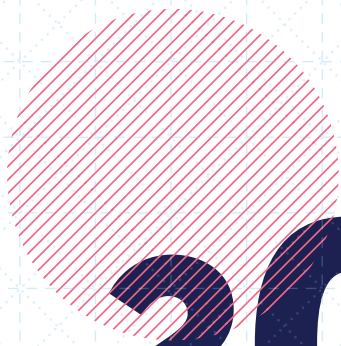
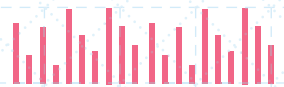




KEY ISSUES



2023



This report breaks with our custom of reviewing the previous year's events. Rather than reflect on what happened in 2022 –war on the European Union's borders, resurgent inflation, heightened geopolitical tensions threatening economic globalisation and multilateralism –we decided it would be more timely to look ahead to the coming months by examining the main issues that will shape the day-to-day activities of AMAFI and our members. Consequently our 2023 report is the first to be informed by this forward-looking approach, which, if experience is a guide, will need to be adjusted in response to unforeseen developments.

Three key areas are set to shape AMAFI's activities this year.

First, we will continue **to stress the vital national importance of a strong financial centre in Paris**. While Brexit was disappointing for the European Union as a whole, it has given fresh impetus to financial market activities in France. At a time when markets are called on to address multiple financing challenges, we must maintain and build on this momentum. Major issues such as population ageing, large-scale changes resulting from environmental transition, the drive to reduce inequalities and a renewed emphasis on sovereignty, must be addressed at the European level. But we all share an interest in ensuring that France plays a leading role, not only because of the skilled employment opportunities and value added that this will create for the country, but also because we want to build our capacity to shape the solutions to these challenges.

Our second key area is the need for continued work on the **operating framework for market activities**. European lawmakers are preparing a

slew of legislation. These new laws will not only address market structure through the ongoing MiFIR review and work on energy derivatives markets; they will also focus on making market listings more accessible – especially for mid caps – through the Listing Act, and on rolling out the Retail Investment Strategy to facilitate retail equity investment. Charting a clear strategic path through all these changes is critical. While it is obviously important to ensure that markets continue to meet the economy's financing needs, building a large integrated European market must not come at the expense of efficient and thriving local venues. Likewise, the changes required of market participants by regulations that are too often in flux must remain sustainable.

These issues are all the more important because the United Kingdom is mulling reforms to stimulate growth and boost the competitiveness of its financial sector, at a time when a more sovereign vision of the Union is gaining traction.

In addition to these two key areas, which are central to AMAFI's traditional activities, **a number of cross-cutting issues of sustainable finance** are coming to fore and informing many of the changes affecting market participants. We must continue to step up our involvement by being part of current discussions and offering input that recognises the challenges and seeks to identify the best solutions. To do so, we can draw on the expertise and pragmatism of AMAFI and our members.

All these questions, and the others explored in this report, will command AMAFI's attention over the coming months, under the leadership of our Board, assisted by the members of our committees and working groups.

Stéphane Giordano
Chairman



Stéphanie Hubert
Chief Executive

Markets that meet business needs

Competitiveness is the focus of major regulatory issues in 2023

AMAFI is gratified that the European Commission is paying closer attention to ways of making the European Union more competitive and attractive.

While the Commission has already taken concrete steps to promote the EU's open strategic autonomy in sensitive areas such as healthcare, defence and microchips, it has yet to show the same resolve in finance.

In the case of the Markets in Financial Instruments Regulation (MiFIR), which has a determining influence on market organization and whose review is scheduled to be completed in 2023, competitiveness and attractiveness are critical because the United Kingdom is openly determined to attract investors and issuers away from the Union. These same questions need to be central to the strategic reforms slated for 2023, including the Retail Investment Strategy and Listing Act.

Market structure – MiFIR

After agreement was reached on the MiFIR review at the late-2022 European Council meeting, negotiations should be wrapped up by the end of this year under Spain's presidency.

