the Central Bank and the banking supervisor do not raise any issue in France. The exchange of information during periods of market strain was particularly smooth. As far as the AMF is concerned, the Deputy Governor of the Banque de France is a member of the Board of the AMF. In addition, the President of the AMF now attends the Board of the Prudential Authority. At an operational level, the AMF and the Banque de France have significantly increased their co-operation and exchange of information regarding the assessment of financial risks. The Banque de France was invited to participate to the last meeting of the AMF's Risk Committee, where participants were able to exchange views on current and emerging risks, as well as to discuss future co-operation.	The recent creation of the French Prudential Authority, resulting from the merger between the banking and insurance authorities will not change the situation since the new Authority will remain a Directorate of Banque de France. The National Council of Systemic Risk and Financial Regulation will encourage greater cooperation between all supervisory authorities.
VI. Strengthening accounting standards						
28 (11)	(WAP)	Consistent application of high-quality accounting standards	Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards.	Ongoing	The Banque de France chairs the accounting task force of the BCBS and as such participates as an observer to IASB monitoring board and works in close contact with the IASB to amend accounting standards in line with the BCBS guidelines.[5] As a member of the Board of the French National Standard Setter, the Prudential Supervisory Authority closely takes part in the national monitoring of high-quality accounting standards. On an international standpoint, it participates actively in the EBA/Expert Group on Financial Information – EGFI- and in the BCBS/Accounting Task Force	Continue close technical dialogues between prudential regulators (EBA, BCBS) and the IASB on ongoing projects and enhancement of international accounting standards, especially regarding the 2nd and 4th phases of the IFRS 9 project review, focused on provisioning models and macro-hedge accounting.

[5] http://www.bis.org/press/p090827.htm

					working groups aiming at analyzing and commenting IASB's proposals.[6] In particular, the Prudential Supervisory Authority and Banque de France have been appointed as members of the IASB Expert Advisory Panel on impairment and have therefore actively contributed to the efforts towards defining an operational forward looking provisioning model for credit losses. In addition, as a stakeholder in the convergence process between international and US accounting standards, the Banque de France and Prudential Supervisory Authority - through the Basel Committee and the EBA - also assessed and commented upon the FASB Exposure Draft on financial instruments.[7] The AMF also plays an important role in the monitoring of high-quality accounting standards. In France it is a member of the Board of the French National Standard Setter. As regards IFRS, the AMF actively participates to the ESMA (European Securities and Markets Authority, previously CESR and IOSCO working groups which roles are to analyze and comment the IASB's proposals. As far as enforcement is concerned, the AMF is contributing to the European Enforcers Coordination Sessions (EECS) within the Corporate Reporting Standing Committee of ESMA, the group mandated to follow regulatory developments in the EU in the field of accounting and auditing. The AMF serves as observer for IOSCO on the IFRS foundation AC, and observer for IOSCO on the IFRIC.	
29 (New)	(Seoul)	Convergence of accounting standards	We re-emphasized the importance we place on achieving a single set of improved high	End-2011	The Prudential Supervisory authority, through the Basel Committee and the EBA, has encouraged the IASB and the FASB to work together to achieve high-quality converged accounting standards,	The Prudential Supervisory Authority will continue their close monitoring of the IASB's and FASB's convergence process, with a view to promote the development of a joint

[6] http://www.eba.europa.eu/getdoc/c0fa3f2c-0710-4c07-b5e5-eeaa554f1d1d/Accounting.aspx and http://www.bis.org/bcbs/commentletters/commentletters.htm
[7] http://www.eba.europa.eu/documents/Publications/Other-Publications/Comment-letters-by-CEBS/Accounting/2010-09-30-(CEBS-response-FASB-ED-Financial-Instru.aspx and http://www.bis.org/bcbs/commentletters/iasb28.pdf

