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CASH AND TREASURY MANAGEMENT
COUNTRY REPORT

FRANCE

Executive Summary

Banking

The French central bank is the Banque de France. As France is a participant in the eurozone, some central bank functions are shared with the other members of the European System of Central Banks (ESCB). Bank supervision is performed by the Commission Bancaire (CB).

All transactions with a value above EUR 50,000 between residents and non-residents from outside the Single Euro Payments Area (SEPA) must be reported to the Banque de France on a monthly basis. Banks must report every transaction with non-residents annually (monthly for the most important banks). The reporting requirements are managed by the Banque de France, according to the rules set out in the Monetary and Financial Code and the Statute of the Banque de France.

Resident entities are permitted to hold fully convertible foreign currency bank accounts domestically and outside France. Residents are also permitted to hold fully-convertible domestic currency (EUR) bank accounts outside France. Non-resident entities are permitted to hold fully convertible domestic and foreign currency bank accounts in France.

France has 178 registered commercial banks and a further 90 savings, cooperative and rural banks. There is also a significant foreign banking presence in France.

Payments

The two main payment systems used in France are the pan-European TARGET2 RTGS system and a multilateral net settlement system, CORE.

The most important cashless payment instruments in France in terms of value are credit transfers. Checks and direct debits are also important in terms of value and volume. Card payments are increasingly popular, especially in the retail sector. Greater use of electronic payments has mirrored the increased use of electronic and internet banking by consumers and small businesses.

Liquidity Management

French-based companies have access to a variety of short-term funding alternatives. There is also a range of short-term investment instruments available.

Cash concentration techniques are widely available and increasingly used by French companies to manage company and group liquidity. Notional pooling is also available in France. However, because cross-guarantees are difficult to obtain, notional pooling is relatively expensive to arrange.

Trade Finance

France applies the European Union (EU) customs code and all its associated regulations and commercial policies. All trade is free from tariffs between France and its fellow European Economic Area (EEA) member states.

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PNC's International Services

PNC can bring together treasury management, foreign exchange, trade finance and credit capabilities to support your international needs in a coordinated and collaborative way.

International Funds Transfers

International Funds Transfers to over 130 countries in USD and foreign currency can be accessed through PINACLE®, PNC's top-rated, online corporate banking portal.

Multicurrency Accounts

Set up demand deposit accounts that hold foreign currency instead of U.S. dollars. These accounts offer a simple and integrated way to manage and move money denominated in more than 30 currencies, including offshore Chinese Renminbi. You can easily view deposit and withdrawal details through PINACLE.

PNC Bank Canada Branch ("PNC Canada")

PNC Bank, through its full service branch in Canada, can help you succeed in this important market. PNC Canada offers a full suite of products including payables, receivables, lending, and specialized financing to help streamline cross border operations.

Multibank Services

PNC's Multibank Services provide you with balances and activity for all your accounts held with PNC and other financial institutions around the world. PINACLE's Information Reporting module can give you a quick snapshot of your international cash position, including USD equivalent value, using indicative exchange rates for all your account balances. You can also initiate Multibank Transfer Requests (MT101s), and reduce the time and expense associated with subscribing to a number of balance reporting and transaction systems.

Establish accounts in foreign countries

Establishing good banking relationships in the countries where you do business can simplify your international transactions. PNC offers two service models to help you open and manage accounts at other banks in countries outside the United States.

- PNC Gateway Direct comprises an increasing number of banks located in many European countries and parts of Latin America. PNC's team will serve as a point of contact for setting up the account helping with any language and time barriers and will continue to serve as an intermediary between you and the bank you select. You can access reporting and make transfers via PINACLE.
- PNC's Gateway Referral service can connect you to a correspondent banking network that comprises more than 1,200 relationships in 115 countries.

Foreign Exchange Risk Management

PNC's senior foreign exchange consultants can help you develop a risk management strategy to mitigate the risk of exchange rate swings so you can more effectively secure pricing and costs, potentially increasing profits and reducing expenses.

Trade Services

PNC's Import, Export, and Standby Letters of Credit can deliver security and convenience, along with the backing of an institution with unique strengths in the international banking arena. PNC also provides Documentary Collections services to both importers and exporters, helping to reduce payment risk and control the exchange of shipping documents. We assign an experienced international trade expert to each account, so you always know your contact at PNC and receive best-in-class service. And PNC delivers it all to your computer through advanced technology, resulting in fast and efficient transaction initiation and tracking.

Trade Finance

For more than 30 years, PNC has worked with the Export-Import Bank of the United States (Ex-Im Bank) and consistently ranks as a top originator of loans backed by the Ex-Im Bank both by dollar volume and number of transactions.[1]

Economic Updates

Receive regular Economic Updates from our senior economist by going to pnc.com/economicreports.