With this in mind, AMAFI is continuing to work on issues that it views as priorities, particularly:

▷ Introduction of a European consolidated tape

Member States have agreed to set up a post-trade consolidated tape (CT) for bonds and shares. But AMAFI continues to call for a pre-trade tape operating in virtually real time for equities. This is vital to the CT's commercial viability.

▷ Cost of market data

The surge in the cost of market data over recent years has affected the cost structure of firms and, by extension, the costs borne by end-investors. So while the proposal that market data be provided on a "reasonable commercial basis" is a step forward, more needs to be done to ensure that supplier prices and contracts are comparable.

▷ Equity and bond transparency

Changes to how these regimes are calibrated affect firms' ability to defer publication of the prices and volumes of trades they execute and hence their ability to meet the needs of customers and counterparties. Since the reforms planned by the London financial markets could potentially support a transfer of liquidity to the UK, AMAFI plans to lobby for ESMA to be able to respond quickly if that scenario arises.

▷ Derivatives trading obligation (DTO)

Given its adverse impact on the competitiveness of European firms, whose UK branches are subject to untenable dual UK/European obligations when dealing with non-European customers, AMAFI wants the DTO to be suspended before the MiFIR review is implemented because the timing is too uncertain.

Secure and resilient energy derivatives markets that benefit companies?

Russia's invasion of Ukraine put energy derivatives markets under severe pressure in 2022, which resulted in massive price spikes and extremely high margin calls.

Many companies found themselves in danger of insolvency, creating potential effects for the stability of the financial system. Although energy prices have since eased back, these episodes illustrated the need to think about buffer mechanisms.

The European Commission responded by introducing measures on the gas market to manage intraday volatility more effectively and set up a price-capping mechanism. AMAFI's Commodities Committee worked closely with the Treasury and the AMF to ensure that this mechanism was optimally calibrated. Since it is too early to measure the mechanism's actual effects, AMAFI will continue to track market developments in 2023.

EMIR Refit Reporting

Almost a decade after the European Market Infrastructure Regulation (EMIR) came into effect, the 2019 EMIR Refit overhauled the requirements for the entire over-the-counter derivatives processing chain in terms of clearing and risk management for contracts and the reporting and operating procedures of central counterparties and trade repositories. Level 2 provisions relating to disclosure obligations are currently being implemented and will be a focus for the EMIR Refit Reporting Group set up by AMAFI to review best practices and discuss potential issues with the authorities. Among the many topics to address are the new ISO 20022 format, the inclusion of 74 additional fields and the introduction of the Global Unique Transaction Identifier.

Financing the economy

Supporting mid caps

Making it easier for mid cap companies to access financial markets and helping them thrive on the stock market has long been a key action area for AMAFI.

Reflecting this are numerous initiatives to support liquidity contracts – adopted as an accepted market practice in 2018 – along with steps to support mid cap research, which resulted in AMAFI, the AFG, the SFAF and the AMF joining forces in June 2022 to publish a best-practice charter for sponsored research ([AMAFI/22-44](#)). By providing assurances of independence and objectivity, the charter offers a way to recognise research that is partially or entirely paid for by an issuer as genuine investment research under MiFID 2. This is a pivotal issue for listed mid caps, many of which would not otherwise enjoy any coverage, thus reducing the liquidity of investor-held securities. The charter has already been a success, with more than 200 sponsored research contracts registered by the end of 2022.

The challenge in 2023 is not only to keep this system working in France, notably through a sponsored research registry, but also to establish it as the benchmark for Europe. Efforts are well underway because the European Commission is proposing to introduce a similar mechanism under its Listing Act.

Encouraging retail investors to participate in capital markets

While Europe has one of the highest savings rates in the world, participation by retail investors in capital markets remains low, which is bad for the long-term financing of the economy.

To address this, European Commissioner Mairead McGuinness, whose term in office ends on 31 October 2024, is prioritising the Retail Investment Strategy (RIS) launched in September 2020 as part of the Commission's Capital Markets Union initiative.

