




2011
Annual report



The annual report reviews the activity of the Authority and its departments and provides information about its budget (dues paid to cover supervision and other main items of expenditure). It also presents noteworthy developments in terms of authorisations and restructurings of existing firms, arranged by banking and insurance sector, during the year under review.

A statistical section will be added in September-October 2012, allowing for current constraints in production of statistics.

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Editorial of Christian Noyer

ACP Chairman
and Governor of the *Banque de France*

Amid a global economic slowdown, French banks and insurers reported positive earnings and satisfactory solvency.

In 2011, the top 5 French banking groups¹ generated a total of €14 billion in net income attributable to equity holders of the parent, compared with €21.9 billion in 2010, a decline of 36%. However, these results are still 21% higher than the €11.6 billion reported in 2009, a year of buoyant recovery in the aftermath of the 2008 crisis (€6.1 billion).

Income was slightly lower overall, but income from retail banking in France remained robust. The cost of risk rose sharply, notably because the provisioning rate for total holdings of Greek sovereign debt reached 70%-75%.

Corporate and investment banking performed less well in 2011 because the continued decline in the cost of risk failed to offset a sharp contraction in business volumes, causing pre-tax earnings from this activity to plummet 46.8% compared with 2010.

The main listed insurance undertakings operating in the French market² also reported a steep year-on-year decline in attributable net income (excluding exceptional items, which were substantial in the case of one group). Turnover fell by between 2% and 7% depending on the group, mainly because of a weaker performance in life insurance, and the

group share of consolidated net income was down between 17% to 50% (although one group reported substantial disposal gains that made up for the fall in ordinary income).

These outcomes are due chiefly to an unfavourable financial climate, reflected in volatile and bearish markets, low interest rates and provisions on Greek sovereign debt.

Net life insurance inflows were positive for the year as a whole but sharply lower than in 2010, and this weighed heavily on insurers' premium income. Turnover from life business for the main institutions active in the domestic market was down between 6% and 21% depending on the group. In non-life, the groups' turnover was higher than in 2010 while their combined ratios were lower owing to a lower loss experience in France.

Despite these weaker results, however, the main participants in the French financial markets maintained a satisfactory level of solvency.

All the groups posted Core Tier 1 capital ratios in excess of 9%, mainly because they transferred a substantial portion of profits to reserves and lowered their risk-weighted assets. This confirms their ability to reach the targets set on 30 June 2012 by the European Banking Authority and to attain the objectives they set themselves in the run-up to the Basel III prudential standards.

¹ BNP PARIBAS, SOCIÉTÉ GÉNÉRALE, GROUPE CRÉDIT AGRICOLE, BPCE, GROUPE CRÉDIT MUTUEL.
² AXA, CNP, GENERALI, ALLIANZ.



On the whole, coverage of the solvency margin (including unrealised capital gains) is higher than the regulatory minimum, although there are marked differences from one insurance group to another.

Maintaining a robust financial sector was a focal point of the ACP's action in 2011 in keeping with its strategic guidelines of sector financial stability, preparation for new prudential international standards and consumer protection.

Firstly, the ACP paid particular attention to ensuring that credit institutions and insurance undertakings were able to cope with prevailing macroeconomic conditions. As part of its supervisory activities, it took account of two of 2011's main events: on the one hand, mounting stress in the interbank market and strong pressures on French banks in the latter part of the year, and, on the other hand, the emergence of sovereign risk in the euro area. The ACP sharply increased its surveillance of banking groups' liquidity and their implementation of plans to adjust to the new economic and financial environment.

To measure ongoing trends more effectively, the ACP bolstered its resources for analysing sector-specific and cross-sector risks. It focused in particular on the key aspects of financing the real economy by monitoring home lending conditions more extensively. An initial analysis revealed a tendency toward greater caution, with a reduction in average loan amounts, stable initial terms and a decline in the loan-to-income ratio. However, the ACP will be watching closely to see whether these trends gain traction in 2012.

In the insurance sector, weekly surveillance of inflows and surrenders in the life segment made it possible to monitor and analyse the net outflow that emerged at

the end of summer 2011. That analysis contributed to a better understanding of household savings patterns during a period when the ACP was carefully scrutinising competition in deposit-taking. While the savings rate reached all-time highs in 2011, topping 17% in the second and third quarters, households chose their investments more warily and opted for the most liquid products. It remains to be seen whether this trend will continue in 2012 and to gauge the impact on the financial position and liquidity of banks and insurance undertakings.

Secondly, the ACP saw to it that credit institutions and insurance undertakings took the measures needed to adapt to far-reaching changes in prudential rules.

In 2011, after a fifth impact study, the insurance industry stepped up efforts to prepare for the Solvency II directive. The ACP supported these efforts by maintaining close contacts with the institutions under its supervision. It organised conferences, drafted a questionnaire on market preparedness, and organised discussions, interviews and visits. In addition, through on-site inspections and off-site supervision, the Authority's staff oversaw the pre-application process for institutions wanting to use internal models to calculate their regulatory capital requirements. In this respect, the ACP was able to rely on its staff's solid expertise in actuarial and accounting matters. In the banking sector, it held regular situational reviews with French banks on implementation of Basel III and preparations for new liquidity regulations.

Internationally, the ACP played an active part in preparing one of the major decisions of the G-20 under the French Presidency, namely identifying 29 banks considered to be systemically important. Four of these groups are French (BPCE, BNP PARIBAS, CRÉDIT AGRICOLE and SOCIÉTÉ GÉNÉRALE). In the coming months, this facet of the reform will be

rounded out by work undertaken with all 29 groups to draw up recovery and resolution plans. In the insurance sector, the International Association of Insurance Supervisors (IAIS) is preparing the methodology for identifying systemically important insurance groups. The ACP is actively contributing to the IAIS's work to ensure that the specific characteristics of insurance activities are given due consideration.

Thirdly, the ACP successfully deployed its activities in the area of customer protection in 2011.

The action taken by the ACP has consolidated public confidence in the financial system. The number of inspections of credit institutions', insurance undertakings' and their intermediaries' business practices was increased. Three priorities for on-site inspection in 2011 were complaints handling, internal control systems and a formalised duty to provide advice. Inspection arrangements and methods were expanded. The ACP now asks credit institutions and insurance undertakings to provide information *via* a special annex to their internal control report about their business practices and the organisational measures taken to comply with customer protection rules. The ACP has also adopted a methodology for monitoring advertising and the contracts that enable it to analyse promotional materials. Through a survey of more than 300 institutions, the ACP checked that members of the French Banking Federation were abiding by their commitments to encourage banking mobility. Furthermore, to extend its local reach, the ACP works with the *Banque de France* network. Thus in 2011, the Lille, Lyon and Toulouse branches of the network were called in to inspect insurance intermediaries in their respective regions. Taken together, these initiatives made it possible to identify best practices for the marketing of banking and

insurance products. In particular, the ACP published five recommendations on customer protection in 2011. These major strategic directions have an undeniable impact on consumer confidence and will be taken forward in 2012.

2012 will be a year of challenges to lay the foundations for a sustained return to growth

While continuing to finance economic activity in 2012, banks must pursue their efforts to keep a firm grip on risks so that they can closely monitor changes in the quality of their commitments and in their risk-related costs.

For the past three years and more, the crisis has highlighted the need for a strong prudential supervision authority. Formed in 2010, the ACP demonstrated in 2011 that it was fully operational, amid a period of upsets. Its action is essential to ensure that the financial sector remains in good health and that depositors are properly protected.

Interview with Danièle Nouy

ACP Secretary General

What achievements should be highlighted, two years after the ACP came into existence?

First, the ACP has to be transparent and accountable. These values are important for all public authorities and particularly so for supervisory authorities. It is critical that everyone should know how we work, what we do and how we do it. Of course, the details of individual cases cannot be disclosed, except those handled by the Sanctions Committee, which makes its sanctions public. Yet the credibility of the ACP hinges on explaining its objectives and priorities and the outcomes of its action. Genuine efforts have been made to communicate since the founding of the ACP and they must be continued. This annual report is part of that effort. More specifically, it explains the ACP's activities during the previous year. We have taken care to be precise and to quantify our activities as far as possible. The figures speak for themselves. For example, the ACP College made more than 570 decisions on general issues and individual cases; more than 900 licensing and authorisation applications and senior management appointments were examined; the risk profiles of nearly 1,200 institutions were subjected to in-depth analysis; 286 on-site inspections were carried out; 4,000 written questions from consumers were dealt with; and ACP staff attended the meetings of nearly 200 European

and international working groups. Such is the day-to-day activity of the ACP General Secretariat.

The *quid pro quo* of the ACP's independence is transparency and rigour, which guide its every action. For that reason I wanted to introduce a comprehensive management control programme to ensure that we had the necessary oversight instruments. This was accomplished at the end of 2011. Furthermore, the ACP Chairman charged the Audit Committee with implementing performance indicators, as recommended by Parliament. Those indicators are published in this report. It should also be remembered that the ACP itself is the subject of various external assessments. It has been placed under the supervision of Parliament and the *Cour des comptes* (Court of Auditors). As part of its responsibility for assessing supervision of the French financial sector, the IMF is looking at how the ACP applies international supervisory standards, and the *Banque de France* audit unit has been auditing the ACP General Secretariat since the end of 2011. The law also provides for an external assessment of the ACP's action in 2013.

The second imperative consists in ensuring that the ACP has the resources it needs in order to act and, more specifically, that it has the capacity to respond to unexpected events. In 2011, the priority for strengthening the ACP's resources was to grow our staff. We needed more



technical skills in certain supervisory areas. We also had to recruit legal and IT staff, specialists in business practices, and so on. This intensive recruiting drive, along with a comparable effort to train and induct new recruits, boosted the ACP's capacity for action. Our staffing target is nearly 1,150 for the end of 2012, compared with 1,008 at the end of 2011.

But the ACP is already operating smoothly. It has top quality resources that enable it to fulfil all its responsibilities for prudential supervision, as well as oversight of business practices, while playing an active role in developing international regulations, as the figures above show.

What were the priorities for 2011?

1. The key issues in 2011 were the euro area sovereign debt crisis and changes in prudential standards.

Fears about financial institutions' exposure to some euro area governments sparked major turbulence on financial

markets starting in summer 2011. Against this backdrop of severe tension, particularly with regard to bank refinancing, the ACP management and staff worked hard to step up the supervision of potential areas of weakness in banks under stress. Credit institutions' liquidity came under close scrutiny, as did banks' efforts to build up their capital and strengthen their solvency. In insurance, the changing pattern of inflows in the life segment also came under close scrutiny. The ACP also participated in two stress-testing exercises for banks and insurance companies under the authority of the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA), as well as in the EBA's exercise to strengthen the capital of 90 European banks in the fourth quarter of 2011.

The ACP also worked on preparations for implementing new regulations. In the banking sector, the transposition of CRD 3 was a preliminary response (pending CRD 4) to the financial crisis that started in mid-2007. In the insurance sector,

the ACP's questionnaire on market preparedness for the Solvency II Directive delivered a wealth of information. The ACP worked closely with the industry on the Pillar 3 aspects of Solvency II to prepare the market to provide supervisors with more information. An educational effort is particularly critical in the run-up to reforms that require both the ACP and insurers to make painstaking preparations for the radical changes that lie ahead in prudential regulations.

The Financial Action Task Force's very favourable assessment of France's efforts to combat money laundering and terrorist financing underlines the strong involvement of the ACP in prevention. Our success in this area relies on highly effective prevention through supervision – based on regular contacts between the ACP and institutions – and is underpinned by frequent training seminars and conferences.

The ACP has made an active contribution to developing and defending France's positions on customer protection, and on other issues, at the international level (OECD High-Level Principles on Financial Consumer Protection) and at the European level (EIOPA Committee on Consumer Protection chaired by the ACP). In France, the ACP issued a large number of recommendations on matters such as credit institutions' management of trustee accounts for joint ownerships, advertising for unit-linked insurance plans based on bonds and other debt securities, the marketing of life insurance policies linked to funeral payment plans, and complaints handling. Further, its work on banking mobility was published in a report. The ACP also built up its supervision capacity, especially for intermediaries, and market surveillance capability (monitoring of advertising, etc.)

With Solvency II, the ACP will have to develop new computerised reporting tools. In the banking area, implementation of the EBA's reporting system, conducted by the ACP and the *Banque de France*, underlined the good performance of the ACP's information systems.

2. What were the main operational projects in recent months?

The conclusion of the integration offer, which saw 91 contract employees and 12 seconded civil servants from ACAM, the former insurance supervisory authority, join the *Banque de France* staff, completed a major step in the merger process. The process ended on 1 March 2012 when the insurance auditors were incorporated by decree into the *Corps de Mines*, one of the major technical corps of the French State.

The second major organisational issue was the introduction of a modern system of management by objectives, the only way to involve the whole structure in the ACP's operation. In addition to looking after day-to-day operations, the Authority needs the wherewithal to ensure its own internal control. This explains the aforementioned decision to bring in management control and performance indicators. These indicators are designed to measure the effectiveness of the ACP's action with regard to its statutory objectives: maintaining the stability of the financial system and protecting the customers of the institutions under its supervision. As a newly formed authority financed by the dues paid by reporting institutions, the ACP needed to be able to measure its ability to discharge its duties while using its resources efficiently. The indicators selected are linked with management control to make the new system fully operational.