(1) Information compiled from Freedom of Information Act resources.

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Financial Environment

Country Information

Geographical Information

Capital	Paris
Area	551,500 km^2
Population	66.55 million
Official language	French
Political leaders	Head of state — President François Hollande (since May 15, 2012) Head of government — Prime Minister Manuel Valls (since March 31, 2014)

Business Information

Currency (+ SWIFT code)	Euro (EUR) France joined the eurozone on January 1, 1999. Its former currency, the French franc (SWIFT code FRF), was converted to the euro at EUR 1 = FRF 6.55957.
Business/Banking hours	09:00–18:00 (Mon–Fri CET)
Bank holidays	2016 — August 15, November 1, 11, December 25, 26 2017 — January 1, April 14, 17, May 1, 8, 25, June 5, July 14, August 15, November 1, 11, December 25, 26 2018 — January 1, March 30, April 2, May 1, 8, 10, 21, July 14, August 15, November 1, 11, December 25, 26 Source: www.goodbusinessday.com
International dialing code	+ 33

Country Credit Rating

FitchRatings last rated France on June 10, 2016 for issuer default as:

Term	Local currency rating	Foreign currency rating
Short	–	F1 +
Long	AA	AA
Long-term rating outlook	Stable	

Source: www.fitchratings.com, July 2016.

Economic Statistics

Economics Table

	2010	2011	2012	2013	2014
GDP per capita (USD)	41,863	44,996	42,184	44,002	44,308
GDP (EUR billion)	1,999	2,058	2,087	2,116	2,141
GDP (USD billion)	2,647	2,861	2,681	2,809	2,841
GDP volume growth* (%)	+ 1.9	+ 2.1	+ 0.4	+ 0.4	+ 0.4
BoP (goods, services & income) as % GDP	+ 1.1	+ 0.8	+ 0.9	+ 1.3	+ 1.3
Consumer inflation* (%)	+ 1.5	+ 2.1	+ 2.0	+ 0.9	+ 0.5
Population (million)	63.23	63.58	63.56	63.84	64.12
Unemployment (%)	9.3	9.2	9.4	9.9	10.0
Interest rate (corporate lending rate)† (%)	2.64	2.87	2.42	1.99	1.98
Exchange rate‡ (EUR per USD)†	0.7550	0.7194	0.7783	0.7532	0.7537

	2015				2016
	Q2	Q3	Q4	Year	Q1
GDP per capita (USD)	–	–	–	37,558	–
GDP (EUR billion)	–	–	–	2,181	–
GDP (USD billion)	–	–	–	2,419	–
GDP volume growth* (%)	+ 1.1	+ 1.1	+ 1.4	+ 1.1	+ 1.4
BoP (goods, services & income) as % GDP	–	–	–	NA	–
Consumer inflation* (%)	+ 0.2	+ 0.1	+ 0.1	Ø	Ø
Population (million)	–	–	–	64.40	–
Unemployment (%)	NA	NA	NA	NA	NA
Interest rate (corporate lending rate)† (%)	1.82	1.81	1.80	1.82	1.80
Exchange rate‡ (EUR per USD)†	0.9055	0.8995	0.9136	0.9017	0.9077

*Year on year. †Period average. ‡Market rate.

Sources: *International Financial Statistics*, IMF, July 2016 and 2015 Yearbook.

Sectoral Contribution as a % of GDP

Agriculture – 1.7%

Industry – 19.3%

Services – 79.0% (2015 estimate)

Major Export Markets

Germany (15.9%), Spain (7.3%), USA (7.2%), Italy (7.1%), UK (7.1%), Belgium (6.8%)

Major Import Sources

Germany (19.5%), Belgium (10.7%), Italy (7.7%), Netherlands (7.5%), Spain (6.8%), USA (5.5%), China (5.4%), UK (4.3%)

Political and Economic Background

Economics

Interest Rate Management Policy

As a participant in the eurozone, France's interest rate is set through the mechanism of the European System of Central Banks (ESCB). Its main objective is to maintain price stability, defined by the European Central Bank (ECB) as keeping inflation below, but close to, 2% in the medium term. Interest rates are set at monthly meetings of the ECB's Governing Council.

Foreign Exchange Rate Management Policy

The Eurosystem's exchange rate policy is determined by meetings of ECOFIN (a meeting of the finance ministers in all the EU member states). Outside formal agreements, the ECB is also permitted to intervene unilaterally or in concert with other central banks to manage the euro exchange rate relative to other currencies. However, any exchange rate activity is not permitted to conflict with the main objective, to preserve price stability.

Major Economic Issues

Despite experiencing low economic growth in recent years, France retains the second-largest economy in the eurozone. In common with other western European countries, the French economy faces significant pressure from Asian economies, including China and India, and from increasing domestic social security costs. It also faces added pressure in the short-term from the effects of the global economic and financial crisis.