			quality global accounting standards and called on the International Accounting Standards Board and the Financial Accounting Standards Board to complete their convergence project.		notably for financial instruments. In particular, France has supported the move toward a converged expected credit loss (EL) approach for Impairment which has been proposed by the IASB and FASB in this ED, in line with the G20 recommendations. It has also strongly encouraged both the IASB and FASB to make similar progress with other aspects of accounting for financial instruments as this would ensure a level playing field across the globe. However the Prudential supervisory and the Banque de France have also reiterated their views that convergence should not be at the cost of high quality accounting standards.	approach for impairment.
30 (12)	(FSF 2009)	The use of valuation reserves or adjustments by accounting standard setters and supervisors	3.4 Accounting standard setters and prudential supervisors should examine the use of valuation reserves or adjustments for fair valued financial instruments when data or modelling needed to support their valuation is weak.	End-2009	France's position is totally in line with BCBS guiding principles for replacing IAS 39 and in particular regarding the importance of valuation adjustments. http://www.bis.org/publ/bcbs161.htm The Prudential Supervisory Authority and Banque de France have contributed to the work undertaken by the BCBS Accounting Task Force (chaired by Banque de France) with the IASB to complement the fair value measurement guidance on valuation uncertainty.	Ensure that the final standard of the IASB on fair value measurement will incorporate an enhanced guidance on fair value measurement. The Greek debt crisis shows that IFRS 13 does not yet provide sufficient guidance. AMF supports that a new exchange of views takes place through a specific project including new exposure for all the phases of IFRS 9.
31 (13)	(FSF 2009)	Dampening of dynamics associated with FVA.	3.5 Accounting standard setters and prudential supervisors should examine possible changes to relevant standards to dampen adverse dynamics potentially associated with fair value accounting. Possible ways to reduce this potential impact include the following: (1) Enhancing the accounting model so that the use of fair value accounting is carefully examined for	End-2009	All French authorities pay due attention to the fact that the IASB's proposals do not lead to an extension of the fair value measurement. These concerns are regularly conveyed by French FSB members to the chair. In their latest contributions to BCBS and CEBS comments to the FASB's proposals for financial instruments accounting standards the Prudential Supervisory Authority and Banque de France have reiterated their strong opposition to a full fair value model and called for a mixed attribute model allowing entities to portray consistently their business model.	The Prudential Supervisory Authority, the AMF and Banque de France will continue their close monitoring of the IASB's projects on financial instruments, with the view to make operational the IASB's-proposed expected loss model and to simplify hedging rules. A special attention will also be given to the upcoming FASB's re-deliberations on financial instruments and the related convergence process.

			financial instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements.			
VII. Strengthening adherence to international supervisory and regulatory standards.						
32 (21, 22, 23)	(Lon) (WAP)	Adherence to international prudential regulatory and supervisory standards, as well as agreeing to undergo FSAP/ FSB periodic peer reviews (Note) Please try to prioritise any major initiatives conducted specifically in your jurisdiction.	We are committed to strengthened adherence to international prudential regulatory and supervisory standards. FSB members commit to pursue the maintenance of financial stability, enhance the openness and transparency of the financial sector, implement international financial standards, and agree to undergo periodic peer reviews, using among other evidence IMF / World Bank FSAP reports. All G20 members commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessment of countries' national regulatory systems.	Ongoing	Since Law n° 2009-715, banks are compelled to publish, as an annex to their annual accounts, information regarding their activities in jurisdictions that do not have concluded with France an agreement to tackle tax concerns. The decree promulgated hereunder on October 7th precises enforcements of this law. Targeted interviews with the relevant banking groups have been made. The reform of the French regulations needed to implement the AML/CFT 3rd Directive (2005/60/EC) is now completed and, in relation to the securities sector, the amendments to the AMF General Regulation required are in force since November 19, 2009. (Decree of November 12, 2009, published in Official Journal of November 18, 2009. French FSB members are committed to undergo periodic peer reviews and have participated in the first thematic reviews on compensation practices and on risk disclosures by market participants. Guidelines further precising the changes made to the AMF General Regulation and providing guidance on the implementation of the obligation to file Suspicious Activity Reports have been issued. The Guidelines issued before the reform as regards financial advisors are currently being updated and should be made public in the coming months. The first guideline clarifies some of the provisions of the AMF General Regulation. The second, drafted with the financial intelligence unit,	Thematic on-site visit are in course in some of these jurisdictions. A new set of the financial investment advisers guidebook entitled *« Prevention of money laundering and terrorist financing and AML/CFT intended for Financial investment advisers is* published on http://www.amf-france.org.since august 2011.The document informs financial investment advisers about the new requirements in terms of organisation and resources and explains how the scope of reporting has been extended, particularly with regard to tax fraud, and sets out TRACFIN's expectations. More guidelines intended to facilitate the implementation of the French AML/CFT laws and regulations are currently being considered and drafted. These documents will be regularly updated or amended where needed. French authorities participate in the FSB standing committee working on standards implementation. The Director general of the French Treasury chairs the Experts group of the Standing committee on standards implementation in charge of developing criteria for identifying