The ACP's organisational structure includes a Research Directorate. The ACP's capacity for macroprudential analysis had to be strengthened so that it can play its full role in international bodies and make the requisite contribution to preventing systemic risk, both in Europe and internationally.

What are the main plans for 2012?

Faced with the current economic and financial uncertainty, the ACP needs to remain constantly watchful. This involves fast and frequent contact with reporting institutions and requests for information with quick response and dealing times. It also involves closer cooperation with foreign supervisors. Our teams' strong involvement will allow us to continue monitoring all banks and insurers very closely, through ongoing supervision as well as on-site inspections.

Playing a leading role in financial system regulation will require further major contributions to evolving prudential standards under Basel III-CRD 4 and Solvency II. The European Systemic Risk Board is an important venue for strengthening our position in Europe's supervisory architecture, as are our contributions at the meetings of EIOPA and the EBA. We also need to make sure that institutions take effective action to prepare for implementation of new regulations. This is particularly the case for insurers, which need to maintain their efforts to get ready for Solvency II, despite the delayed schedule. At the same time as it finalises the Level 2 measures, the ACP will continue working with the industry to approve internal models and contributing to discussions on Level 3 measures.

Last but not least is the duty to protect customers. We have come a long way since

the ACP was founded, but our system for monitoring business practices needs to be further enhanced. Once again, the keys to success are pooling knowledge and enhancing shared skills. The ACP must prove itself capable of fostering sound marketing practices without hindering financial innovation. This innovation must be managed and adapted to each customer category. Transparency must be more than a concept; it must be seen as a requirement and a reality. The ACP is determined to support the industry in this approach. Largely as a result of the crisis, the need to protect consumers has grown stronger over the years.

To accomplish these objectives, the ACP will continue its effort to recruit the necessary skills and to train and integrate its new staff so that it can fulfil its duties.



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CHAPTER 1

Statutory objectives, organisation and powers

The *Autorité de contrôle prudentiel* (ACP) was formed on 9 March 2010¹ as the body responsible for supervising the banking and insurance sectors in France. It had its first full year of activity in 2011.

The Authority's main duty is to maintain financial stability and to provide protection for banks' customers and for insurance policyholders and beneficiaries. The ACP also represents France for matters within its jurisdiction in Europe as well as in international negotiations.

The ACP is an independent administrative authority attached to the *Banque de France* and funded by contributions from reporting entities. The General Secretariat has all the skills needed for the Authority to carry out its duties. Its staff of 1,008² makes every effort to ensure that the French supervisory framework is effective and serves the public interest.

¹ The ACP was formed from the merger of the licensing authorities (*Comité des établissements de crédit et des entreprises d'investissement*, CECEI, et *Comité des entreprises d'assurance*, CEA) and supervisory authorities for the banking and insurance sectors (*Commission bancaire*, *Autorité de contrôle des assurances et des mutuelles* - ACAM).

² Effective end-December 2011.

1

Statutory objectives

1.1 Statutory objectives of the ACP

The statutory objectives of the ACP are set out in Article L. 612-1 of the Monetary and Financial Code:

“The Autorité de contrôle prudentiel is an independent administrative authority charged with preserving the stability of the financial system and protecting the customers, insurance policyholders, members and beneficiaries of the persons that it supervises”.

The ACP is responsible for issuing licenses and authorisations to reporting institutions, in accordance with legal and regulatory requirements. In addition, it conducts ongoing supervision of the financial position and operating conditions of the institutions referred to by law, especially as regards the solvency requirements and liquidity maintenance rules governing their business. The Authority also ensures that insurance institutions are able at all times to honour their commitments to their policyholders, members, beneficiaries or companies holding reinsurance, and that they actually do so in practice.

Regarding the specific task of customer protection, the ACP makes sure that reporting institutions comply not only with laws and regulations but also with the codes of conduct approved at the request of professional associations or

with industry best practices that the Authority either observes or recommends. It also checks that they have adequate resources and appropriate procedures to comply with these rules. For this statutory objective, it cooperates with the *Autorité des marchés financiers* (AMF) through an entity, the Joint Unit, common to both institutions.

Cooperating closely with the *Banque de France* and relevant government agencies, the ACP represents France in the international and European bodies responsible for supervising the insurance and banking industries. Since the bulk of regulation is derived from supranational standards, the ACP takes part in the international dialogue on these issues and submits proposals regarding the areas under its jurisdiction. It thus contributes to achieving the goal of financial stability in Europe and to bringing national and European supervisory practices more closely into line.

REGULAR INITIATIVES TO INFORM THE MARKET

The ACP informs reporting institutions about its activities on a regular basis through several media.

- A two-monthly review, *La Revue de l’Autorité de contrôle prudentiel*, deals with the activities of the ACP College and the latest news and developments in financial regulation. It is widely disseminated to market professionals.
- The ACP’s research is published in a review titled *Analyses et Synthèses*.

The ACP also organises conferences to reach out to the market. Banking and insurance professionals are

invited to these events, which encourage dialogue and information exchange between the ACP and reporting institutions.

Two conferences were organised in Paris in 2011:

- 27 April 2011 at *La Maison de la Chimie*, on Solvency II, chaired by ACP Chairman Christian Noyer, and in the presence of Gabriel Bernardino, Chairman of the European Insurance and Occupational Pensions Authority (EIOPA);
- 7 October 2011, at *Palais Brongniart*, chaired by ACP Vice-Chairman Jean-Philippe Thierry, on

supervision of marketing practices for banking and insurance products, and Pillar 3 of Solvency II.

Another highlight of 2011 was the overhaul of the ACP website at www.acp.banque-france.fr. The new site is more practical, reflecting the ACP’s organisation and statutory objectives. It also provides easier access to relevant information for each user category (banks, insurers, intermediaries, individuals, journalists, etc.).

1.2 Jurisdiction

The ACP’s supervision focuses on compliance with the provisions of the Monetary and Financial Code, the Insurance Code, Book IX of the Social Security Code, the Mutual Insurance Code, and Book III of the Consumer Code. It can also punish infringements of these provisions, as well as breaches of any other legislative and regulatory provisions.

Article L. 612-2 of the Monetary and Financial Code stipulates which entities report to the ACP.

In the banking sector, payment services and investment services:

- 1) credit institutions;
- 2) investment firms other than portfolio management companies, as well as members of the regulated market, clearing house members, entities authorised to act as custodians or administrators of financial instruments

(referred to in 4° and 5° of Article L. 542-1 of the Monetary and Financial Code);

- 3) payment institutions;
- 4) financial holding companies and mixed financial holding companies;
- 5) money changers;
- 6) the bodies referred to in Article L. 511-6(5) of the Monetary and Financial Code (microcredit associations and foundations);
- 7) the legal entities referred to in Article L. 313-21-1 of the Monetary and Financial Code (companies selected to contribute to the creation of activities or the development of employment under a government contract).

The ACP may also extend its supervision to intermediaries involved in banking transactions and payment services.

The Authority supervises the investment services supplied by the entities referred to in paragraphs 1) and 2), subject to the powers of the AMF with regard to the supervision of best practice rules and other professional obligations.

For the purposes of supervising the entities referred to in 3), the ACP may request the opinion of the *Banque de France* as part of its duty to supervise the correct and secure functioning of payment systems, pursuant to Section I of Article L. 141-4 of the Monetary and Financial Code. The *Banque de France* may bring any and all information to the ACP's attention for this purpose.

In the insurance sector

- 1) Insurance companies providing the direct insurance referred to in Article L. 310-1 of the Insurance Code;
- 2) Companies with their head offices located in France that engage in the reinsurance business;
- 3) Mutual insurance companies and unions governed by Book II of the Mutual Insurance Code, unions managing the federal guarantee systems and the mutual insurance holding companies referred to in Article L. 111-4-2 of that code;
- 4) The mutual insurance companies and unions referred to in Book I that manage mutual insurance payments and contracts on behalf of the mutual insurance companies and unions referred to in Book II, for the purposes of Title VI of Book V of the Monetary and Financial Code (obligations concerning anti-money laundering, counter-terrorist financing, and prohibited lotteries, gaming and betting);

- 5) Provident institutions, unions and groups governed by Title III of Book IX of the Social Security Code;
- 6) Group insurance companies and mixed group insurance companies referred to in Article L. 322-1-2 of the Insurance Code;
- 7) The universal guarantee fund for rental risks referred to in Article L. 313-20 of the Construction and Habitat Code;
- 8) Securitisation vehicles that entail insurance risks, referred to in Article L. 310-1-2 of the Insurance Code;
- 9) All the aforementioned entities operating in France under the right of establishment or the freedom to provide services, as regards compliance with the provisions applicable to them.

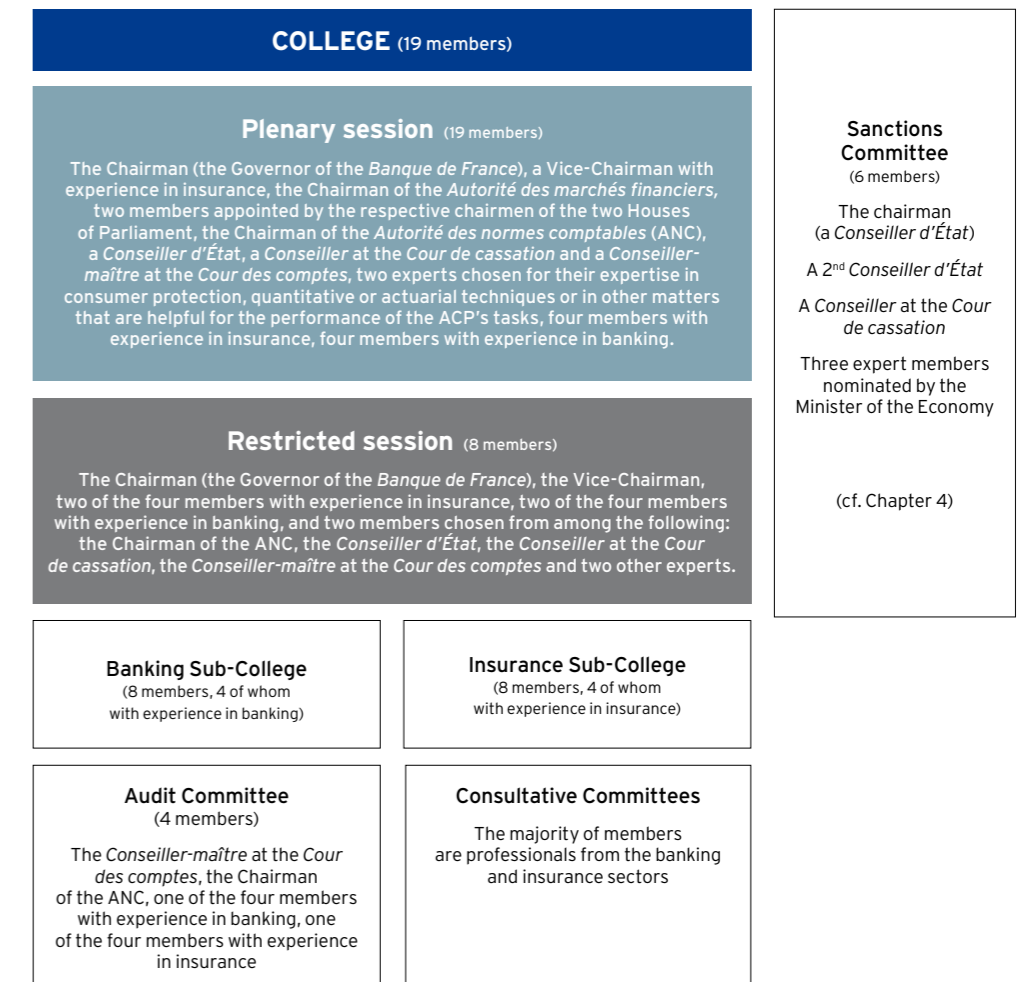
The ACP may also extend its supervision to:

- any entity that has received a subscription or management mandate from an undertaking engaging in insurance transactions;
- any entity taking out a group insurance policy;
- any entity acting as an insurance or reinsurance intermediary in any way whatsoever;
- any entity that intervenes directly or indirectly between a body referred to in 3) or 4) and an entity wishing to join or belonging to said body.

2

Organisation of the ACP

The ACP is organised in a way that reflects its status as an independent administrative authority spanning both the banking and the insurance sectors. The organisational structure meets several essential requirements, including independence, collegial governance, the presence of the various skills the Authority needs to fulfil its statutory objectives, as well as effective, responsive and consistent decision-making.



* NB: This organisational structure was presented in detail in the ACP's 2010 annual report (cf. page 19).

The ACP College



First row, from left to right :

Hélène Rey, Hervé de Villeroché (General Directorate of Treasury), Jean-Philippe Thierry, Vice-charman of the ACP, Danièle Nouy, Secretary General of the ACP, Christian Noyer, Chairman of the ACP, Anne Le Lorier, First Deputy Governor of the *Banque de France*, Robert Ophèle, Second Deputy Governor of the *Banque de France*, Monique Millot-Pernin, Lucien Uzan, Jean-Philippe Vachia.