France's economy grew by only 0.2% in 2008 and then contracted by 2.9% in 2009. GDP rebounded in 2010 and 2011, with France recording 1.9% and 2.1% growth respectively, although growth in 2012, 2013 and 2014 stood at only 0.4%. In 2015, GDP growth increased to 1.1%. Unemployment meanwhile stood at 10.0% in 2014 compared to 9.2% in 2011; 10.4% unemployment is estimated for 2015. The French government has also been under persistent pressure from the ECB and the European Commission to cut its borrowing and spending levels. In recent years, the government has prioritized cutting the sizeable budget deficit (3.9% in 2014) to within 3%, in line with the EU's demands, by reducing government spending and increasing tax revenues; a 3.6% deficit was estimated for 2015 as restricted growth has reduced its impact.

The French economy continues to under-perform as a result of a number of factors. Youth unemployment and unemployment remain high. The French workforce remains relatively highly skilled and it is supported by an efficient transport infrastructure. However, trade union power remains significant with the ability to organize effective nationwide strike action. The country's trade unions and employer federations came to an agreement in January 2008 to increase the flexibility of employment contracts while at the same time increasing protection for employees.

In common with her neighbors, France has an ageing population, which is putting pressure on the government finances. In particular, health and pension costs continue to rise as a proportion of national income. These costs are, as elsewhere, increasingly having to be met by a workforce which is falling as a proportion of the adult population. Consequently, the previous Nicolas Sarkozy administration increased the pension contribution period of public transport and electricity workers from 37½ to the standard 40½ years. Large scale pension reforms were announced in fall 2010, including an increase in the standard 40½-year contribution period to 41½ years, an increase in the minimum retirement age by 2017 from 60 to 62, and an increase in the pension age by 2018 from 65 to 67.

A series of measures aimed at preserving France's AAA sovereign credit rating were announced in 2011. Following the June 2012 Assemblée Nationale elections, the new Socialist Party government announced an EUR 7.2 billion increase in taxes, principally on businesses and the wealthy. Cuts worth EUR 10 billion in government spending on defense, culture, agriculture, prison infrastructure, and transport infrastructure were also announced.

In November 2012, President Hollande announced a competitiveness pact, of which the principal measure is EUR 20 billion in tax breaks to France's corporate sector (i.e. to companies employing low-wage labor), financed by small increases in VAT from 2014 and an additional EUR 10 billion reduction in government spending.

On September 25, 2013, plans werre announced to cut an additional EUR 18 billion from the 2014 budget (EUR 3 billion through tax rises and EUR 15 billion through spending cuts), reform the pension system (lifting the pension-contribution period from 41.5 to 43 years for those born after 1973), and cut labor costs in order to increase competitiveness.

After surviving confidence votes earlier in the year, in October 2014, the government officially announced, in its budget for 2015, a program of spending cuts worth EUR 50 billion between 2015 and 2017 and tax breaks for French companies in a bid to boost the economy. French companies are to be exempt from paying family welfare obligations, cutting EUR 40 billion from their tax obligations. In March 2015, the government was granted a new target of 2017 by the European Commission for reaching the EU's target of a 3% budget deficit.

On January 18, 2016, a EUR 2 billion plan to overhaul the economy, reform France's labour code (making working hours and employment contracts more flexible and putting a limit to layoff allowances), and introduce a new unemployment insurance scheme (aimed at reducing the EUR 4 billion deficit in the unemployment insurance fund) was announced by President Hollande. The 35-hour working week will remain in force, but is to become a trigger for overtime pay rather than a restriction on hours worked. Companies will also be able to cut working hours and reduce pay in times of "serious economic difficulty." The new labor code was adopted on July 21, after the government used a special measure to push the law through the parliament without requiring a vote.

Politics

Government Structure

France is a presidential republic.

Executive

Executive power is shared between the directly elected president and the prime minister and other cabinet members. The prime minister and other cabinet members are appointed by the president, but must have the support of the lower house of parliament, the Assemblée Nationale.

The current president is François Hollande, the center-left Socialist Party candidate in the 2012 presidential elections. He appointed the Socialist Party's Manuel Vallis as prime minister in March 2014, following the resignation of Jean-Marc Ayrault.

Presidential elections are held every five years. The next elections are due in Spring 2017.

Legislature

France's bicameral parliament consists of the Sénat and the Assemblée Nationale.

The 577-member Assemblée Nationale is elected for a maximum five-year term by a single-member majority, second ballot system. In the June 2012 Assemblée Nationale elections, the Socialist Party obtained a parliamentary majority, winning 314 seats. The next Assemblée Nationale elections are scheduled for June 2017.