Amendments to MiFID 2 are also set to be proposed in 2023, including an inducements ban that the Commission seems bent on imposing, arguing that European retail investors face excessively high product access costs because of inducement-based distribution models.

This matter is obviously of strategic importance to AMAFI, because a ban would be deeply disruptive to the value chain. This in turn would harm investors by restricting their access to investment advisory services ([AMAFI/22-01](#) and joint proposal put forward by several French associations [AMAFI/22-92](#)).

As the Commission considers a closer connection or merger of suitability and appropriateness obligations, AMAFI will work to ensure that investment advice and do-it-yourself investing are maintained as two separate marketing approaches ([AMAFI/22-19](#) and [AMAFI/22-59](#)).

AMAFI will continue to offer proposals for the RIS to the Commission ([AMAFI/22-92](#)), while enlisting the support of its sister organisations and talking partners within the Union ([AMAFI/22-78](#)), particularly as a member of the European Forum of Securities Associations.

Listing Act – facilitating market access

The European Commission's proposal for a Listing Act, published in December 2022, aims to make it easier for companies, especially mid caps, to access capital markets by streamlining the requirements for listing.

While some of the proposed measures are in line with what AMAFI has called for ([AMAFI/22-12](#)), including the reduction from six to three days of the offering period between publication of the prospectus and the close of an IPO, other aspects still need to be championed. AMAFI will actively follow the coming discussions, keeping a close eye on such issues as investor disclosure standards and the role of research. The aim in every case is to make sure that markets can provide issuers with the financing they need at a lower capital cost.

Key questions include the threshold below which companies are exempt from the prospectus requirement and the transposition in France of the future EU directive on multiple voting rights, which will establish new, harmonised rules. Market abuse will be another important area, particularly the obligation for issuers to report ex ante their decision to defer publication of inside information.

Promoting financial literacy

Responding to low levels of retail participation in financial markets, the European Commission and the Organization for Economic Co-operation and Development have been working together since 2021 to promote financial literacy. This is a critical challenge, which AMAFI shares.

Since 2020 AMAFI has conducted educational initiatives for young people, with the dual goal of promoting financial markets and showcasing the careers on offer in the industry. Much of this work is done through vocational training initiatives organised by the financial market industry, for which AMAFI is the employer-representative organisation.

In addition to attending events to inform high school and university students about the sector, in 2023 AMAFI will further expand its two video series:

- ▶ **Le Professeur Spot** will continue to unpick the role of the markets in the economy, exploring their history and their contribution to sustainable finance,
- ▶ **Testimonials** from our membership will be expanded and paired with a brochure on careers in financial markets, created in 2022 and comprising 28 individual fact sheets describing different jobs in the industry. These materials will be covered in a communications campaign targeting career counsellors in the national education system.

Sustainable finance put to the test

With several pieces of the regulatory jigsaw for sustainable finance taking effect recently and others becoming applicable in 2023, AMAFI will continue to support members.

Many questions are still outstanding, since these new rules form a framework that is not yet fully defined or that relies on currently unavailable data. AMAFI's role is not merely to explain these rules, but also to push for overall consistency.

In this capacity, AMAFI will continue issuing proposals to ensure that anti-greenwashing initiatives, whether adopted by ESMA ([AMAFI/23-03](#)) or by national authorities, really do target abusive practices while clarifying the expectations placed on firms.

Discussions launched in 2021 on the role of derivatives and sustainable finance are set to continue. Focus areas will include the sustainability taxonomy ([AMAFI/22-37](#)) and Environmental, Social and Governance (ESG) structured products, for which AMAFI and AFPDB are developing a stringent industry standard.

Several AMAFI committees also wish to contribute to the implementation of legal instruments that introduce demanding requirements, at a time when the market is still in its infancy and investors are just starting to get to grips with the new concepts covered by these rules. These requirements include the new MiFID 2 obligations on customer sustainability preferences ([AMAFI/22-29](#)), product governance ([AMAFI/22-69](#)) and the formats of reports required under Article 29 of France's Energy and Climate Act ([AMAFI/22-91](#)).