Second row, from left to right :

Cyril Roux, First Deputy Secretary General of the ACP, Jean-Marie Levaux, Philippe Mathouillet, Jérôme Haas, Olivier Fouquet, Christian Poirier, Francis Assié, Jean-Pierre Jouyet.

Back row, from left to right :

Dominique Thiry, Emmanuel Constans, Thierry Coste, Philippe Auberger, Dominique Hoenn.

Membership of the various bodies of the ACP College

Plenary session (19 members)	Restricted session (8 members)
<p>Chairman: 01 Christian Noyer 02 or Robert Ophèle</p> <p>A Vice-Chairman with professional experience in insurance matters, appointed by the ministers in charge of the economy, social security and mutual insurance: 03 Jean-Philippe Thierry, Vice-Chairman of the ACP.</p> <p>The other members of the ACP College are: 04 Jean-Pierre Jouyet, Chairman of the AMF</p> <p>05 Philippe Auberger appointed by the Chairman of the National Assembly</p> <p>06 Monique Millot-Pernin, appointed by the President of the Senate</p> <p>07 Jérôme Haas, Chairman of the <i>Autorité des normes comptables</i> (Accounting Standards Authority)</p> <p>Appointed following proposal from the Vice-Chairman of the <i>Conseil d'État</i>: 08 Olivier Fouquet, <i>conseiller d'État</i></p>	<p>Chairman: Christian Noyer or Robert Ophèle</p> <p>Vice-Chairman: Jean-Philippe Thierry</p> <p>Chairman of the <i>Autorité des normes comptables</i>: Jérôme Haas</p> <p><i>Conseiller</i> at the <i>Cour des comptes</i>: Jean-Philippe Vachia</p> <p>Members chosen for their expertise in banking: Thierry Coste Dominique Hoenn</p> <p>Members chosen for their expertise in insurance: Philippe Mathouillet Dominique Thiry</p>
<p>Appointed following proposal from the Chairman of the <i>Cour de cassation</i>: 09 Francis Assié, <i>conseiller</i></p> <p>Appointed following proposal from the Chairman of the <i>Cour des comptes</i>: 10 Jean-Philippe Vachia, <i>Conseiller maître</i> (senior auditor)</p> <p>Appointed for their expertise in customer protection or quantitative or actuarial techniques or in other matters that are helpful for the performance of the Authority's statutory objectives: 11 Emmanuel Constans 12 Hélène Rey</p> <p>Appointed for their expertise in insurance, mutual insurance, provident institutions and reinsurance: 13 Jean-Marie Levaux 14 Philippe Mathouillet 15 Dominique Thiry 16 Lucien Uzan</p> <p>Appointed for their expertise in banking transactions, payment services and investment services: 17 Thierry Coste 18 Dominique Hoenn François Lemasson 19 Christian Poirier</p>	<p>Chairman: Jean-Philippe Thierry</p> <p>The Governor or Deputy-Governor of the <i>Banque de France</i>: Christian Noyer or Robert Ophèle</p> <p><i>Conseiller</i> at the <i>Cour de cassation</i>: Francis Assié</p> <p><i>Conseiller</i> at the <i>Cour des comptes</i>: Jean-Philippe Vachia</p> <p>Members chosen for their expertise in insurance: Jean-Marie Levaux Philippe Mathouillet Dominique Thiry Lucien Uzan</p>
<p>Banking Sub-College (8 members, 4 of whom with experience in banking)</p>	<p>Insurance Sub-College (8 members, 4 of whom with experience in insurance)</p>
<p>Chairman: Christian Noyer or Robert Ophèle</p> <p>Vice-Chairman: Jean-Philippe Thierry</p> <p><i>Conseiller d'État</i>: Olivier Fouquet</p> <p>Expert member: Emmanuel Constans</p> <p>Members chosen for their expertise in banking: Thierry Coste Dominique Hoenn François Lemasson Christian Poirier</p>	<p>Chairman: Jean-Philippe Thierry</p> <p>The Governor or Deputy-Governor of the <i>Banque de France</i>: Christian Noyer or Robert Ophèle</p> <p><i>Conseiller</i> at the <i>Cour de cassation</i>: Francis Assié</p> <p><i>Conseiller</i> at the <i>Cour des comptes</i>: Jean-Philippe Vachia</p> <p>Members chosen for their expertise in insurance: Jean-Marie Levaux Philippe Mathouillet Dominique Thiry Lucien Uzan</p>

Furthermore the Director General of the Treasury or his or her representative sits on all of the bodies of the College, and the Director of the Social Security administration, or his or her representative, sits on the Insurance Sub-College or other sessions when they deal with the entities governed by the Mutual Insurance Code or the Social Security Code. They do not have a vote, but they are entitled to ask for matters to be deliberated a second time.

2.1 The ACP College

The Board has 19 members and is chaired by Christian Noyer, Governor of the *Banque de France*. It has several configurations depending on the topics and issues it is addressing.

- **The plenary session** of the College deals with general supervisory and financial stability issues, along with general issues affecting the authority's operations, e.g. setting supervisory priorities, voting on the budget and establishing organisational and operating principles.
- **Two Sub-Colleges**, one for banking, the other for insurance, have jurisdiction over individual matters and general issues relating to the respective sectors.

The Banking Sub-College can meet in a Monegasque configuration when issues specific to the Principality of Monaco are being discussed. In this case, Monaco is represented by Isabelle Rosabrunetto, the Principality's Director of the Budget and Treasury.

- **A restricted session of the College**, composed of eight members, deals with individual issues having a material impact on the two sectors or on financial stability as a whole, as well as matters relating to the supervision of financial conglomerates.

Jean Paul Redouin, first Deputy-Governor of the *Banque de France*, chaired the restricted session of the College and the Banking Sub-College as a representative of the ACP Chairman, from the creation of the Authority until 31 December 2011. He was replaced on 4 January 2012 by Robert Ophèle, second Deputy-Governor of the *Banque de France*.

2.2 The Sanctions Committee

The objective of the ACP Sanctions Committee is to punish breaches of laws and regulations applicable to reporting institutions. The membership and activities

of the committee are discussed in detail in Chapter 4.

2.3 The Audit Committee

In accordance with its internal procedures, the ACP has also formed an Audit Committee to make sure that its resources are properly used. The committee acts as a consultative body, giving a prior opinion especially on:

- the ACP's preliminary budget before it is adopted by the College,
- the budget outturn report for the previous year, which sets out all the ACP's income and expenses for the period and analyses the rebilling of resources

and services sourced by the *Banque de France*, as well as variances between the original budget and the outturn;

- the rebilling agreements for resources and services provided by the *Banque de France*, before they are approved by the ACP College.

(Further details on the Audit Committee and its activities in 2011 can be found in Chapter 6).

MEMBERSHIP OF THE ACP AUDIT COMMITTEE

- Lucien Uzan, Chairman
- Jean-Philippe Vachia, *Conseiller-maître* at the *Cour des comptes*
- Jérôme Haas, Chairman of the *Autorité des normes comptables*
- François Lemasson

2.4 Consultative Committees and Scientific Consultative Committee

The College has set up several consultative committees to assist it with specific topics.

The task of the **Consultative Committee on Prudential Affairs** is to give an opinion prior to adoption on ACP instructions governing reporting institutions' periodic prudential filings. The committee is also consulted on draft versions of

explanatory notices or guides (Details of the Consultative Committee on Prudential Affairs and its activities in 2011 can be found in Chapter 5).

MEMBERSHIP OF THE CONSULTATIVE COMMITTEE ON PRUDENTIAL AFFAIRS

- **Dominique Thiry**, Chairman
- **Christian Poirier**, Vice-Chairman

Members appointed from entities reporting to the ACP:

Insurance sector

- **Cédric Cornu**, Pro BTP
- **Nicolas Eyt**, SOGÉCAP
- **Christian Herbere**, *La Mutuelle Familiale*
- **David Kadoch**, Axa
- **Richard Rey**, Covéa

Banking sector

- **Francis Canterini**, Crédit agricole
- **François Laugier**, Dexia
- **Benoît Catherine**, Exane
- **Christian Lajoie**, BNP Paribas
- **Catherine Meritet**, Société générale
- **Éric Spielrein**, RCI Banque

The following professional associations are also members of the committee:

Insurance sector

- *Centre technique des institutions de prévoyance (CTIP)*
- *Fédération française des sociétés d'assurances (FFSA)*
- *Fédération nationale de la mutualité française (FNMF)*
- *Groupement des entreprises mutuelles d'assurances (GEMA)*

Banking sector

- *Association française des sociétés financières (ASF)*
- *Association française des marchés financiers (AMAFI)*
- *Fédération bancaire française (FBF)*

Caisse des Dépôts et Consignations appoints a representative.

The **Consultative Committee on Anti-Money Laundering** gives an opinion on draft versions of instructions, guidelines and other ACP documents dealing with money laundering and terrorist finan-

cing. (Details of the anti-money laundering committee and its activities in 2011 can be found in section 2.3, Chapter 2).

MEMBERSHIP OF THE CONSULTATIVE COMMITTEE ON ANTI-MONEY LAUNDERING

- **François Assié**, Chairman
- **François Lemasson**, Vice-Chairman

Five members appointed from entities reporting to the ACP:

Insurance sector

- **Gaël Buard**, Natixis Assurances
- **Philippe Giraudel**, Groupama
- **Paul-Henri Mezin**, *groupe Malakoff Médéric*
- **Catherine Petapermal**, *La France Mutualiste*
- **Dominique Rouquayrol de Boisse**, Axa France

Eight members appointed from entities reporting to the ACP:

Banking sector

- **Alain Breuillin**, Bank Audi Saradar France
- **Raoul d'Estaintot**, *Caisse fédérale de Crédit mutuel*
- **Catherine Frenzel**, Exane
- **Édouard Leveau-Vallier**, HSBC France
- **Jacques Piccioloni**, BNC
- **Henri Quintard**, BNP Paribas
- **Luc Retail**, *la Banque Postale*
- **Grégory Torrez**, Banque Accord

The following professional associations are also members of the committee:

Insurance sector

- *Centre technique des institutions de prévoyance (CTIP)*
- *Fédération française des sociétés d'assurances (FFSA)*
- *Fédération nationale indépendante des mutuelles (FNIM)*
- *Fédération nationale de la mutualité française (FNMF)*
- *Groupement des entreprises mutuelles d'assurances (GEMA)*
- *Chambre syndicale des courtiers d'assurances (CSCA)*

Banking sector

- *Association française des établissements de paiement et de monnaie électronique (AFEPAME)*
- *Association française des sociétés financières (ASF)*
- *Association française des marchés financiers (AMAFI)*
- *Fédération bancaire française (FBF)*

Caisse des Dépôts et Consignations appoints a representative.

The duties of the **Consultative Committee on Business Practices** are to give an opinion on draft recommendations within its jurisdiction, go deeper into issues relating to business practices identified by the ACP, and gather information and

suggestions from its members on customer protection. (Details of the business practices committee can be found in section 5, Chapter 3).

MEMBERSHIP OF THE CONSULTATIVE COMMITTEE ON BUSINESS PRACTICES

- **Emmanuel Constans**, Chairman
- **Jean-Marie Levaux**, Vice-Chairman

Five members chosen for skills acquired by participating in associations representing professional or retail customers, savers' associations, charity organisations operating in this area, and the consumer institute INC:

- **Jean Berthon**, FAIDER
- **Véronique Crespel**, *Familles de France*
- **Fanny Favorel-Pige**, *Conseil du commerce de France*
- **Valérie Gervais**, AFOC
- **Nicole Perez**, *UFC-Que Choisir*

Four members chosen for skills acquired at a credit institution, insurance institution or industry group:

- **Pierre Bocquet**, FBF
- **Élisabeth Havis**, MATMUT
- **Alain Lasseron**, ASF
- **Philippe Poiget**, FFSA

Two members chosen for skills acquired at an insurance intermediary, an intermediary specialising in banking transactions and payment services or an industry group:

- **Patrick Charrier**, VERSPIEREN
- **Hervé Wignolle**, AFIB

One member chosen for his experience in representing the staff of entities reporting to the ACP:

- **Luc Mathieu**, CFDT, full member of CCSF

One member chosen for his academic work on banking and insurance issues:

- **Pierre-Grégoire Marly**, senior law professor

One member chosen for his expertise in monitoring these issues through the media:

- **Jean-François Filliatre**, chief editor, *Mieux vivre votre argent*

The ACP has also set up a **Scientific Consultative Committee** to promote synergy between financial research and prudential supervision and to keep abreast of scientific developments in the

banking and insurance sectors. (Details of the scientific committee and its activities in 2011 can be found in section 3, Chapter 2).