The 348-member Sénat is indirectly elected by an electoral college. All members serve six-year terms. The next Sénat election will be held in September 2017.

International memberships

France is a member of the EU and was a founder member of the European Economic Community. It is also a member of the Council of Europe, the Organisation for Economic Co-operation and Development (OECD), the Bank for International Settlements (BIS), the G-5, the North Atlantic Treaty Organization (NATO) and the World Trade Organization (WTO).

Major Political Issues

The dominant political issue in recent years has been the question of economic reform. President Hollande and the Socialist Party government promised action to boost France's weak economic growth through a tax-and-spend programme in their 2012 election campaigns. In the June 2012 Assemblée Nationale elections, the Socialist Party obtained a parliamentary majority, winning 314 seats. The previous September, the left had acquired its first majority in the Sénat since 1958. The Socialist Party's Manuel Vallis replaced Jean-Marc Ayrault as prime minister in March 2014, after the latter resigned in the wake of the governing party's poor performance in the March local election.

In August 2008, (now former) President Sarkozy's plans to reform the French constitution were approved by parliament. The reforms allow parliament to take on some decisions previously in the president's domain and restrict a president's time in office to two terms.

In March 2012, France signed a deal on closer EU fiscal union, initially entering into force within the eurozone from January 1, 2013. President Hollande pledged to veto the treaty rather than ratify it however, unless it was renegotiated to increase the emphasis on economic growth. At the European summit held in June 2012, he managed to secure concessions enabling eurozone bail-out funds to be used to directly recapitalize struggling banks and the implementation of a EUR 120 billion "European growth pact" to help boost economic growth in the eurozone.

Like Sarkozy before him, Hollande has also pushed for an EU-wide financial transactions tax; preparations for a financial transactions tax between 11 eurozone members, including France, are underway. Ten countries agreed on December 8, 2015, on the "core principles" of the financial transaction tax; the current aim is to begin its implementation in the second quarter of 2017.

Hollande has also called for all French banks to declare their subsidiaries around the world, to prevent the hiding of transactions carried out in tax havens.

The other dominant political issue in France is the combatting of terrorism. France has been in a declared "state of emergency" since the Paris terror attacks on November 13, 2015. It has seen an increasing number of ISIS-inspired terrorist attacks, most recent of which includes the truck attack on Bastille Day in Nice and the killing of a Catholic priest in Normandy at the end of July. The government is under increasing pressure from the opposition to strengthen anti-terrorism laws and security measures.

Taxation

Resident/Non-resident

A company incorporation in France is deemed a tax resident. A foreign company can be French resident if it is managed and controlled in France.

Tax Authority

French Tax Administration.

Tax Year/Filing

The tax year is in principle the accounting year of the company, which need not correspond to the calendar year.

A self-assessment regime applies. Corporate tax returns normally are due by April 30 of the year following the calendar year or within three months of the year end for a non-calendar financial year.

Under the fiscal integration regime, a group of companies may opt to consolidate profits and losses so that tax is assessed at the level of the parent company but is based on the group profit or loss. To qualify for consolidation, the parent must, inter alia, be subject to French tax and cannot be 95% or more owned (directly) by French corporate taxpayers. Only subsidiaries that are at least 95% owned (directly or indirectly) by the parent can be included in the tax group (if subject to French corporate tax). Subsidiaries indirectly held through a chain of participations that include French companies not part of the tax group or non-EU resident companies cannot be part of the group. Groups can, however, be consolidated either vertically (the traditional interpretation) or horizontally, as recent EU case law prompted a modification to French legislation which now permits French sister companies having a common EU parent company to form a horizontally consolidated group.

Corporate Taxation

France operates a territorial tax system. Companies are taxed only on profits arising through business entities operating in France and are subject to additional levies, including a local business tax and payroll taxes.

Resident companies are taxed on any domestic or foreign passive investment income not derived from a foreign permanent establishment (PE).

Foreign-source income of French residents generally is not subject to French tax (and foreign-source losses may not be deducted). Foreign passive investment income includes royalties, interest, gains and dividends, unless the dividends are received under a participation exemption, in which case only 5% of the dividends are taxable.

France imposes corporate income tax (CIT) at a standard rate of 33.3%.

A 3.3% social surcharge applies to the standard corporate income tax liability that exceeds EUR 763,000. Small and medium-sized enterprises benefit from specific exemptions provided certain conditions (e.g. turnover, capital) are met.

A 10.7% temporary surtax applies to the standard corporate income tax liability for large companies with turnover exceeding EUR 250 million for financial years ending on or before December 30, 2016. This results in an overall effective corporate tax rate of 36.9%, or 38% for the largest companies, when subject to the 3.3% social surcharge. For years closing on or after December 31, 2016, the effective overall rate will fall to 34.43%.