In addition, AMAFI will continue to monitor developments in the European regulatory framework, which are once again expected to be numerous.

Helping companies to address tax-related challenges

Reforms introducing cross-the-board e-invoicing for VAT-liable transactions and e-reporting requirements will come into force on 1 July 2024.

From 2024 onwards, market operators executing banking and financial transactions liable for French VAT and/or receiving taxable services will be required to issue and receive invoices electronically and submit data on certain transactions, such as international B2B and B2C trades, to the tax authorities. AMAFI will assist members in order to resolve any operational difficulties that arise, including questions about handling banking and financial documents that are equivalent to invoices and addressing certain specific use cases. AMAFI is working with the Directorate General for Public Finances and several other industry associations to this end.

In addition, using its proprietary Savings Tax Barometer, AMAFI continues to regularly assess the attractiveness of France's capital taxation rules for business financing. Whereas France used to have one of the world's most complex and cumbersome savings taxation systems, it now has simple and clear arrangements based on a single flat-rate levy and a corporate income tax rate that is close to the European average. The next set of Barometer readings will show whether, after five years, the budgetary impact of this reform, combined with the steady reduction in the corporate taxation rate, has been positive. Insofar as the current system meets the needs expressed by retail investors, while actively helping to steer savings towards stable and sustainable business financing and without interfering with budget balances, it is important to preserve the advances gained through this reform. For this reason, AMAFI will keep working to promote a stable system.

VAT treatment of fees and remuneration earned by investment services providers

Legislative, regulatory and case-law developments in financial intermediation activities and their complex VAT treatment are of major importance for financial market participants. To offer them a handy VAT treatment guide, dedicated AMAFI working groups will draw up in 2023 a summary list of the fees and remuneration earned by investment services providers, paired with an analysis of their VAT treatment.

Monitoring developments in digital assets

AMAFI is keenly aware of the potential opportunities opened up by digital finance but also of the need to control the associated risks. For that reason, it is pleased with the work done by the European Commission since late 2020 through its digital finance package, comprising a digital financing strategy and legislative proposals for crypto-assets, (MiCA and the pilot regime) as well as the Digital Operational Resilience Act.

AMAFI intends to continue providing input to the current discussions on these instruments and to international conversations more broadly.

Prudential treatment of crypto-assets

In 2022 AMAFI reiterated the need for the Basel Committee's discussions on the prudential treatment of crypto-assets to incorporate European work in this area; it also called for participants to be allowed sufficient flexibility to experiment ([AMAFI/22-68](#)). As Basel Committee work continues and is implemented in Europe, AMAFI will continue to stress the need for proportionate regulations that do not put regulated participants at a disadvantage compared to emerging and unregulated players.

Pilot regime

AMAFI will continue to be involved in implementing the European Commission's pilot regime, which came into force in 2022. The new rules allow market infrastructure operators and new entrants to use distributed ledger technology to operate a multilateral trading system or tokenised securities settlement system. After focusing on settlement assets, especially the cash side of the settlement and delivery of digital financial instruments ([AMAFI/22-60](#)), AMAFI will continue to pay close attention in 2023 to trials by authorities involving central bank digital currencies.

MiCA

The Markets in Crypto-Assets (MiCA) harmonised framework governing the issuance and trading of crypto-assets is set to be implemented in 2023. Digital asset services providers will be required to hold a licence instead of being registered.



www.amafi.fr



 L'info AMAFI



 @AMAFI_FR

 LinkedIn



ASSOCIATION
FRANÇAISE
DES MARCHÉS
FINANCIERS

13, rue Auber, 75009 Paris
+ 33 1 5383-0070 | email : info@amafi.fr | www.amafi.fr

All public-access documents referenced in this report are available at www.amafi.fr
The other documents are for AMAFI members only.