MEMBERSHIP OF THE SCIENTIFIC CONSULTATIVE COMMITTEE

- **Hélène Rey**, Chair (London Business School)
- **Philippe Mathouillet**, Vice-Chairman

- **Antoine Frachot** (*Écoles nationales d'économie et de statistiques*)
- **Guillaume Leroy** (*Institut des actuaires*)
- **Didier Marteau** (ESCP Europe)
- **Guillaume Plantin** (*université de Toulouse*)
- **Christian Gourieroux** (ENSAE)
- **David Thesmar** (HEC)
- **Philippe Weil** (OFCE)
- **Philippe Trainar** (SCOR)
- **Laurent Clerc** (*Banque de France*)

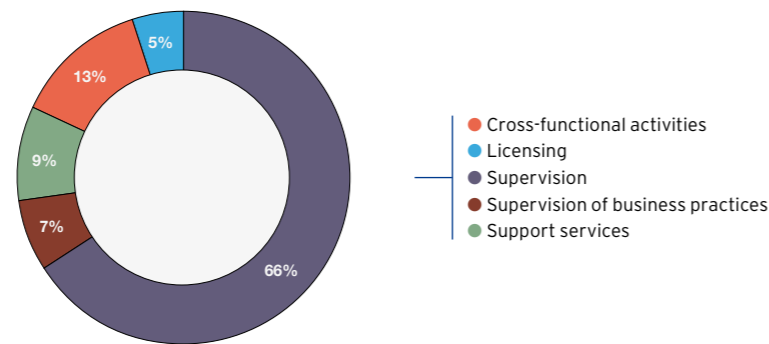


2.5 Operational services under the umbrella of the General Secretariat

The General Secretariat is responsible for implementing the decisions of the College. With a staff of 1,008 *Banque de France* employees at end-2011, it is chaired by a Secretary General, Danièle Nouy,

who authorises expenditure within the limits of the budget voted by the College. The Secretary General is assisted by a First Deputy Secretary General and four other Deputy Secretaries General.

• Staff analysis by main area of activity



In terms of activity, 78% of the staff (annual average full-time equivalents) are responsible for supervising reporting institutions on an individual basis, monitoring business practices and licensing and authorising institutions. A further 13% are assigned to macroprudential supervision, international work on regulatory preparation, legal activities and cross-cutting assignments. The remaining 9% of the staff perform support services, which include human resources management, training, management control and budgeting, premises, logistics and IT system management. (However, projects relating to IT applications designed specifically for the activities of the ACP General Secretariat are the responsibility of the major activity areas concerned.)

The administrative structure of the General Secretariat's staff changed significantly in 2011 because a large percentage of former ACAM employees accepted an offer to join the statutory staff of the *Banque de France*, effective 1 July 2011, in accordance with the terms of the Executive Order of 21 January 2010 instituting the ACP.

In consequence, the staff at end-2011 (976.3 FTEs, excluding interns) breaks down into 87% permanent and private-law contract employees, 9% civil servants and public-law contract employees, and 4% personnel on fixed-term contracts.

AN ONGOING AND INTENSIVE RECRUITMENT DRIVE FROM THE OUTSET

It is vitally important to consolidate the ACP's workforce, given the extent of its duties, the impact of the financial crisis and the introduction of new backbone regulations in banking and insurance.

The recruitment targets should result in an overall increase in staff numbers to some 1,150 at end-2012 compared with 898 immediately after the merger. This ambitious target is being pursued jointly with the *Banque de France* through an intensive recruitment drive focusing on internal job transfers and *Banque de France* competitive exams (a substantial proportion of successful candidates are assigned to the ACP General Secretariat) as well as on external hiring.

In the insurance sector, a variety of initiatives are underway to encourage the recruitment of people with scientific backgrounds, in view of the changes being

made to the status of insurance examiners. Furthermore, the ACP has organised recruiting panels - an unprecedented procedure at the *Banque de France* - and is playing a more active part in jobs forums. As a result, 30 people with science-based backgrounds were hired on open-ended contracts in 2011, thus meeting the recruitment target for managerial and executive staff in the insurance field and establishing a positive outlook for further recruitments in 2012.

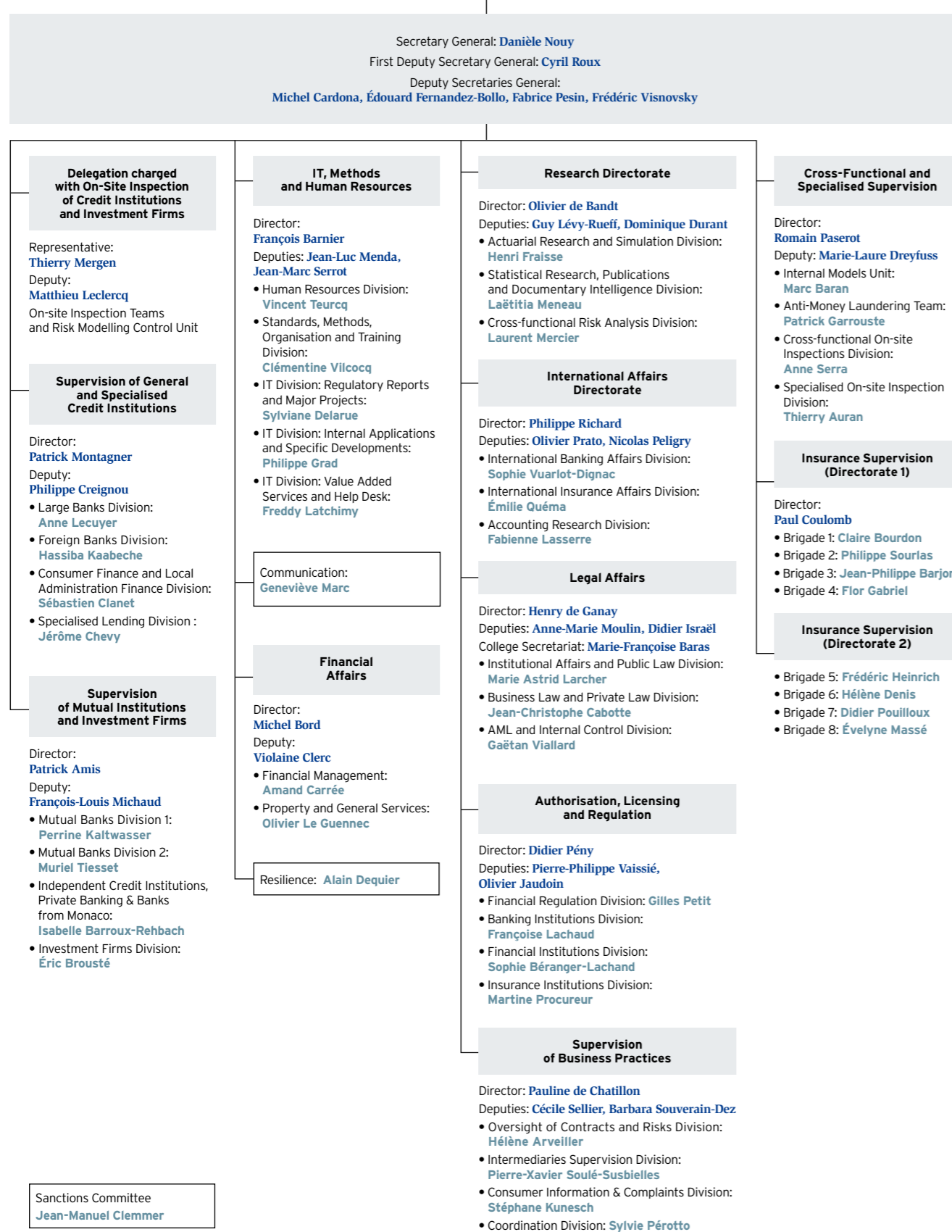
Training is also a key concern during periods of intensive recruitment. ACP staff followed a total of 54,000 hours' training in 2011, and that figure is set to increase by 50% in 2012. In terms of content, the emphasis was on induction of new recruits, management and upskilling to deal with regulatory developments under Basel III and Solvency II.

The Deputy Secretaries General of the ACP



From left to right : Michel Cardona, Cyril Roux, First Deputy Secretary, Édouard Fernandez-Bollo, Fabrice Pesin, Frédéric Visnovsky.

Organization chart of the ACP General Secretariat (march 2012)



The Management Board of the ACP (31 march 2012)



From left to right : Patrick Amis, François Barnier, Henry de Ganay, Romain Paserot, Paul Coulomb, Olivier Fliche, Pauline de Chatillon, Thierry Mergen, Patrick Montagner, Didier Pény, Michel Bord, Olivier de Bandt, Philippe Richard.

THE ACP: AN INDEPENDENT ADMINISTRATIVE AUTHORITY ATTACHED TO THE BANQUE DE FRANCE

The ACP is attached to the Banque de France so that, for its supervisory duties, it can benefit from a full range of synergies with the central bank's other functions and from its resources, given its role in maintaining financial stability. This support takes several forms:

- the Banque de France employs the ACP's staff;

- the ACP uses the Banque de France's resources;
 - the ACP has its own budget, which is an annex to the central bank budget.
- The Banque de France collects reporting institutions' contributions to its operating expenses and transfers them in full to the ACP. It may also top up these contributions with additional allocations.

3

Powers of the ACP College and its activities in 2011

The ACP's powers allow it to take action in respect of all reporting entities in order to fulfil its two interlocking statutory objectives: maintaining the stability of the financial system and protecting customers.

College activity in figures...

570

decisions in 2011, chiefly composed of

- 445 decisions on individual situations
- 31 on general issues
- 18 on the ACP's organisation and General Secretariat

23

administrative policing measures

44

injunctions

3

disciplinary proceedings initiated

The ACP has inherited the combined powers of its legacy authorities. The Parliament enhanced those powers so that the Authority could carry out its duties in the area of customer protection. It has supervisory, policing and sanctioning powers over the entities referred to in Article L. 612-2 of the Monetary and Financial Code (cf. 1.2 on the ACP scope of supervision). The Authority also has the right to publicly disclose any information deemed ne-

cessary to fulfil its statutory objectives, without being bound by the rules of professional secrecy. In addition it uses proprietary legal instruments, notably to inform reporting institutions of the policy settings and analyses on which it relies to carry out its duties.

3.1 Decisions of general scope

Given the extent and diversity of its powers and instruments, the ACP decided to summarise them in a single document, "*Politique de transparence de l'Autorité de contrôle prudentiel*", which explains how they are used. The aim was to give reporting institutions a better understanding of the Authority's activities. This initiative was taken in response to a demand for clarification concerning, among other things, the ACP's terminology. Accordingly, on 7 July 2011, the Authority published an **explanatory document** on its official register containing full details of all its instruments, notably their nature, terminology, content and legal scope.

The document was put out to **public consultation** on 1 February 2011 and was also submitted for consultation to professional associations and the College's consultative committees, especially the committee on business practices. In light of the extensive discussions that ensued, the ACP clarified some aspects of its transparency policy prior to adoption.

The final version of the document makes a distinction between the instruments covering all the ACP's policy areas and those relating specifically to marketing and customer protection. It also describes the procedure used for adopting the instruments, which involves close cooperation between the ACP and the professions it supervises.

A Instruments covering all the ACP's policy areas

The ACP adopts **instructions** setting forth the list, format, frequency and filing schedules for the mandatory documents and information that reporting institutions submit periodically. The content of standard applications files, particularly for licensing, is also specified in instructions.

Instructions are compulsory; non-compliance can thus lead to administrative enforcement measures or disciplinary sanctions. Further, in the event of failure to conform to instructions on periodic document filing, the College can issue an injunction and a coercive fine. All instructions are published on the ACP's official register.

In 2011, the College adopted **19 instructions on matters of licensing, prudential supervision, anti-money laundering or business practices**.

To clarify the meaning and scope of some legislative and regulatory measures, the ACP draws up **notices** on prudential matters³, as well as **guidelines** and **sector enforcement principles** for anti-money laundering and terrorist financing. It also adopts analyses on specific issues in the form of **positions**⁴ and **answers to queries** from reporting institutions.