France offers an R&D tax credit and a tax credit for competitiveness and employment, which take the form of an actual cash payment from the government if the credits have not been used to offset an income tax liability within three years.

A participation exemption on dividends applies where the recipient owns at least 5% of the shares (both by vote and value) of the distributing entity and retains the shares for at least 24 months. If the participation exemption applies, the dividends are 95% exempt, resulting in a maximum effective rate of 1.9% (5% x 38%). However, if an entity is merged shortly after making a distribution and the merger is within two years of its acquisition, the parent company must choose between having the distribution within the scope of the participation exemption and taking a deduction for the loss on the shares of the distributing entity.

A participation exemption also applies to capital gains arising from the sales of shares that form part of a substantial investment if the shares have been held for 24 months. The gain is 88% exempt, resulting in a maximum effective rate of 4.56% (12% x 38%).

Ordinary losses may be carried forward indefinitely, but may be offset against taxable profit of a given year only up to an amount equal to EUR 1 million, plus 50% of the taxable result for the fiscal year. Losses may be carried one year back, but only up to an amount of EUR 1 million, under certain conditions. Additional limitations apply to the deduction of capital losses on the sale of shares between related parties.

Advance Tax Ruling Availability

Advance tax rulings are compulsory for the transfer of carried forward tax losses in the context of mergers, contributions or spin-offs.

Advance tax rulings are compulsory for the benefit of the deferral of CIT in the case of certain reorganizations.

It is possible for a company resident in a country that has concluded a tax treaty with France to request a ruling from the French tax authorities on whether it is carrying on its activities through a PE in France.

Advance procedure agreements are also available in respect of transfer pricing matters.

Withholding Tax (Subject to Tax Treaties)

Payments to:	Interest	Dividends	Royalties	Other income	Branch Remittances
Resident companies	None	None	None	None	NA
Non-resident companies	0%	0%/30%	0%/33.33%	0%/33.33%	0%/33.33%

Withholding tax applies to dividends, royalties and payments to non-resident companies for services rendered in France.

Dividends paid to non-resident companies are subject to withholding tax at a rate of 30% unless a reduced treaty rate applies or the recipient is a company located in another EU member state. In the latter case, no withholding tax is due provided that, among other conditions, both companies are within the categories listed in the Annex to the Directive and the recipient holds at least 10% of the distributing company's shares for at least two years. This requirement is reduced to 5% where the European corporate shareholder cannot offset the French withholding tax due to an exemption in its place of residence.

A 3% surtax is levied on dividend distributions and deemed dividends paid by French entities subject to corporate income tax.

A withholding tax of 33.33% is levied on royalty payments to non-residents unless a reduced treaty rate applies. Royalties paid to a company located in another EU member state are exempt from that tax provided that, among other conditions, both companies are within the categories listed in the Annex to the Directive and one company holds directly at least 25% of the other company's shares, or both companies are directly or indirectly held at least at 25% by the same shareholder.

The after-tax income of a French branch of a foreign company is deemed to be distributed to non-residents and is subject to a 30% branch tax. The tax may be eliminated or reduced under a tax treaty, and is not due if the foreign head office is located in the EU/EEA and is subject to income tax with no possibility of opting out or of being exempt; and the income is taxable in the foreign country.

Tax Treaties/Tax Information Exchange Agreements (TIEAs)

France has exchange of information relationships with 144 jurisdictions through 115 double tax treaties and 29 TIEAs (www.eoi-tax.org, January 2016).

On January 27, 2016, France, as part of the OECD/G20 Base Erosion and Profit Shift (BEPS) initiative, signed a multilateral co-operation agreement with 30 other countries ("the MCAA"). Under this multilateral agreement, information will be exchanged between tax administrations, giving them a single, global picture on some key indicators of economic activity within multinational enterprises (MNE).

With Country-by-Country reporting tax administrations of jurisdictions where a company operates will have aggregate information annually relating to the global allocation of income and taxes paid, together with other indicators of the location of economic activity within the MNE group. It will also cover information about which entities do business in a particular jurisdiction and the business activities each entity engages in. The information will be collected by the country of residence of the MNE group, and will then be exchanged through exchange of information supported by such agreements as the MCAA. First exchanges under the MCAA will start in 2017-2018 on 2016 information.

Other signatory countries are:-

- Australia, Austria, Belgium, Chile, Costa Rica, Czechia, Denmark, Estonia, Finland, Germany, Greece, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Malaysia, Mexico, Netherlands, Nigeria, Norway, Poland, Portugal, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland and United Kingdom.

Transfer Pricing

French entities controlled by entities established outside France are taxable in France on profits transferred, directly or indirectly, to the entity located abroad through an increase or decrease in the purchase or sales prices or by any other means. Companies exceeding certain thresholds must maintain contemporaneous transfer pricing documentation.