					Tracfin, explains the procedures for passing on information and reporting suspicious transactions. Guidelines are published on http://www.amf-france.org (Texts/ investment services providers/ services providers/ 18/03 :2010 and the second one is also on http://www.tracfin.minefi.gouv.fr/ A FSAP including the detailed assessments of observance of standards and codes was performed on France by the IMF and completed in April 2005 (report published on April 2005).	jurisdictions of concerns, procedures for an evaluation process and a toolbox of measures to promote adherence and cooperation among jurisdictions France will have a FSAP in late 2011
Reforming compensation practices to support financial stability						
33 (15)	(Pitts)	Implementation of FSB/FSF compensation principles	We fully endorse the implementation standards of the FSB aimed at aligning compensation with long-term value creation, not excessive risk-taking. Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or	End-2010	Banking sector In France, the implementation of the FSB Principles and Standards is ensured through a dual, complementary approach: (i) amendment, on 14 January, 3 November 2009 and 13th December 2010 of the French regulatory framework relating to internal control of credit institutions and investment firms (i.e. Regulation CRBF n°97-02) and (ii) adoption by the financial industry, in February and November 2009, of a series of professional guidelines which are referred to in the amended regulatory framework. In case of non-compliance with the regulatory framework, both non-financial and financial sanctions can be considered by the Prudential Supervisory Authority These measures are to be proportionate. The Prudential Supervisory Authority conducted dedicated 2 month on-site inspections during autumn 2009, in the seven banks that represent the bulk of the trading activity in France. A confidential report outlining the findings of these inspections has been submitted to the French Minister of Economy, Industry and Employment. The findings of the on-site inspections highlighted that banks' arrangements for remuneration are being adjusted in the wake of the enforcement of the national provisions transposing the FSB	From 2010 onwards, the Prudential Supervisory Authority will ensure, on an ongoing basis, through its on-site inspections and off-site monitoring, that all credit institutions and investment firms comply with the national provisions in force. it will also carry out complementary work with the representatives of the banking industry so as to clarify the operational implementation of the national provisions in force. This work will be conducted in consistency with the reflections that are carried out internationally (BCBS) and at the European level (CEBS). Efficient implementation of FSB standards is of key importance for France. French authorities have actively contributed to the first FSB review and are looking forward to the follow-up assessment in first half 2011. - According to the recommendation 7 of the FSB peer review of the implementation of its principles and standards on compensation, the BCBS has published for consultation at the end of October 2010 a report on the range of methodologies for risk and performance alignment of compensation (http://www.bis.org/publ/bcbs178.htm) and in December 2010 a consultative document on the Pillar 3 disclosure requirements on remuneration