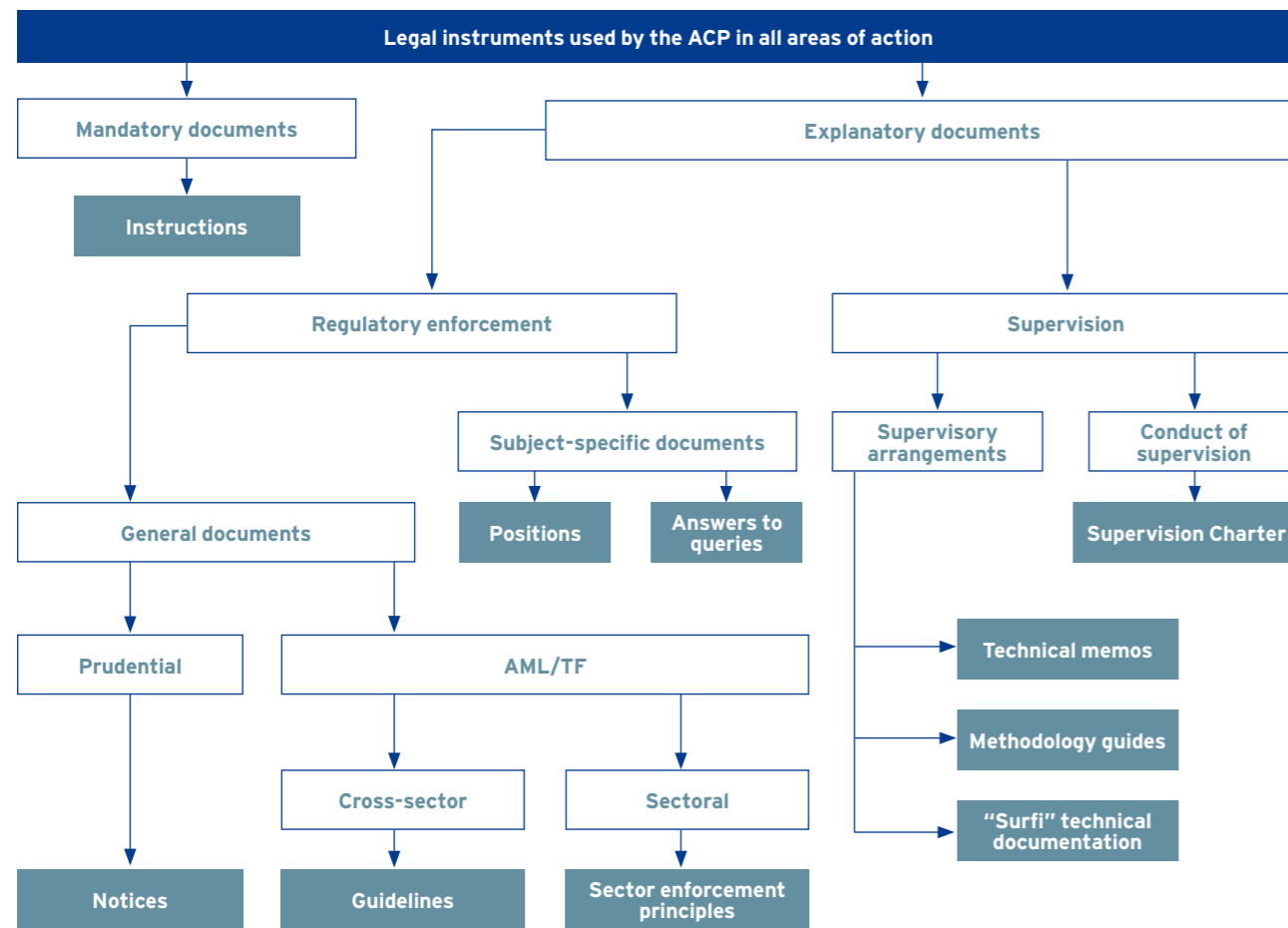
In 2011, the College adopted a position of the legal classification of rolling spot forex transactions. In the sphere of anti-money laundering, it adopted three guidelines on beneficial owners, third-party reliance on due diligence and intra- and extra-group exchanges of information. It also adopted sector enforcement principles on third-party reliance for the insurance sector.

To explain precisely how it operates, the Authority adopts **supervision charters**, which bind it to the institutions being inspected, notably on-site. Two charters have so far been adopted, one for the insurance sector, the other for on-site inspections in the sectors of banking, payment services and investment services.

³ For example, application of the advanced approach for liquidity risk management (ministerial order of 5 May 2009), solvency ratio calculation methods (ministerial order of 20 February 2007 on capital requirements for credit institutions and investment firms and Regulation 90-02 on capital).

⁴ For example, ACP position on sales with premium in life insurance, 4 November 2010.

The ACP's legal instruments



B Instruments specific to the ACP's activities in the areas of marketing and customer protection

In the sphere of customer protection, the ACP is empowered to elicit **best practices** for reporting institutions. It can either take formal note of existing practices or formulate **recommendations** that define them.

Any institution that jeopardises its customers by deviating from best practices is liable for a warning which, if not heeded, can lead to the opening of disciplinary proceedings.

In 2011, the ACP issued five recommendations in the areas of life insurance, management of customer accounts by credit institutions, and handling of customer complaints by reporting institutions. The latter recommendation applies both to banking and to insurance (cf. Chapter 3).

The ACP can also **approve codes of conduct** at the request of professional associations representing one or more categories of reporting institutions. If approved, the code becomes binding on the members of the association seeking approval. If a code of conduct is not complied with, the ACP can issue an enforcement order which, if breached, can give rise to a sanction. However, it cannot directly open a disciplinary proceedings solely on the grounds of having observed the non-compliance (cf. Chapter 3).

The ACP adopted instruction 2011-I-19 on 23 November 2011 to clarify the application procedures for approving a code of conduct. In particular, the instruction requires associations filing an approval application to append a table setting out the provisions of the code of conduct, having regard to prevailing regulations, observed practices, and objectives. The ACP has also published a list of representative professional organisations, within the meaning of Article L. 612-29-1 of the Monetary and Financial Code, that are entitled to submit applications. However, organisations that are not on the list may submit an application if they meet the conditions set forth in Article L. 612-29-1, i.e. they "*represent[...] the interests of one or more categories of entities within the area of competence of the Autorité de contrôle prudentiel, or which may be subject to its supervision*" and their members are entities that report to the ACP.

C Adoption procedure: close cooperation between the ACP and reporting institutions

The ACP's use of its instruments entails a consultation with the industry or, where relevant, with other stakeholders. The instruments are adopted by the ACP College after referral to the **consultative committees** it has established and, where appropriate, after a broad-based **specific consultation**.

ACTING TRANSPARENTLY

Acting transparently by publishing instruments and documents adopted by the College on the ACP's online official register

Aside from the statutory provisions on document disclosure and accessibility, including for the general public in the sphere of customer protection, the ACP College places great importance on acting transparently and making sure that reporting institutions heed its policies and analyses. All instruments and documents adopted by the College are therefore published on the ACP's **official register**, which is accessible on its website. Moreover, codes of conduct approved by the Authority and the other best practices it has noted or recommended are collated in a special area of the site ("*Supervision of Commercial Practises*").

Decisions on general issues adopted in 2011

INSTRUCTIONS	
01/11/2011	Instruction 2011-I-01 on the creation of a supplemental table for quarterly statement Q2
01/11/2011	Instruction 2011-I-02 on the creation of a supplemental table for statements of investments
02/04/2011	Instruction 2011-I-03 amending Commission bancaire instructions 2010-01, 2010-02 and 2010-03 on the information and documents to be submitted by money changers and persons carrying on a money changing business pursuant to the ministerial order of 10 September 2009 on the business of money changing
04/20/2011	Instruction 2011-I-04 on information about the Anti-money laundering and counter terrorist financing system as regards money changers - Table AML B1 - Identity of Tracfin reporting members of staff and identity of Tracfin correspondents - Table AML B2 - Internal procedures - Table AML B3 - Data on the previous year - Table AML B4 - Annual statistical statement
07/01/2011	Instruction 2011-I-05 on the information to be submitted to the <i>Autorité de Contrôle Prudentiel</i> in connection with the acquisition or extension of an ownership interest in an insurance or reinsurance undertaking
07/01/2011	Instruction 2011-I-06 on the cover ratio for mortgage credit institutions and home loan companies
07/01/2011	Instruction 2011-I-07 on disclosure by mortgage credit institutions and home loan companies on the quality of funded assets
07/07/2011	Instruction 2011-I-10 on monitoring the internal models used to calculate capital requirements
07/11/2011	Instruction 2011-I-08 on commitments related to international banking business
07/21/2011	Instruction 2011-I-11 amending instruction 2007-02 of 26 March 2007, as amended
08/04/2011	Instruction 2011-I-09 amending Annex 4 of Instruction 2009-01 on implementing a uniform financial reporting system
10/13/2011	Instruction 2011-I-14 on the supervision of home loan risks in France
11/14/2011	Instruction 2011-I-15 amending instruction 2000-09 on information about the Anti-money laundering and counter terrorist financing system and instruction 2010-08 on information about the Anti-money laundering and counter terrorist financing system concerning payment institutions
12/01/2011	Instruction 2011-I-19 on the procedure for approving a code of conduct
12/01/2011	Instruction 2011-I-17 modifying the licensing application form for payment institutions
12/01/2011	Instruction 2011-I-16 on the contents of the declaration prior to affiliation with, withdrawal from or exclusion from a Mutual Insurance Group Union
12/02/2011	Instruction 2011-I-13 amending instruction 2000-07 of 4 September 2000 on supervision of large exposures and gross risks
12/02/2011	Instruction 2011-I-12 amending instruction 2007-02 of 26 March 2007 on capital requirements for credit institutions and investment firms
12/06/2011	Instruction 2011-I-18 amending ACP instructions 2009-01 of 19 June 2009 on implementing a uniform financial reporting system; 2008-04 of 30 April 2008 on the ring-fencing of customers' funds by investment firms; 2010-06 of 15 February 2010 implementing a uniform financial reporting system for payment institutions; 2009-04 of 19 June 2009 on supplementary rebates for calculating contributions due from institutions subject to the guarantee systems for deposits, securities and bank guarantees; and 93-01 on submission to the ACP of annual financial statements, prudential documents and sundry information

RECOMMENDATIONS	
02/15/2011	Recommendation 2011-R-01 on management by credit institutions of trustee accounts on behalf of joint ownerships
03/25/2011	Recommendation 2011-R-02 concerning advertising communication for unit-linked life insurance contracts, with bonds and other debt securities as underlying assets
05/06/2011	Recommendation 2011-R-03 concerning the marketing of unit-linked life insurance contracts, with debt securities issued by an entity that is financially linked to the insurance undertaking as underlying assets
06/17/2011	Recommendation 2011-R-04 on the marketing of life insurance policies linked to funeral payment plans
12/14/2011	Recommendation 2011-R-05 on complaints handling

GUIDELINES	
04/08/2011	Guidelines on third-party reliance on due diligence
04/08/2011	Guidelines on intra- and extra-group exchanges of information
10/17/2011	Guidelines on beneficial owners (explanatory document)

SECTOR ENFORCEMENT PRINCIPLES	
12/27/2011	ACP sector enforcement principles on third-party reliance in the insurance sector

POSITION	
05/31/2011	Position 2011-P-01 on the legal classification of rolling spot forex transactions

OTHER DECISIONS	
07/07/2011	Transparency policy of the <i>Autorité de contrôle prudentiel</i> (explanatory document)
12/27/2011	Decision 2011-C-75 - List of professional associations entitled to seek ACP approval of a code of conduct

All these documents are published on the ACP's official register, accessible online at www.acp.banque-france.fr.

The ACP has received a diverse range of statutory instruments that give it a substantial capacity to fulfil all its statutory objectives. That diversity is underscored by the fact that the instruments can be

used on a combined basis. While some of the new instruments instituted in the field of customer protection are mainly designed for explanatory and preventive purposes, this does not rule out the use of the enforceable or punitive measures set forth in the Monetary and Financial Code.

3.2 Decisions concerning individual entities

Issues relating to individual entities are examined by the sectoral sub-colleges and restricted session of the College. They relate in particular to licensing applications and, for institutions that are already licensed, to applications for changes in situation, authorisations and waivers provided for in regulations, as well as to supervisory follow-up action, which may include injunctions, administrative enforcement measures and the opening of disciplinary proceedings, as the case may be (A). The College has delegated some of its powers to the Chairman or the Vice-Chairman and to the Secretary General (B). The College took a total of **445 measures affecting individual institutions in 2011**.

A Powers of the College

a. Licensing

Institutions wishing to carry on a banking or insurance business must submit a **licensing** application to the ACP. Pursuing an unlicensed business is liable to criminal penalties.

When an institution is issued with a license, it acquires a status that brings it under the ACP's scope of supervision, pursuant to Article L. 612-2 of the Monetary and Financial Code. Generally speaking, the College pays particularly close attention to the quality of the proposals submitted to it, which are often backed up by commitments or conditions. Most of the licenses granted by the ACP in 2011 were in the banking sector (cf. section 1, Chapter 2).