The documentation has to be drafted under a specific format which includes a master file (describing the group organization) and a country file (describing the company's roles). The penalty for failing to provide the documentation is 5% of any transfer pricing reassessment, with a minimum of EUR 10,000, per fiscal year.

Rates on interest paid by French corporate taxpayers to related parties are deemed to be arm's length if they do not exceed an index corresponding to the average annual floating rate applied by banks to two-year loans granted to businesses. If the interest rate exceeds that index, the taxpayer will have to demonstrate that it would have paid a similar or higher rate to a bank in a comparable situation.

Thin Capitalization

The deduction of interest expense on related party debt is deferred if the interest exceeds the highest of the following thresholds:

- the interest expense on a debt equal to 1.5 times the equity;
- 25% of the borrower's adjusted EBITDA; and
- the amount of interest income received from related parties. An additional deduction may be available when the borrower is part of a consolidated tax group.

Non-deductible interest is carried forward for 20 years, but 5% of the total carryover becomes permanently disallowed each year.

The scope of the thin capitalisation rules has been extended in certain circumstances to loans granted by a third-party entity, but guaranteed by a related company.

Acquisition-related expenses are fully deductible only where the shareholding is actually managed from France. The burden of proof is on the taxpayer to demonstrate that decisions on share-related transactions are made in France and control of the subsidiary's management is effectively undertaken from France. Failing that, a portion of the internet expenses relating to the acquisition will be disallowed each year in an amount corresponding to the ratio between the acquisition price and the average of the company's indebtedness for the fiscal year concerned. This will apply until the end of the eighth fiscal year following the acquisition. The interest disallowance does not apply where:

- The value of the shares held by a company does not exceed EUR 1 million; or
- The French company demonstrates that the indebtedness ratio of the group exceeds, or at least equals, its own; or
- The French company demonstrates that the loan was aimed at financing assets other than the shares.

Finance charges are capped at 75% of their net amount as from FY 2014. However, the cap does not apply if the total finance charges (including charges disallowed under the thin capitalization rules) incurred are below EUR 3 million.

Other Anti-avoidance Rules

A rule to prevent hybrid mismatches disallows an interest deduction on a loan granted by an affiliated company if the interest is not subject to a tax at the level of the lending company that is equal to at least 25% of the tax that would have been due under the normal French rules.

In addition and in line with amendments made to the EU parent-subsidiary directive, the French Tax Code now also excludes from the French participation exemption regime distributed profits that are deductible from the distributing subsidiary's taxable income.

The French tax authorities have the general power to disregard or re-characterize all transactions, arrangements or legal acts that are fictitious or have been executed or entered into for the sole purpose of avoiding French tax.

Stamp Duty

Stamp duties apply, but they are nominal.

No stamp duty is levied on loan agreements.

Sales Taxes/VAT (including Financial Services)

The general rate of turnover tax/VAT is 20% on the sale of goods and the provision of services and on imports.

Two different reduced rates of 5.5% (on essential goods and certain publications) and 10% are applicable. A special reduced rate of 2.1% (on certain medicines, newspapers and theatrical events) also exists.

Capital Gains Tax

Taxable gains are calculated by deducting the net book value of an asset from the sale proceeds, and are included in operating profits and taxed at the normal corporate tax rate.

A participation exemption applies to capital gains arising from the sales of shares that form part of a substantial investment if the shares have been held for 24 months. The gain is 88% exempt, resulting in a maximum effective rate of 4.56%.

Systemic RIsk and Financial Transactions Taxes

A systemic risk tax at 0.329% applies on the risks assumed by banks. The tax base is the applicable minimum required regulatory capital. The tax is, however, being progressively phased out, as the EU Single Resolution Fund, with an overlapping purpose, is being introduced. The systemic risk tax is scheduled to be phased out completely by January 1, 2019.

A financial transaction tax at 0.2% applies to transactions involving shares of publicly traded companies established in France, the capital of which exceeds EUR one billion. The tax is calculated based on the value of the shares.

Capital Duty

A fixed EUR 375 duty applies to most transactions that impact a company's share capital (EUR 500 for companies with capital in excess of EUR 225,000, which is the minimum registered capital for a public company). Capital reductions are taxed at a flat rate of EUR 125. Upon dissolution, a company pays a droit de partage equal to 2.5% of net worth if the net worth is distributed pro rata to the shareholders. Amounts paid to a shareholder exceeding its pro rata rights in the distribution are taxed as a sale.

Real Property Tax

Several real property taxes apply in France, including the Contribution économique territoriale (CET; see below), the 'taxe fonciere' and the '3% tax'.

The sale of real property is subject to a transfer tax at a maximum rate of 5.8%.