	(Tor) (Seoul)		require extraordinary public intervention. We call on firms to implement these sound compensation practices immediately. We encouraged all countries and financial institutions to fully implement the FSB principles and standards by year-end. We call on the FSB to undertake ongoing monitoring in this area and conduct a second thorough peer review in the second quarter of 2011. We reaffirmed the importance of fully implementing the FSB's standards for sound compensation.		principles and standards. Insurance sector: a survey conducted by insurance supervisors indicated that compensation practices are not a material risk in France, most market-transactions are being externalised Asset management sector: An industry working group issued in Feb 2009 professional guidelines that should apply principally to professionals involved in proprietary trading, but also for those working in *third-party financial management* and whose performance, and hence whose compensation, is linked to market instruments, independently of the legal status of their company (bank, investment firm, asset manager). These professional guidelines were to be applied as early as 2009 to performance-related compensation to be paid in 2010. In November 2009 and December 2010, regulatory measures (see reply on banking sector) were adopted in respect of compensation practices in the banking sector. These regulatory measures do not concern asset management companies. However, management companies that are affiliates of a financial group have to implement remuneration policies and procedures that are consistent with the regulatory requirements that are applicable to the group under Prudential Supervisory Authority supervision (depending on the nature of the financial group to which the management company is consolidated). In addition, French asset management professionals elaborated professional standards on compensation that apply to all management companies. In November 2010, the Board of the AMF has approved (http://www.amf-france.com/documents/general/9746_1.pdf) this common set of rules for remuneration policies, to be applied industry-wide by the French Asset Management Associations. The new mandatory system aims to harmonise the rules applicable to remuneration policies in all management	(http://www.bis.org/publ/bcbs191.htm).The CEBS has published in December 2010 new guidelines on remuneration policies and practices in order to provide guidance both to supervisors and institutions to ensure the implementation of the new risk-related philosophy on remuneration requires by CRD III (http://www.eba.europa.eu/cebs/media/Publications/Standards%20and%20Guidelines/2010/Remuneration/Guidelines.pdf). At European Level, the CRD III, as agreed in the trilogue negotiations in July 2010, entered into force in each member state the 1st January 2011. The new CRD III requirements on remuneration go beyond the recommendations of the financial stability board by imposing notably new stringent limits on the extent to which bonuses can be paid in cash, requirements for partial deferral of bonuses and a cap on level of bonuses relative to fixed salaries. The French regulation has been adapted accordingly at the end of 2010. A mix of legislative and regulatory rules applies to management companies that manage undertakings for collective investment in transferable securities (UCITS and other investment funds) as from 1st July 2011. These are yet implemented in France whereas some other European Member States are finalising their implementation into national law. Finally, these rules for UCITS managers are to be detailed and completed by a mix of legislative and regulatory rules inspired from the rules that will apply to management companies that manage alternative funds at a later stage (pursuant to adoption earlier in 2011 and pending implementation of the European Directive on alternative investment fund managers (AIFM)) to take place as from July 2013.

					companies, irrespective of how they are organised.	
34 (16)	(Pitts)	Supervisory review of firms' compensation policies etc.	Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention.	Ongoing	In addition, a "qualified person" has been appointed by a Ministerial Order (10 September 2009) to control, in the light of the international and national standards, the remunerations of Financial Markets Professionals in banks which benefitted from exceptional government financing in own funds. The supervisor is in charge of analyzing the pay scales of Financial Markets Professionals as well as the 100 highest individual remunerations for each group concerned. He has also the power to (i) view information relating to this issue and (ii) make recommendations to the bank's senior managers and issue alerts. He may also refer the recommendations to the attention of the Prudential Supervisory Authority (which could launch supervisory controls), the board of Directors of the bank and, if need be, to the general meeting of the bank's shareholders. The French supervisory authority is know is charge of the continuation of the action of this "qualified person" (art 65 of the French legislation of banking and financial regulation[8]) Asset management sector: the AMF is entitled by Law to impose such corrective measures. Additionally, all UCITS management companies are subject to principles and standards regarding compensations by virtue of the entry into force of the UCITS IV directive and its implementing measures on 1st July 2011 into European national regimes[9] Furthermore, French law requires AMF to publish each year a report on corporate governance and internal control procedure implemented by French listed companies. Since 2009, this report includes an extensive chapter concerning firms' compensation policies (regarding financial and non	See §33 above. In addition, in line with the new amendments of the Capital Requirements Directive, the supervisory assessment by the Prudential Supervisory Authority of compensation practices will be a criterion of assessing capital adequacy in the Pillar 2 of the Basel 2 framework. These rules should be specified further upon the next modification of the UCITS directive (the future directive UCITS V). Moreover, all AIF (alternative investment fund) managers will be subject to similar rules at a later stage once the AIFM draft directive and its implementing measures are enforced (as from July 2013)[10]

