Speech by M. Jouyet, Chairman of the AMF
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Madam Chair of the Committee on Economic and Monetary Affairs,
Members of Parliament,
Ladies and Gentlemen,

I am pleased to respond to your invitation to take part in today's proceedings. Protecting investors is a key remit of financial regulators. And it must of course be central to the review of the Markets in Financial Instruments Directive.
For the Autorité des Marchés Financiers, concern for investor protection is most evident in two areas: financial product marketing and market organisation.
1 - Regarding the marketing of financial products, I see three key issues:

- **First, outlawing dangerous products, practices and services**: ESMA and national authorities are to be given powers to restrict the supply of financial services or to ban products. This is a major step forward in the Commission's plan, and one that the AMF endorses wholeheartedly. Financial innovation must not be detrimental to investor protection.
- **The second major issue is the marketing of complex products**. Under the proposal for a directive, some UCITS may be regarded as complex. Consequently, if they are to be sold to small savers, appropriate support and advice must be available. As things stand, however, I believe that the scope is too narrow. With the current wording, UCITS using alternative investment strategies can be sold without any special precautions.
- **As for third issue,** the level of protection and information given to retail investors when a financial product is marketed must always be the same, whatever the product's legal status. The AMF has always argued for an integrated, cross-cutting legislative initiative that addresses savings products as a whole. However the Commission has opted for a discrete approach, and the draft directive deals only with the marketing of structured deposits. It would be highly regrettable if life insurance products continue to be marketed under a regulatory framework different to that applicable to other financial products.

Let me move on to market organisation, which in my mind is the main area of focus. The MiFID review should aim to reinstate the role of trading platforms as transparent meeting-places between buyers and sellers, in which retail investors can trust, and to get markets back to work financing economic activity. Achieving those aims will hinge on ensuring the integrity, stability and transparency of those markets. These three principles are indeed stressed in the draft directive, but the devil is in the detail. And the technical responses do not always measure up to the challenges.

To ensure market integrity, the regulator must be given the resources to access the order books of all trading platforms dealing in the securities under its jurisdiction. At present, price manipulation occurring on several platforms at once goes undetected and hence unpunished. Furthermore, the requirements applicable to platforms must be aligned at a high level. Unlike regulated markets, alternative platforms, known as multilateral trading facilities, are not currently required to supervise the trades they execute.

In terms of market stability, lessons need to be learned from the Wall Street "flash crash", in two areas:

- A uniform system of pan-European circuit breakers must be set up to prevent markets from spinning out of control.
- The mechanism envisaged by the Commission must be expanded by giving ESMA broader powers to regulate high-frequency trading more effectively (for example, as regards platforms' pricing or tick sizes). Limiting the spread of these trading techniques,

the benefits of which are dubious, will make our markets more stable and clearer for investors without jeopardising genuine liquidity.

The third key area is transparency. Business is gradually drifting away from transparent markets towards alternative trading methods that are more opaque and discretionary: to over-the-counter markets, to markets that offer less protection and are off-limits to retail investors. The draft directive proposes to create new platforms, “organised trading faculties”, having an intermediate level of regulatory supervision but the status of fully fledged platforms. While the creation of OTFs might enhance the transparency of derivatives trading, which currently takes place solely on OTC markets, it could, in its present form, have a negative impact on equity markets, which have traditionally been most transparent trading venues. Four measures are needed to improve the situation:

- The first measure is to promote thatall instruments with sufficient liquidity be traded on the most transparent and highly regulated platforms. The proposal for a directive introduces this requirement for derivatives but not for other asset classes.
- The second measure is to shed light on OTC trading, which we know little about at present, by introducing a marking requirement so that regulators can determine which transactions should not be opaque.
- The third measure is to strictly limit the notorious pre-trade transparency “waivers”, which have led to the emergence of dark pools.
- The fourth measure is to create a single, centralised repository in order to disseminate trading information to the public.

Thank you for your attention. I will be happy to answer any questions.