Transfer Tax

The sale of shares of an SARL or SNC is subject to a transfer tax equal to 3% of the sales price minus a sum equal to the number of units sold multiplied by EUR 23,000 divided by the total number of the company units. For shares of an SA, SAS or SCA, a flat rate of 0.1% applies. The rate is increased to 5% if the company whose shares are transferred is a real estate company, i.e. more than 50% of the fair market value of the company's assets correspond to French real property or real property rights.

The sale of a French going concern, a French customer list or leasehold rights is subject to a transfer tax at a rate of 5%. The same tax applies to the sale of IP rights (other than patents) when exploited in France.

Contribution économique territorale (CET)

Resident and non-resident companies operating a French business must pay the CET. The CET has two components: a real property tax and a tax calculated on an adjusted gross receipt of the French business.

Payroll and Social Security Taxes

Contributions payable by the employer vary depending on the size and type of business and the location, but in certain cases can exceed 50% of gross pay for the employer.

When at least 10% of the total revenue of a company is not subject to VAT (e.g. interests and dividends), the company (mostly banks and financial institutions) is subject to a wage (payroll) tax. This tax is assessed on the wages in proportion to the percentage of the revenues which are not subject to VAT.

All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2016 (www.deloitte.com)

Cash Management

Banking System

Banking Regulation

Banking Supervision

Central bank

The French central bank is the Banque de France. It was established in 1800 and is based in Paris. Its authority derives from the Monetary and Financial Code of the Banque de France and its amendments.

Within France, it is the banker to the federal government and to other banks. It issues currency (under the authority of the ECB), manages France's monetary reserves and oversees the operation of the country's payment systems.

As France is a participant in the eurozone, some central bank functions, notably the responsibility for setting and implementing monetary policy, are shared with the other members of the European System of Central Banks (ESCB). Within the ESCB, the main objective is to maintain price stability.

Other banking supervision bodies

Since November 4, 2014, the ECB has been granted a supervisory role to monitor the financial stability of banks within the eurozone via the Single Supervisory Mechanism (SSM), in accordance with the EU's SSM Regulation No 1024/2013 conferring specific tasks on the ECB with regard to the prudential supervision of credit institutions. The ECB has final supervisory authority while member states' national supervisors now provide a supporting role. The ECB directly supervises each eurozone member state's "most significant" banks.

The ECB possesses the authority to conduct supervisory reviews, on-site inspections and investigations; grant/withdraw banking licences; assess bank acquisitions; ensure compliance with EU prudential rules; and, if required, to set higher capital requirements to counter financial risks.

Banks and other credit institutions are licensed and supervised by the Autorité de Contrôle Prudentiel et de Résolution (ACPR), an independent body backed by the Banque de France.

The Comité Consultatif du Secteur Financier (CCSF) is responsible for monitoring the interaction between credit institutions and their customers.

Banks and insurance companies are regulated under a regime headed by the Minister of the Economy and Finance. New regulations and legislation must be assessed by the Comité Consultatif de la Legislation et de la Réglementation Financières (CCLRF) before they can be enacted.

Central Bank Reporting

General

French central bank reporting requirements are established by the Monetary and Financial Code and the Statute of the Banque de France.

What transactions – listed

The Banque de France requires all transactions with a value above EUR 50,000 between residents and non-residents from outside the Single Euro Payments Area (SEPA) to be reported on a monthly basis. Transactions between residents and non-residents from SEPA countries are not required to be reported.

Banks must report every transaction with non-residents on an annual basis (monthly basis for the 30 largest banks).

Data on around 100 resident banks' assets and liabilities vis-à-vis non-residents is collected on a quarterly basis.

Whom responsible

The resident entity is ultimately responsible for the transmission of the required information to the Banque de France. Companies usually rely on their bank to submit the information. Reporting must be carried out within 20 business days of the end of the month.

Reporting on banks' transactions with non-residents must be carried out within 40 business days of the end of the year (or within 20 business days of the month for the the 30 largest banks).

Resident banks submitting quarterly reports must do so within 30 business days of the end of the quarter.

Companies engaging in foreign transactions which exceed an annual threshold of EUR 30 million are responsible for directly reporting their cross-border transactions.

Additional reporting for liquidity management schemes

There are no additional reporting requirements for liquidity management schemes.

Exchange Controls

Exchange structure

France is a full participant in the eurozone. France's former currency, the French franc (FRF), was converted to the euro on January 1, 1999 at the conversion rate of EUR 1 = FRF 6.55957. The euro has a free floating exchange rate.

Exchange tax

There is no exchange tax.

Exchange subsidy

There is no exchange subsidy.

Forward foreign exchange market

There are no restrictions on forward foreign exchange markets.