[8] http://www.minefe.gouv.fr/actus/10/101025loi-de-regulation-financiere.html
[9] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:302:0032:0096:EN:PDF
[10] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:174:0001:0073:EN:PDF

					financial institutions) and the AMF's recommendations in this respect. The latest report was published in July 2010.	
VIII. Other issues						
Credit rating agencies						
35 (37)	(Lon)	Registration of CRAs etc.	All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals.	End-2009	In France, the AMF was the competent authority for the direct supervision via registration and the oversight of the CRA until the ESMA took over this exclusive competence for CRA Europe wide on the 1st of July 2011. AMF is still finalising registration of CRAs that had applied before that date in the college of competent authorities under observation of ESM The European Parliament and the Council of the European Union adopted a regulation (n°1060/2009) introducing a legal framework for credit rating agencies on September 16, 2009. The EU Regulation entered into force on 7 December 2009. From that date, legal obligations contained in the Regulation apply and CRA which intend to provide their rating services are obliged to submit their application for registration with CESR and national competent authorities, i.e. not earlier than 7 June 2010 and by 7 September 2010. The text also required that CESR draft extensive guidance on numerous topics including the registration process, organisation of supervision among competent authorities, supervisory practices and the establishment of a repository for data on the performance of the ratings. On June 1st 2011, a revised version of the regulation on CRAs entered into force (n°513/2011). It does not introduce any changes to the initial Regulation concerning substantive conditions for CRAs registration. The essential change that was introduced is the centralised oversight of CRAs operating in the EU (registration and on-going supervision or under certification or endorsement of third country regimes) after the creation of ESMA. Enforcement powers (to investigate and to impose penalty or fines) were also reinforced.	On 1st June the EU Commission for a revised regulation (amending the initial regulation n°1060/2009on CRAs) entered into force. it is taking into account the new European supervisory architecture and transferring of the supervision of CRAs to the European Supervisory Market authority (ESMA) ESMA has been be given direct exclusive supervisory powers over CRAs from the 1st of July 2011. A new EU Regulation is now being expected that should come to supplement regulatory oversight of CRAs (most likely by enhancing transparency regarding sovereign ratings, looking at conflict of interest stemming from the "issuer pay" model, etc)

					Under this revised regulation, guidance issued under CESR on the registration process, and other standards of compliance or reporting under the terms of the initial regulation will updated and become binding regulatory technical standards issued by ESMA. The AMF still participates at ESMA level as a member of the Technical Committee regarding CRA level that specifically deals with these issues of policy.	
36 (38)	(Lon)	CRA practices and procedures etc.	National authorities will enforce compliance and require changes to a rating agency's practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process. CRAs should differentiate ratings for structured products and provide full disclosure of their ratings track record and the information and assumptions that underpin the ratings process. The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO.	End-2009	Those provisions are addressed in the new European regulation on CRA, credit rating agencies should (…) clearly differentiate between rating categories used for rating structured finance instruments on the one hand, and rating categories used for other financial instruments or financial obligations on the other, by adding an appropriate symbol to the rating category". Notably when a CRA issues credit ratings for structured finance instruments, those ratings must be clearly differentiated by using an additional symbol which distinguishes them from other ratings. Concerning the oversight framework, ESMA in exercise of direct supervision will guarantee the consistency across jurisdictions.	See above (§ 34) ESMA in exercise of direct supervision will guarantee the consistency across jurisdictions Europe-wide. AMF still participates at ESMA level as a member of the Technical Committee regarding CRA level that specifically deals with any policy or general supervisory questions.