To ensure better public disclosure and customer protection, Article L. 612-21 of the Monetary and Financial Code empowers the Authority to draw up and publish a list of licensed entities and of intermediaries in banking transactions

and payment services declared by their principals. Drawn up as at 1 January each year, the list is published on the ACP's website under "*Licences and authorisations*".

b. Authorisations

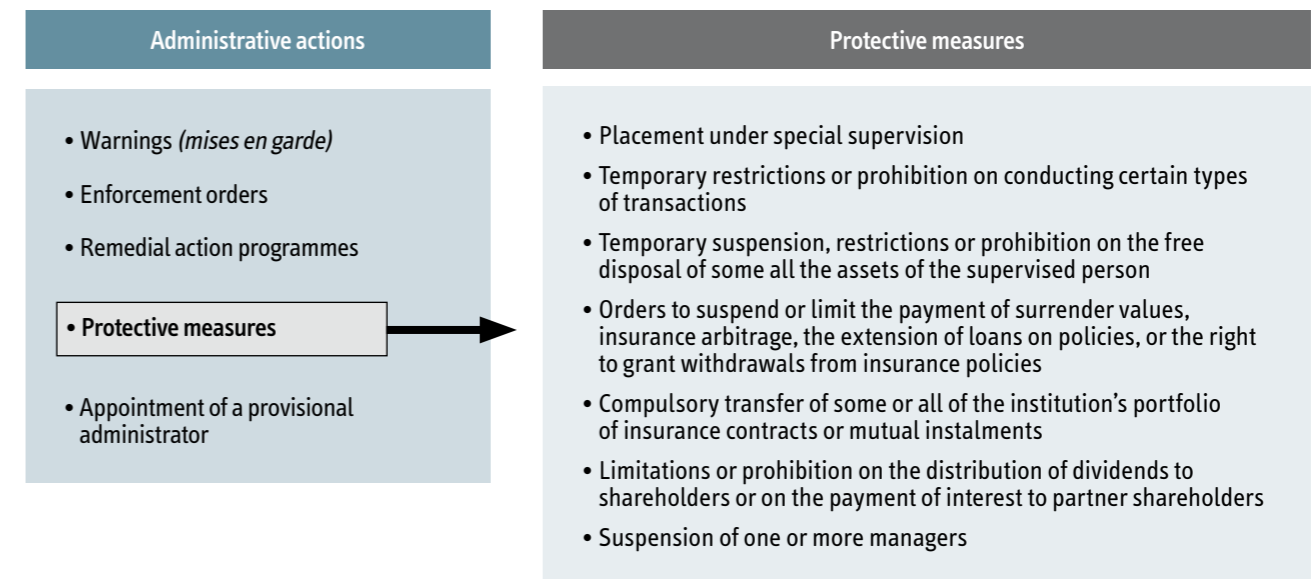
Throughout 2011, the College examined a large number of transactions subject to authorisation. This is because any **changes** to or **extension** of a license issued by the College have to be referred to it. It can also **withdraw** a licence. In accordance with regulations, reporting institutions have to obtain an authorisation from the College to carry out certain transactions or to use internal approaches for calculating regulatory ratios. Furthermore, the College can also grant temporary waivers.

c. Supervision

The College is charged with setting supervisory priorities, both for its main focal areas and for the general resources allocated to them. The special organisational arrangements for these tasks are the responsibility of the Secretary General. In this regard, the College reviews the results of individual inspections as well as general issues of financial stability that inform its thinking.

Also, in the course of the year it may take several decisive decisions concerning the supervision of reporting institutions, whether in a European or a purely domestic framework; the effects of such decisions are similar to those of administrative enforcement measures. In the banking sector, for example, pursuant to Article L. 511-41-3 of the Monetary and Financial Code, it can subject credit institutions to capital requirements that exceed the regulatory minimum (so-called Pillar 2 measures).

List of administrative actions



d. Administrative enforcement measures

The ACP has broad powers to take administrative enforcement measures, acting in a corrective capacity with a dual aim of financial stability and customer protection.

When it observes a reporting entity engaging in practices that could jeopardise the interests of its customers, policyholders, members or beneficiaries, the Authority can issue a **warning**. If the practices continue, the College can decide to open disciplinary proceedings.

That power, set forth in Article L. 612-30 of the Monetary and Financial Code, is tailored specifically to the ACP's duties in the area of business practices. **The Authority used it against three credit institutions in 2011**. These institutions' practices made it possible for one of their customers to avail itself of funds entrusted by householders' associations to property managing agents in its network. Deposited on trustee accounts and transferred to third institutions by

debiting "mirror" accounts opened in the agents' names, the funds were subject to agreements to amalgamate those accounts with the trustee accounts, such that no debits appeared on the latter. As a result, monies deposited on the agents' trustee accounts in the name of housing associations might not have been available to serve their statutory purpose of settling the associations' expenses.

The ACP also has the power to issue **enforcement orders**, as per Article L. 612-31 of the Monetary and Financial Code, whereby it demands that a reporting entity take any and all measures necessary to achieve compliance with prevailing regulations within a set timeframe. The College can decide to open disciplinary proceedings if the order is not heeded within the specified period. **Six enforcement orders were issued in 2011** against three credit institutions, two investment firms and one insurance institution. They mainly concerned requirements on internal control, anti-money laundering and control of liquidity risk.

The Authority also required one insurance institution to submit a **remedial action programme**, in accordance with Article L. 612-32 of the Monetary and Financial Code.

Also in 2011, it placed one insurance institution under **provisional administration** (art. L. 612-34). In all, three insurance institutions and three banks were under **provisional administration** at end-2011.

The diversity of these powers and the fact that they can be used successively or together means that the ACP's action is efficient, effective and proportional.

In addition to these powers, the ACP can rely on a wide range of **protective measures**, provided in Article L. 612-33 of the Monetary and Financial Code, if the solvency or liquidity of an inspected entity or the interests of its customers are or may be compromised. It can:

- place an entity under special supervision;
- restrict or temporarily prohibit the execution of certain transactions;
- suspend, restrict or temporarily prohibit the free disposal of all or some of the supervised entity's assets;
- order the suspension or limitation of payment of surrender values, the right to execute insurance arbitrage transactions, the extension of loans on policies or the right to grant withdrawals from insurance policies;
- compulsory transfer all or some of the insurance contracts or mutual instalments;
- prohibit or limit the distribution of a dividend to the shareholders or a payment of interest to partner shareholders;
- suspend one or more of the supervised entity's senior managers.

In 2011, the College decided to **transfer the portfolio of an insurance institution** that was under provisional administration at the time. In addition to initiating the automatic transfer procedure, published in a notice in the *Official Journal of the French Republic*, the ACP issued a call for tenders to take over the portfolio. Several bidders responded and the Authority selected one of them.

It should be noted that if a supervised entity breaches the obligation to make a declaration or to provide periodic statements, documents or data, the ACP may impose an injunction along with a coercive fine, pursuant to Article L. 612-25 of the Monetary and Financial Code.

Since all these measures are binding, inter partes proceedings must be instituted before they are implemented, as provided in Articles L. 612-35 and R. 612-34 of the Monetary and Financial Code and Article 16 of the ACP Rules of Procedure. In accordance with those proceedings, the College has to inform the respondent institution of the measures it envisages and why it considers them justified. The institution is given a period of time in which to submit its written and/or oral comments. Furthermore, in cases where protective measures or the appointment of a provisional administrator are being envisaged, the institution is summoned to a hearing before the College, at which it may be assisted or represented by the persons of its choosing. The College does not adopt a final position until this procedure is complete. In an emergency, however, the ACP can decide to take protective measures or appoint a provisional administrator on a temporary basis without prior inter partes proceedings. In this case, the proceedings must be instituted immediately in order to lift, adapt or confirm the measure.

e. Opening of disciplinary proceedings

The College in restricted session, the Banking Sub-College and the Insurance Sub-College can decide to initiate a sanction procedure, based either on the conclusions reached by the ACP as part of its prudential supervision duties or on the on-site inspection report prepared under Article L. 612-27 of the Monetary and Financial Code.

The chairman of the relevant session notifies the institution concerned of the complaints against it and forwards the notification to the Sanctions Committee. The College appoints one of its members, assisted by the ACP's staff, to represent it in relation to the Sanctions Committee. It may also decide that the appointed College member should be represented by the ACP's staff. The College representative is responsible for submitting written comments during the examination phase and speaking at the hearing where he proposes a sanction.

The College opened three disciplinary proceedings in 2011, following publication of Decree 2011-769 of 28 June 2011 revisiting Sanctions Committee proceedings.

The ACP Chairman can lodge an appeal against a Sanctions Committee decision within two months of being notified, after having first been authorised to do so by the College session that originated the disciplinary proceedings. No such appeals were lodged in 2011 (cf. Chapter 4).

B Delegation of powers

As allowed by law, the College has delegated some of its powers to its Chairman or Vice-Chairman (art. L. 612-14 of the Monetary and Financial Code) and to the Secretary General (art. L.612-15).

The two initial delegation decisions, dating from 12 April 2010 and published in the *Official Journal of the French Republic*, were amended by decisions 2011-C-22 and 2011-C-23 of 15 June 2011 and decisions 2011-C-29 and 2011-C-30 of 13 July 2011, to accommodate recent legal and regulatory measures and to make the arrangements more efficient. In this regard, materiality thresholds were brought in for some decisions.

Powers have so far been delegated in the following areas:

Delegation of powers by the College to the Chairman

- Issuing enforcement orders;
- suing for criminal damages;
- issuing and withdrawing authorisations to money changers;
- withdrawing a license, at the request of a reporting entity in the banking sector, where the decision takes effect without a settlement period;
- authorising the decrease below 10% of the voting rights by a capital provider, for banking and insurance institutions;
- authorising freedom of establishment or freedom to provide services for banking and insurance institutions having their registered office in France.

Delegation of powers by the College to the Secretary General

- placing an intermediary under supervision;
- giving an opinion on the appointment or reappointment of statutory auditors;
- appointing controllers to implement certain administrative enforcement measures;
- amending articles of incorporation or substitution agreements in the insurance sector;

- taking refinancing agreements into account for calculating the liquidity ratio;
- calculating contributions to guarantee funds;
- cooperating with authorities and disclosing certain types of information to them;

Decisions taken on the basis of delegated powers are reported to the College at each meeting.

3.3 Organisation-related decisions

The College adopted a number of decisions on organisational matters in 2011. For example, the membership of several consultative committees was modified, chiefly because of the departure of certain members and the formation of new professional associations. The College also amended its Rules of Procedure to incorporate new powers brought in by the Banking and Financial Regulation Act 2010-1249 of 22 October 2010, along with clarifications given in the ACP's transparency policy document. In addition, the College changed the departmental

organisational principles of the General Secretariat, adopted when the ACP was founded, by splitting the Research and International Relations Directorate into an International Directorate and a Research Directorate.

In sum, as far as the College is concerned, the salient features of 2011 were intense activity and effective implementation of all its statutory powers, both the new ones and those inherited from the legacy authorities.

4

Performance monitoring

4.1 Setting up performance monitoring is an ACP commitment

In 2011, in order to measure **its efficiency in achieving the statutory objectives assigned to it at its inception in 2010, the ACP adopted a set of performance indicators**, namely maintaining the stability of the financial system and protecting the customers of entities that report to it. Given that the bulk of regulation is derived from international standards, the ACP adopted a third strategic objective: to increase its influence in the international supervision process. The Authority has chosen to focus its actions and resources on these three strategy areas.

As a newly formed authority financed by the fees paid by supervised entities, the ACP needed to be able to measure its ability to efficiently discharge its duties.

These initiatives also comply with the recommendations of a parliamentary report from the 28th of October 2010 (prepared on behalf of the committee charged with the evaluation and oversight of independent administrative authorities) to publish annual performance targets and indicators.

To make the new system fully operational, the indicators chosen are linked to the management control activities carried out by the ACP's General Secretariat during the same year.

The ACP endeavoured to choose indicators that capture its "performance" most accurately. That concept is inherently hard to define and measure for a supervisory authority, as it is for any institution where a simple quantitative measure of efficiency will be imperfect.

The ACP has decided to publish information in this annual report of the indicators it has put in place and measured. The initial indicators are likely to be modified in light of experience, not only in order to measure more accurately the ACP's performance but also in order to respond to changes in its environment. The indicators most likely to change are those limited to measuring activity levels.

The ACP's 3 strategy areas are divided into 8 operational objectives, matched with 16 indicators to measure achievements.

To measure the ACP's efficiency in maintaining financial stability, the operational objectives reflect that:

- timely handling of licensing and authorisation applications contributes at an early stage to the health of the financial system,
- the stability of the financial system also depends on the ACP's ability to maintain or intensify off-site supervision and on-site inspections,
- in an environment dominated by cross-border groups, strong cooperation with foreign supervisors is essential in order to oversee these groups and carry out stress tests.

In order to assess the ACP's efficiency in the convergent implementation of European and domestic standards, the following objectives have been chosen:

- increase France's influence in the international regulatory system in order to be involved in the standard-setting process from the outset,
- apply regulation at the operational level and provide supervised entities with more information,
- supply computerised accounting and prudential reporting processes in a timely manner so that the industry can adapt its IT systems.

In order to measure progress on the new mission of protecting supervised entities' customers, the objectives reflect the first steps involved in setting up this task:

- improving consumer information about the ACP's role in this area,
- expanding supervision of business practices.

Several indicators have been put in place to measure the level of achievement with regards to the objectives.

Some indicators **measure improvements in the quality of the ACP's services and action**. They check for two things: compliance with deadlines and the increase in the information given to financial institutions and the public. This increase in information is part of a transparency policy that fosters better understanding not only of applicable standards but also of the ACP's expectations and activities.

Other indicators seek to **measure the effectiveness and intensity of controls**. This is done by assessing the activities of the ACP College *via* the number of individual decisions verifying that an annual assessment of the prudential situation of all supervised entities has been performed, counting the number of institutions subject to enhanced ongoing supervision, and implementing the on-site inspection programme.

A third set of indicators **measures the impact of the ACP's action** by assessing the Authority's influence in the international supervision system and identifying the resources used to facilitate convergent enforcement of standards.

