

Commission des Opérations de Bourse (COB) (France)

The Commission des opérations de bourse is the public independent regulatory agency for the financial markets in France. French equivalent of either the American Securities and Exchange Commission (SEC), the British Financial Services Authority (FSA) or the Japanese Financial Supervisory Agency (FSA), the COB is mainly responsible for protecting investors and ensuring correct activity of financial markets. Although the COB is mainly designed to regulate, authorize and approve various trading and investment practices, it can also sanction in case of trading irregularities or practices.

Created the 28 September 1967, by executive order, the COB is the oldest institution of its kind in Europe. Its main missions are twofold:

- the protection of investors for any kind of financial product involving public offering irrespective of the type.
- the adequacy of the information given to investors

The current organization and powers of the COB were redefined by the two Acts of Laws of August 2, 1989 and July 2, 1996, basically broadening its power to allow for sanctions and international investigations. The Law of July 2, 1996 reinforced also its position as a State institution, bringing the Commission closer to the other legislative authorities.

Made up of only 10 people, a Chairman and nine other members, the COB is helped by various administrative departments under the authority of a

Director-General, assisted by a Secretary-General. The French government appoints the chairman of the COB for a unique and unbreakable period of 6 years. The other members are appointed for a renewable period of 4 years by various administrative entities:

- 3 designated by the principal judicial institutions (Conseil d'Etat, Cour de Cassation, Cour des Comptes);
- 1 by the Governor of the Banque de France;
- 1 by the Conseil des Marchés Financiers (CMF);
- 1 by the Conseil National de la Comptabilité (CNC).
- the last 3 are distinguished personalities designated on the grounds of their financial and legal expertise by the speakers of the Senate and National Assembly and the Chairman of the Conseil économique et social.

Representatives of the Minister for Finance are entitled to submit any proposal for consideration to the Commission, provided that it does not concern any specific individual.

The COB plays an important role in overseeing and checking information released to market participants. It has to approve documents containing disclosures required for public issues - admissions to listing, public offerings, etc. -. It examines disclosure documents prepared by companies for other operations - mergers and acquisitions, etc. -. It also checks legal notices and other information published by companies.

The COB also regulates the different financial services in order to protect investors. In particular, it authorizes asset management services providers and products. It also validates collective investment schemes:

- UCITS such as SICAV (mutual funds) and FCP (unit trusts),
- FCPE (employees funds),
- FCPR (venture capital funds),
- FCIMT (derivative management funds),
- FCPI (venture capital funds specialized in innovative companies)

It also monitors all financial products involving public offerings:

- SOFICA (companies to finance production movies),
- SCPI (real estate investment companies),
- FCC (securitised loan funds),
- SOFIPECHE (companies to finance industrial fishing)

The COB helps the legislative power to regulate the financial markets by providing advice and directive to the Minister of Economy, Finance and Industry.

One of the well-known and advertised activity of the COB is its monitoring of the financial markets and in case of violation, the penalty it can inflict. In case of a suspicion, the COB may investigate the case. Under the terms of the Act of August 2, 1989, it may impose fines to any person or company transgressing or violating the regulation. Notorious cases are suspicion of insider trading, false information, price manipulation or abuse of authority.

Under the terms of Article 40 of the French Criminal Code, it has to refer cases to the State Prosecutor for criminal prosecution.

The COB has an international status. It co-ordinates and co-operates with the other governing bodies of the various markets and its counterparts not only in Europe but also around the world. It issues the European passport for asset management firms. The COB belongs to the International Organization of Securities Commissions (IOSCO) and the Committee for European Securities Regulators (CESR).

The COB ensures the protection of investors, especially private ones. It promotes various initiatives, publications and campaigns to promote investor education and awareness. It opens widely to the public its documentation center. It also has an advisory entity called the Ombudsman that basically offers at no cost out-of-court advice and solutions to conflicts between investors and their financial intermediaries or the listed companies of which they are shareholders. In addition, the COB provides a wide range of information tools and techniques: information prints out and booklet, web site regularly updated and a voice server free of charge.

Lastly, the COB aims at informing as much as possible market participants about its findings. It organizes various public events like press conferences, exhibitions or regular conferences to spread information. Its Annual Report and its Monthly Bulletin are for instance submitted to the President of the Republic and the Parliament.

It is worth saying that the COB tries to be financially independent by collecting contributions from persons or companies whose market activities come under scrutiny (chiefly issuers of financial instruments, unit trusts, mutual funds and real estate investment companies). Over the last few years, the COB has progressively enlarged its power and it is now an important institution in the life of the financial markets.

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Entry category: Regulation

Related articles: Commission bancaire, Securities and Exchange Commission (SEC), Financial Services Authority (FSA) or Japanese Financial Supervisory Agency (FSA).

More to find in the link <http://www.cob.fr>

¹ Swaps Strategy, London, FICC, Goldman Sachs International.

² Abeille Vie Assurance, Paris, France.

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