37 (39)	(FSB 2009)	Globally compatible solutions to conflicting compliance obligations for CRAs	Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010.	As early as possible in 2010	AMF is actively participating at the Standing Committee 6 of IOSCO dealing with CRAs. For the purpose of the use of rating produced in third countries in Europe (under procedure of endorsement or of certification) , AMF was engaged, up to the transfer of competence to ESMA, in cooperation agreement with third countries regarding CRAs (e.g. signature of EoL with JFSA); this is now the sole competence of ESMA	The IOSCO group is mandated to review and progress towards international regulatory consensus regarding CRA oversight; and serve as a forum for regular interaction between regulators and CRAs ESMA is now engaged in the signature of cooperation agreement with third countries regarding CRAs.
38 (40)	(Seoul) (FSF 2008)	Reducing the reliance on ratings	We also endorsed the FSB's principles on reducing reliance on external credit ratings. Standard setters, market participants, supervisors and central banks should not rely mechanistically on external credit ratings. IV. 8 Authorities should check that the roles that they have assigned to ratings in regulations and supervisory rules are consistent with the objectives of having investors make independent judgment of risks and perform their own due diligence, and that they do not induce uncritical reliance on credit ratings as a substitute for that independent evaluation.	Ongoing	The recommendations published in July 2009 to enhance the Basel II framework provide for stronger operational requirements for the use of ratings in the securitization framework. - At the EU level, the same operational requirements for the use of ratings have been integrated last revision of CRD adopted (CRD 3). Inappropriate due diligence will conduct to a raise in the capital requirement associated with the securitisation exposures, from 250% to 1250%. The Basel III framework includes measures to mitigate the reliance on external ratings of the Basel II framework, notably requirements for banks to perform their own internal assessments of externally rated securitization exposures and the elimination of certain "cliff effects" associated with credit risk mitigation practices. -at the EU level, similar measures been integrated in the modification of the CRD under discussion (CRD 4 proposed on 21st of July). The AMF participate in the FSB working group on reducing reliance on CRA ratings. The Basel III framework includes measures to mitigate the reliance on external ratings of the Basel II framework, notably requirements for banks to perform their own internal assessments of externally rated securitization exposures and the elimination of certain "cliff effects" associated with credit risk mitigation practices. In early 2011, the AMF lead a mapping exercise at	The Treasury, the AMF, directly, and the Banque de France, through the ECB answer, contributed to the European Commission consultation on CRA in order to gather views on possible initiatives at EU level to strengthen the regulatory framework on credit ratings. Following the FSB October 2010 publication of the principles for reducing reliance on CRA ratings, the French authorities participate in the FSB coordinated follow-up process to these principles to report to the April and October G20 meetings.