4.2 Initial results reflect the growing momentum of the ACP

A Strategy area: maintaining the stability of the financial system

OPERATIONAL OBJECTIVE 1

Process licensing and authorisation applications in due time

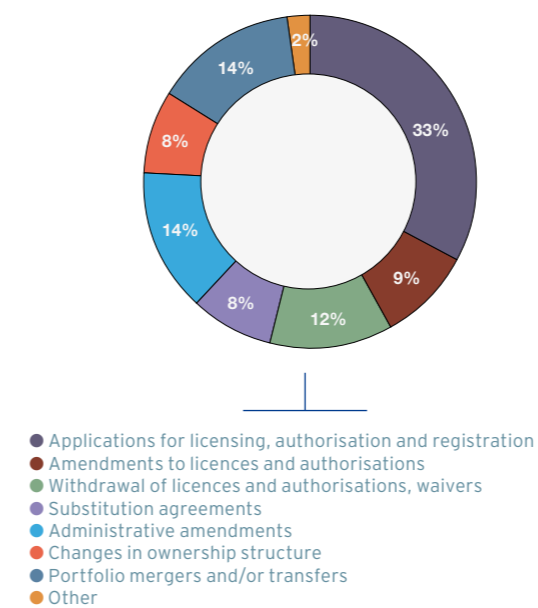
Indicator

Percentage of licensing and authorisation applications submitted to the College or its Chairman that are decided upon within the allotted deadline.

Target: 100%

Result

100%
of licensing and authorisation applications in the banking and insurance sectors were processed on time.
Giving rise to 512 decisions, broken down as follows:



Analysis of the result

The purpose of this indicator is to check the ability of the ACP to submit licensing and authorisation applications for banking and insurance to the relevant bodies of the ACP College in a timely fashion. It measures the Authority's capacity to effectively take over and attain the statutory objectives of licensing and authorisation, previously handled by CECEI (for the banking sector) and CEA (for the insurance sector), under the new organisational structure.

A total of 347 applications for the banking sector and 165 for the insurance sector were submitted to the College or its Chairman, and the related decisions were adopted in due time. The timeframes are sometimes very tight, especially since they may include a statutory consultation with other authorities, during which the deadline continues to apply. This indicator is likely to be modified as part of an ongoing review of the quality of the ACP's performance monitoring.

OPERATIONAL OBJECTIVE 2

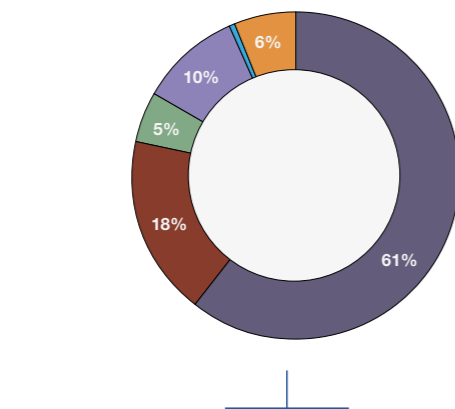
Measure the ACP's assessment activity of the individual situations of supervised entities

Indicator

Number of individual decisions taken during the year, presented by type of College decision, as well as the cease-and-desist orders given by the Chairman acting under a delegation from the College.

Result

445
decisions on individual situations on
570
decisions taken by the ACP College in 2011



- Licenses and authorisations
- Decisions on supervision
- Administrative enforcement measures
- Pillar 2 injunctions
- Opening of disciplinary proceedings
- Other

Analysis of the result

The aim is to establish an initial measurement for 2011 and monitor how it evolves in the coming years in order to assess the changing pattern of activity and the breakdown of individual decisions. This indicator can also be used to measure effective implementation of all the College's statutory powers.

In 2011, the College issued 267 decisions on licensing and authorisation. A total of 79 individual decisions were handed down in connection with supervision of institutions on several counts, e.g. authorising the use of internal models, enforcing regulations on the measurement of own funds, liquidity and large exposures in the banking sector, or on life insurance policies in the insurance sector.

The ACP issued 44 Pillar 2 injunctions, aimed at raising the capital of credit institutions or investment firms in excess of the regulatory requirement, and 23 administrative enforcement measures (including 6 cease-and-desist orders issued by the Chairman under a delegation from the College). It also opened 3 disciplinary procedures. The College took 29 other individual measures concerning, in particular, the launch of joint decision making processes for banking groups whose parent company is supervised by the ACP.

OPERATIONAL OBJECTIVE 3

Measure the intensity of ongoing supervision

Indicator 1

Percentage of credit institutions, investment firms, financial holding companies, insurance and reinsurance, provident and mutual insurance institutions with turnover of more than 5 million euros, referred to in Article L. 612-2-1 of the Monetary and Financial Code, whose risk profile has been fully assessed as part of ongoing supervision during the year under review.

Target: 100%

Result

84%
institutions covered by the indicator had their risk profiles fully assessed in 2011.

Analysis of the result

The rates for the largest institutions and for mid-sized firms are close to 100%, with some assessments spilling over to the first quarter of 2012. The rates for some categories of smaller firms are lower. This is due to the fact that exhaustive coverage requires more systematic processing, that would be phased in gradually.

In 2011, this indicator was used to verify that ongoing supervision included a full annual assessment of institutions' risk profiles, in addition to the ACP General Secretariat's analysis of their accounting and prudential reports.

From 2012, all the institutions covered by this indicator will undergo a full annual risk profile assessment via ongoing supervision. Alongside the performance indicator measuring the intensity of ongoing supervision, an activity indicator identifies the number of institutions subject to specific supervision following a decision by the College.

Indicator 2

Number of institutions subject to specific supervision by the General Secretariat following a College decision.

Result

Situation at 31 December 2011:

14
institutions in the banking or insurance sector are subject to specific ongoing supervisions:
8
under special supervision
and
6
under provisional administration

Analysis of the result

The aim is to identify the institutions subject to specific ongoing supervision further to a decision by the College in order to prevent default risk. The institutions in question, in both sectors, are those under special supervision within the meaning of Article L. 612-33 of the Monetary and Financial Code, and those under provisional administration as per Article L. 612-34. It should be noted that 13 of the 14 institutions were already under specific ongoing supervision prior to 2011. One other institution was placed under provisional administration during 2011, taking the total to 14. Moreover, one institution was ordered to implement a recovery programme pursuant to Article L. 612-32, execution of which was followed by ongoing supervision.

OPERATIONAL OBJECTIVE 4

Make sure that the on-site inspection programme is implemented

Indicator

Number of on-site inspections for prudential and anti-money laundering purposes carried out during the year under review relative to the number of inspections set by the Secretary General on the basis of College instructions.

Target: 100%

Result

97,5%
of on-site inspections performed or underway at end-December 2011 as part of the 2011 programme

Analysis of the result

The implementation rate for the inspection programme was close to the target of 100% at end-2011, with 219 on-site inspections underway or completed (136 in the banking sector, 83 in the insurance sector). By definition, this indicator does not identify the on-site visits made since 2010 by ongoing banking supervision staff in order to interview key personnel on specific issues. These short visits last approximately 48 hours and supplement the usual round of meetings.

OPERATIONAL OBJECTIVE 5

Cooperate closely with supervisors to strengthen consolidated supervision of banking and insurance groups

Pending the transposition of the Solvency II Directive, the banking and insurance sectors are not subject to a unified regime for colleges of supervisors. Accordingly, different indicators have been put in place for each sector in order to assess the ACP General Secretariat's efforts in this area.

- Measure the cooperation on banking group supervision

Indicator 1

Percentage of joint decisions obtained through colleges of supervisors, without requiring arbitration by the EBA, on the capital adequacy of banking groups that the ACP supervises on a consolidated basis.

Target: 100%

Indicator 2

Proportion of contributions made within the applicable time limits in response to joint assessments and decisions as the French supervisor of French subsidiaries of European banking groups.

Target: 100%

Result

100%
of draft joint reports submitted to the ACP College for the period under review

100%
of responses sent in due time to the European consolidated supervisor.

Analysis of the result

Consolidated supervision of major French banking groups has become an integral and compelling aspect of ongoing supervision and is crucial to maintaining financial stability. The aim of these two indicators is to measure the efficacy of the ACP General Secretariat in ensuring that joint decisions on the capital adequacy of groups for which the ACP is the consolidated supervisor are adopted in due time and without arbitration by the EBA. Where the ACP is the supervisor of the French subsidiaries of a European group, the aim is to measure the capacity of its General Secretariat to contribute to joint decisions within the applicable time limit.

- Measure active cooperation in the supervision of insurance groups

Indicator 1

Percentage of pre-application processes for Solvency II internal models put in place with the other relevant supervisory authorities for groups having submitted a pre-application file in the appropriate form.

Target: 100%

Result

100%
of pre-application processes have been implemented with the supervisors of the insurance groups concerned.

Analysis of the result

For all entities having expressed interest in using Solvency II internal models, discussions were launched with the relevant European supervisors on the coordinated pre-application processes by exchanges of letters with the groups' supervisors. Depending on the groups, the proceedings are at different stages, from finalisation of the work programme to ongoing on-site inspections.

Indicator 2

Percentage of meetings of colleges of supervisors held during the year for insurance groups with a French parent. The frame of reference is EIOPA's list of the 30 largest European insurance groups, 6 of which are French.

Target: 100%

Result

83%
of college meetings concerning the 6 main European insurance groups with a French parent and appearing on the EIOPA list were held in 2011; the 6th meeting was held in early 2012.

Analysis of the result

Annual college meetings for European insurance groups are not yet mandatory, in contrast to the banking sector and its Basel II requirement. However, pending application of Solvency II, European supervisors are cooperating closely, notably on supervision of the largest groups identified by EIOPA. The ACP held at least one college meeting in 2011 for all 6 groups identified by EIOPA that have a French parent. This does not include the other college meetings organised for other insurance groups that ACP supervises on a consolidated basis.

OPERATIONAL OBJECTIVE 6

Conduct European and international stress tests within the allotted time

Indicator

Percentage of EBA, EIOPA or international stress test exercises carried out on time, in collaboration with the industry.

Target: 100%

at 30 June 2011 for the EBA stress test and at 30 September 2011 for the EIOPA tests.

Result

2

stress tests conducted in 2011 within the European framework in collaboration with the EBA and EIOPA

Analysis of the result

Stress tests of banks and insurance institutions are vital tools for analysing financial stability. The ACP takes part at the European level in exercises coordinated by the supervisory authorities for the banking and insurance sectors, the EBA and EIOPA respectively.

For weeks, the ACP's supervisory departments and research units devoted considerable efforts, both in the preparatory stages (identifying the exposures to test, etc.) and during the exercise, to ensuring that the results announced by the industry were reliable.

Thanks to those efforts, the bank stress test and the first EIOPA-coordinated insurance test were carried out efficiently and in due time, in collaboration with the European bodies in charge of these exercises.

B Strategy area: contribute to setting international standards and implement domestic and European measures in a convergent manner

OPERATIONAL OBJECTIVE 1

Increase France's influence in the international regulatory system

Indicator 1

presence of staff seconded to institutions considered essential to prudential supervision.

Target:

- at least 2 members of staff seconded to the EBA and EIOPA.
- at least 1 member of staff seconded to the following institutions: Basel Committee secretariat, European Central Bank (ESRB secretariat), European Commission (and other European institutions).

Result

10

staff members seconded to the above international bodies at 31 December 2011

Analysis of the result

The objective of having 2 members of staff seconded to the EBA has been attained, with one of the two being appointed to the position of director. At EIOPA, the second person on secondment returned at the end of September 2011 and has not yet been replaced. The other members of staff on secondment are: 1 at the Basel Committee secretariat, 1 at the Directorate General for financial stability at the European Central Bank, three at the European Commission (1 in the task force set up for the financial crisis, 1 at the Directorate General in charge of accounting and financial reporting and the third at the Directorate General responsible for banks and financial

conglomerates), 1 at the Permanent Representation of France to the European Union, and 1 at the Committee on Economic and Monetary Affairs of the European Parliament.

Greater French influence in the international regulatory system is also measured through two indicators reflecting the participation of the ACP General Secretariat in international bodies dealing with issues of banking and insurance supervision and the percentage of these bodies that it chairs.

Indicator 2

- Rate of participation in international committees, working groups and sub-groups on banking and insurance issues.
- Percentage of chairmanships or co-chairmanships of the international working groups and sub-groups in which the ACP General Secretariat participates.

The list of international committees, working groups and sub-groups on banking and insurance issues will be revised annually to encompass all the ACP's activities, including prudential and accounting regulation and supervision of business practices. For 2011, representatives of the ACP General Secretariat were eligible to participate in a total of 212 working groups or sub-working groups. The institutions in question are: EBA, EIOPA, ESRB, IAIS, Basel committee, Bank for International Settlements, European Commission, Council of the European Union, Club of Rome, FATF, GIABA, OECD, XBRL, JCFC, CIMA.

Result

Representation rate:

90%

196 working groups or sub-working groups

Percentage of chairmanships:

6%

12 chairmanships

Analysis of the result

The 90% representation rate reflects the participation of the ACP General Secretariat in all working groups and sub-groups (without ranking by importance). While ACP General Secretariat representatives take part in the parent working groups, the absence of representation is confined largely to a few sub-groups. Members of the ACP General Secretariat's staff also take part in almost all the working groups of the main international institutions responsible for banking and insurance regulation. For example, representatives of the ACP General Secretariat are members of 3 of the 4 main Basel sub-committees and of 8 BIS working groups (excluding sub-working groups), as well as of 9 EBA working groups (excluding sub-groups), more than 18 EIOPA groups or task forces (excluding sub-working groups), and all IAIS committees.