					IOSCO level regarding regulatory reference to ratings for internal limits and investment policies of investment managers and institutional investors	
Risk management						
39 (48)	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	Both the methodology and the outcome of the European stress test were fully disclosed in 2010.[11]	
40 (49)	(Pitts)	Efforts to deal with impaired assets and raise additional capital	Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed.	Ongoing	The Prudential Supervisory Authority monitors closely credit institutions 'efforts to deal with impaired assets and raise additional capital where needed.	Monitoring and discussions with credit institutions will continue until portfolios of impaired assets are unwound
41 (53)	(WAP)	Enhanced risk disclosures by financial institutions	Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate.	Ongoing	The Prudential Supervisory Authority which is currently chairing the EBA Working Group on Transparency has taken an active part in the regular assessment of financial institutions' disclosures (annual reports, intermediary reportings, and Pillar 3).In its June 2010 report , CEBS noticed general improvement in the quality of the disclosures, with some of the best disclosure practices outlined in its June 2009 reports taken into account, but also pointed out some room for improvement notably with regard to sensitive accounting issues. Alongside the publication of its report, CEBS has held a public event on the assessment of 2009 year-end and Pillar 3 disclosures, attended by accountants, analysts, and financial institutions' representatives.[12] As regards the Pillar 3 disclosures, given the lack of consistency across institutions, the French chair of the EBA transparency subgroup organized several meetings aiming at (i) getting insight of institutions' practical difficulties, (ii) better understanding users' expectations, (iii) fostering convergence of Pillar 3 disclosures. Although French banks financial disclosures are globally satisfactory, the Prudential Supervisory Authority conducted bilateral meetings with major	For the year 2011, EBA intends to continue monitoring banks' disclosures, especially pillar 3 disclosures. For its part, the Prudential Supervisory Authority will continue to monitor French banks' financial disclosures and to conduct bilateral meetings, when necessary. As regards FSB's disclosure recommendation on crisis-related activities, the Prudential Supervisory Authority will continue to monitor the adequacy of French banks' disclosures as long as they remain significantly exposed. UCITS asset managers will have to comply as from 1st July 2011 with enhanced and detailed risk disclosure rules via the implementation of the UCITS IV Directive and notably provisions regarding the key investor document. Once implemented, the AIFM Directive will also impose stricter risk disclosure rules upon alternative funds' managers.[13]

[11] http://www.banque-france.fr/fr/instit/telechar/discours/cecb-stress-test-vue-et-resultats.pdf
[12] http://www.eba.europa.eu/Publications/Other-Publications/Others/2010.aspx
[13] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:302:0032:0096:EN:PDF

					French banks to discuss their disclosures and to convey CEBS's messages on possible improvements of the financial information. The Prudential Supervisory Authority has contributed to the FSB's stocktaking exercise regarding the implementation by French banks of the FSB's recommendations on transparency. In 2009, CESR published a study on the application of IFRS 7 (on disclosures related to financial instruments) by a sample of 96 European institutions. The AMF is currently working with the other members of ESMA (previously CESR) in order to publish an update on this issue. The plan is to publish this update, which shows the improvements in the quality of the disclosures published on financial instruments, at the end of October 2010. Among the different types of financial institutions, asset and/or investment fund managers that are regulated by the AMF, are already subject to enhanced risk disclosure requirements on an ongoing basis.	
Others						
42 (46)	(FSF 2008)	Review of national deposit insurance arrangements	VI.9 National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed.	Ongoing	The EU Directive on Deposit Guarantee Schemes adopted in March 2009 – raising the guarantee level to € 100 000 and reducing the time limit for paying out depositors– was transposed in national law by the Regulation of 29 September 2010 and has been effective since 31 December 2010	The Bank of France and Prudential Supervisory Authority still actively participate, with the Ministry of finance, to the work on the recast of the European DGS directive.
43 (55)	(Pitts)	Development of cooperative and coordinated exit strategies	We need to develop a transparent and credible process for withdrawing our extraordinary fiscal, monetary and financial sector support, to be implemented when recovery becomes fully	Ongoing	From banks' perspective, different situations may necessary call for different timing in exit of support measures.	

			secured. We task our Finance Ministers, working with input from the IMF and FSB, to continue developing cooperative and coordinated exit strategies recognizing that the scale, timing and sequencing of this process will vary across countries or regions and across the type of policy measures.			

Origin of recommendations:

Seoul: The Seoul Summit Document (11-12 November 2010)
Pitts: Leaders' Statement at the Pittsburgh Summit (25 September 2009)
Lon: The London Summit Declaration on Strengthening the Financial System (2 April 2009)
Tor: The G-20 Toronto Summit Declaration (26-27 June 2010)
WAP: The Washington Summit Action Plan to Implement Principles for Reform (15 November 2008)
FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience (7 April 2008)
FSF 2009: The FSF Report on Addressing Procyclicality in the Financial System (2 April 2009)
FSB 2009: The FSB Report on Improving Financial Regulation (25 September 2009)