Aside from the working group chairmanships held by the *Banque de France*, not counted here, the ACP General Secretariat chairs 12 working groups in its own name, or 6% of the groups in which it participates. The value of this indicator is hard to interpret, since chairmanship appointments depend not only on active participation by Member States but also on political considerations. It should be pointed out, however, that this metric covers key chairmanships such as the Standing Committee on Accounting, Reporting and Auditing at the EBA. At EIOPA the ACP General Secretariat chairs, for example, the committee responsible for issues of consumer protection and financial innovation, a particular useful appointment insofar as the ACP is required to develop this mission.

OPERATIONAL OBJECTIVE 2

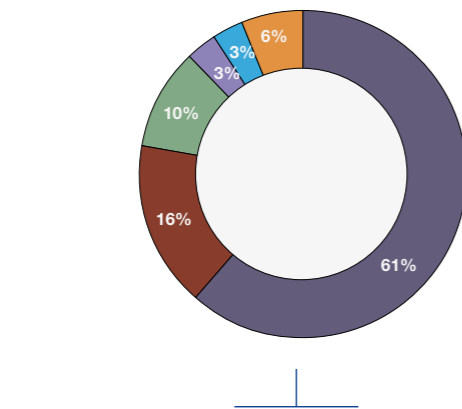
Apply regulation at the operational level and provide supervised entities with more information

Indicator

Number of measures (instructions, guidelines, recommendations, etc.) adopted by the ACP during the year and published on its official register or communication media (website, *La Revue de l'ACP*) for the purpose of implementing regulations.

Result

31
measures on general issues published by the ACP in 2011



- Instructions
- Recommendations
- Guidelines
- Sector implementation principles
- Positions
- Other

Analysis of the result

This indicator is used to assess the transparency policy that the ACP College endeavours to promote, as described in an explanatory document published in *La Revue de l'ACP* in 2011. In 2011, the College decided on 31 measures concerning general issues, which were published. The purpose of the measures is to enable or facilitate implementation of regulations and to spell out the ACP's expectations. They consist of:

- 1 explanatory document on the ACP's transparency policy;
- 19 instructions on matters of licensing, prudential supervision, anti-money laundering and business practices;
- 1 position on the legal classification of rolling spot forex transactions;
- 5 recommendations on marketing and consumer protection issues and a decision containing a list of professional associations entitled to seek ACP approval of a code of conduct;
- 3 guidelines and 1 sector implementation principle on anti-money laundering and against the financing of terrorism.

C Strategy area: ensure that reporting institutions' customers are protected

OPERATIONAL OBJECTIVE 1

Improve consumer information about the ACP's role

Indicator

This indicator measures the contact made by the public with the ACP on matters of customer protection.

It identifies the number of phone calls received by the *Assurance Banque Épargne Info Service* platform.

Result

23,369
phone calls
or **36%**
of the total received by *Assurance Banque Épargne Info Service*, concern the ACP directly

Analysis of the result

The *Assurance Banque Épargne Info Service* platform received 65,000 calls in 2011. This indicator helps measure the public's knowledge of what the ACP does in this area, alongside the AMF, by measuring the number of calls to the platform.

OPERATIONAL OBJECTIVE 2

Develop supervision of business practices

Indicator

Number of on-site inspections focusing specifically on business practices.

Result

67
on-site inspections concerning business practices were carried out in 2011

Analysis of the result

This indicator measures the ACP's growing role in conducting on-site inspections of business practices, on top of the inspections it carries out at credit institutions, investment firms and insurance institutions. Furthermore, the ACP General Secretariat earmarked some of its resources for publicising this role and the way it will be performed amongst intermediaries, which are a very mixed population.

5

Monitoring the ACP's activities

Aside from its own management control and audit procedures and the resources that the *Banque de France* may deploy for the purpose, the ACP is subject to external assessments of its activities.

5.1 Oversight by Parliament and the *Cour des Comptes*

The ACP Chairman, Governor of the *Banque de France*, and the Secretary General testify regularly to committees of the Senate and of the National Assembly.

Hearings attended by the ACP in 2011

DATE	TOPIC	REQUESTING PARTY	ACP REPRESENTATIVE
9 February 2011	The sovereign debt crisis / Basel III	Senate Finance Committee	Christian Noyer, ACP Chairman
19 May 2011	The status of wealth management advisers	Louis Giscard d'Estaing, MP on assignment appointed by the prime minister	Fabrice Pesin, ACP Deputy Secretary General
25 May 2011	Financing of the economy/ Basel III and SMEs	National Assembly Finance Committee	Jean-Paul Redouin, Deputy Governor of the <i>Banque de France</i>
11 October 2011	Impact of the banking crisis on the financing of the economy	National Assembly Committee of Economic Affairs	Christian Noyer, ACP Chairman
12 October 2011	Situation of French banks and the financing of the economy	Senate Finance Committee	Christian Noyer, ACP Chairman
9 November 2011	Structured lending to local authorities	Parliamentary Enquiry Committee	Danièle Nouy, ACP Secretary General
30 November 2011	Final report of the functioning of the ACP	National Assembly Finance Committee	Danièle Nouy, ACP Secretary General
5 December 2011	EBA/Basel III/Miscellaneous regulations	Senate Finance Committee	Danièle Nouy, ACP Secretary General

The ACP may also contribute to parliamentary discussions by taking part in panel hearings on technical matters.

Furthermore, in late 2010 a request for an enquiry into the establishment of the ACP was referred to the *Cour des Comptes* (court of auditors) by the National As-

sembly Finance Commission, in accordance with Article 58(2) of the Organic Law on Budget Acts No 2001-692 of 1 August 2001.

SUMMARY OF THE NATIONAL ASSEMBLY FINANCE COMMISSION REPORT PUBLISHED 6 DECEMBER 2011

The rapporteur started by stressing that the enquiry concerned the functioning of the ACP, not the quality of prudential supervision. Accordingly, the *Cour des Comptes* did not make an assessment of the Authority's activities. This would have been premature since the enquiry took place just sixteen months after the inception of the new independent administrative authority.

The merger of four administrative authorities amid a radical overhaul of prudential regulation at international and European levels and an unprecedented financial crisis was "a delicate reform in many ways", in the words of the *Cour des Comptes*. The rapporteur was aware that setting up an authority of this kind was a difficult undertaking, especially as regards personnel management.

Regarding prudential oversight, a considerable amount of supervisory work is required on multiple work streams, such as preparing for Solvency II and Basel III, monitoring the extent and supervision of market activities,

enforcing new French regulations on liquidity, bonuses, etc., and supervising governance more intensively.

The rapporteur considered that the merger was already in the consolidation phase, in terms both of organisation and of personnel. However, on the basis of the *Cour des Comptes* enquiry, three areas requiring substantial improvements warranted the attention of Parliament as part of its constitutional duty to monitor France's public finances:

- prudential supervision: step up on-site inspections and clarify the sanction policy;
- supervision of business practices: develop the ACP-AMF Joint Body to give due consideration to the interest and concerns of consumers;
- human resources: reach the planned staffing levels quickly and launch an active requirement drive to attract people with technical backgrounds and strengthen the ACP's presence in European and international authorities in charge of financial regulation.

The *Cour des Comptes* can also initiate inspections at any time under its own powers.

5.2 International Monetary Fund (IMF) assessment of France's financial sector supervision

The IMF is analysing France's financial sector in 2012 under the Financial Sector Assessment Program (FSAP). The purpose of the FSAP, part of the IMF's bilateral surveillance pursuant to Article IV of its Articles of Agreement, is to assess financial sector stability.

IMF FINANCIAL SECTOR ASSESSMENT PROGRAM

Established in 1999 as a joint initiative by the IMF and the World Bank, the FSAP offers member countries a comprehensive and in-depth analysis of their financial system in the broad sense of the term, i.e. banking, insurance and financial markets. The FSAP is part of the IMF's bilateral surveillance, reflected in a regular dialogue with member countries on developments in their respective macroeconomic and financial situation and policies.

The first FSAP for France was conducted in 2005. To date, more than three quarters of IMF member countries, including nearly all the members of the G-20, have undergone assessments. Since April 2010, FSAP assessments have been a mandatory part of the IMF's bilateral surveillance for 25 jurisdictions, including France.

Objective of the FSAP: assess the stability of the financial sector

The FSAP assesses the stability of a country's financial sector from several angles:

- the source, probability and potential impact of the main risks to macro-financial stability in the short medium-term;
- the country's financial stability policy framework;
- the capacity of the entities concerned (banks and insurance companies) and the authorities to manage and resolve a financial crisis should the risks materialise.



The following aspects in particular are assessed through the FSAP:

- whether regulation and supervision of banks, securities markets, insurance and financial infrastructures comply with international standards; on this point, both the institutional framework and the concrete action taken by the supervisory authorities are measured against those standards;
- the solidity of financial institutions (measured in particular through stress tests), in an effort to detect vulnerabilities in the overall system and identify shock transmission mechanisms.

The FSAP assessment relies among other things on in-depth dialogue with the French authorities (notably the ACP, AMF and *Banque de France*), as well as with the government and financial sector firms. The FSAP will make it possible to evaluate the quality of regulation, supervision and inspection activities in France along with risk management and effective enforcement of prudential rules. The IMF's team is due to complete its assignment with a stress test exercise, coordinated by the ACP, in spring 2012.

Highlights of 2011

January

26

The ACP College adopts Recommendation 2011-R-01 on management by credit institutions of trustee accounts on behalf of joint ownerships.

March

15

The Authority announces the results of the fifth Quantitative Impact Survey (QIS 5) under the Solvency II Directive. France is one of the leading European contributors, with extensive involvement of insurance institutions.

25

The ACP College adopts Recommendation 2011-R-02 concerning advertising communication for unit-linked life insurance contracts, with bonds and other debt securities as underlying assets.

29

The ACP publishes its first annual report. Chairman Christian Noyer presents it at a press conference.

April

08

The Authority publishes guidelines on third-party reliance in the area of AML/CTF.

27

The ACP organises a conference on Solvency II at *Maison de la Chimie* in Paris.

May

03

Danièle Nouy, Secretary General of the ACP, Thierry Francq, Secretary General of the AMF, and Fabrice Pesin, Deputy Secretary General of the ACP and coordinator of the Joint Unit, present the first report of the AMF/ACP *Assurance Banque Épargne Info Service* platform at a press conference.

06

The ACP College adopts Recommendation 2011-R-03 concerning the marketing of unit-linked life insurance contracts, with debt securities issued by an entity that is financially linked to the insurer undertaking as underlying assets.

31

The ACP and the AMF publish a joint position (2011-P-01) on the legal classification of rolling spot forex transactions.

June

17

The ACP College adopts Recommendation 2011-R-04 on the marketing of life insurance policies linked to funeral payment plans.

30

The ACP publishes the results of its enquiry into revaluation rates for mathematical reserves on capitalisation contracts and individual life insurance contracts for 2010.

July

04

EIOPA publishes the results of Europe-wide stress tests in the insurance sector. The exercise was carried out jointly with national supervision authorities, including the ACP.

07

- The ACP publishes its transparency policy in a document describing its various legal instruments;
- The ACP and the AMF issue a public warning on certain activities in the forex market.

15

The EBA and national supervision authorities, including the ACP, publish the results of a stress test exercise involving 90 banks to assess the robustness of the European banking system.

20

The ACP publishes the results of its enquiry into residential property financing in 2010.

August

In view of heavy turbulence on financial markets, the ACP introduces daily supervision of the cash balances of credit institutions.

September

08

The ACP publishes a report on banking mobility, which assesses compliance with the commitments made by members of the French Banking Federation pursuant to the measures put forward by the Financial Sector Consultative Committee.

30

- The ACP publishes a study of factoring in 2010.
- End September: insurance institutions submit their responses to the questionnaire sent out by the ACP in order to assess readiness for Solvency II and identify institutions' problems.

October

07

The ACP organises a conference at *Palais Brongniart* on the supervision of business practices in banking and insurance and on Pillar 3 of Solvency II.

14

The ACP publishes its 2010 annual report with data on the banking and insurance market. The report includes an initial assessment of the application of international principles on remuneration policies in major French firms, in accordance with the Banking and Financial Regulation Act of October 2010.

17

The ACP publishes guidelines on beneficial owners.

27

The EBA publishes the preliminary results of an exercise conducted to highlight any capital shortfalls in the European banking sector, in response to concerns about sovereign debt exposures; the ACP publishes the results for French banks.

December

08

The EBA publishes the final results on the capital requirements of European banks; the ACP publishes the results for French banks.

15

The ACP and the AMF tighten their requirements for dealing with customer complaints in the financial sector. The ACP College adopts Recommendation 2011-R-05 on complaints handling to upgrade practices in this area.

16

The Sanctions Committee issues a warning and a fine on a credit institution for deficiencies in its internal control system for capital market activities, even though no material losses are incurred.