Capital flows

Restrictions apply to foreign investment in airlines and French flag shipping vessels, where investors from outside the EU are prohibited from acquiring majority stakes. Foreign investors from outside the EU wishing to establish branches of an insurance company, establish an agricultural business, or acquire a vineyard are also subject to restrictions.

Loans, interest and repayments

There are no controls on the provision of loans by commercial banks or the payment of interest.

Royalties and other fees

There are no restrictions.

Profit remittance

There are no restrictions on the remittance of profits into or out of France.

Bank Account Rules

Resident entities are permitted to hold fully convertible domestic (EUR) and foreign currency bank accounts domestically and outside France.

Non-resident entities are permitted to hold fully convertible domestic and foreign currency bank accounts within France. Non-residents are also permitted to hold domestic currency acccounts outside of France.

To open a bank account, as well as providing all the appropriate account opening documentation, a company must supply a list of authorized signatories and, if it is a French company, its registered number (SIREN) and its certificate of incorporation (Extrait K-Bis).

Anti-money Laundering and Counter-terrorist Financing

- France has enacted anti-money laundering legislation, including legislation implementing the first three EU anti-money laundering directives and counter-terrorist financing legislation (Act No 90-614 of 1990, as supplemented by several legislative instruments, most recently Act No. 2004-130 of 2004; Act No. 2004-204 of 2004; Decree No. 2006-736 of 2006; Law No. 2008-776 of 2008; Decree No. 2009-874; Decree No. 2009-1087; Decree No. 2012-1125; Law No. 2013-100 of 2013 and Decree No. 2013-183.) The Bank of France and the Financial Market Authority have also issued related Guidelines and Regulations which are regularly updated.
- As a Financial Action Task Force (FATF) member, France observes most of the FATF+49 standards. It is also a member of the Caribbean Financial Action Task Force (CFATF) as a Co-operating and Supporting Nation, the South American Financial Action Task Force (GAFILAT) with observer status and the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) with observer status.

- France has established a financial intelligence unit (FIU), the unit for Treatment of Intelligence and Action Against Clandestine Financial Networks Unit (TRACFIN), which is a member of the Egmont Group.
- Account opening procedures require formal identification of the customer and beneficial owners.
- Residents making currency exchange transactions exceeding EUR 1,000 must be identified; the threshold for non-residents is EUR 10,000 provided it is not a business to business transaction.
- The anonymous purchase, reloading and use of prepaid cards is limited to a value of EUR 250 for sales with a limit of cash withdrawals of EUR 100.
- French nationals exchanging cash exceeding EUR 1,000 into another currency must be identified.
- There is no legal requirement for financial institutions to include originator information in either payment or message forms accompanying wire transfers. However, the rules and conduct standards issued by the Fédération Française des Banques require banks to include certain originator data (such as name, address, and identifying code of the originator where the originator is a business entity).
- Financial institutions in the broadest sense are required to record and report suspicious transactions to TRACFIN.
- All cash withdrawals and deposits exceeding EUR 10,000 in a single month must be reported to TRACFIN.
- Individuals entering or exiting the EU must declare currency of EUR 10,000 to the customs authorities.
- Records must be kept for a period of at least five years.

Data as at January 2016.

Banking Sector Structure

Major Domestic Banks

Bank	Total assets (USD million) December 31, 2015
BNP Paribas	2,165,483
Crédit Agricole	1,660,652
Société Générale	1,449,007
BPCE	1,266,734
Crédit Agricole Corporate and Investment Bank	596,455
Natixis	543,226
Banque Fédérative du Crédit Mutuel	497,899
Credit Industriel et Commercial	275,791
Dexia Crédit Local	249,076
La Banque Postale	237,494
HSBC France	182,928
Caisse des Dépôts et Consignations	169,230
Crédit Lyonnais	148,539
Crédit Foncier de France	146,022

Source: www.accuity.com

Overall Trend

France has 178 registered commercial banks. In addition, there are 90 savings, cooperative and rural banks. There is a significant foreign banking presence in France – all the large international cash management banks have either a branch or a representative office. There are also 92 branches of foreign banks in France.

There are five main domestic banks providing the full range of banking services to corporate clients – BNP Paribas, Crédit Agricole, Société Générale, BPCE Group and Crédit Mutuel. In addition, although the main international cash management banks have a presence in France, this is largely limited to branches in the major cities. With the exception of HSBC's acquisition of Crédit Commercial de France (CCF), no other international cash management bank has either developed or acquired a nationwide branch network in France.

Since a period of privatization in the 1990s, domestic banks have responded to the increased competition from these international banks by engaging in a number of domestic mergers. Crédit Mutuel bought Crédit Industriel et Commercial (CIC) in 1999, Banque Nationale de Paris merged with Paribas to form BNP Paribas in 2000 and Crédit Agricole bought Crédit Lyonnais in 2003. Ixis

and Natexis, formerly the investment banking arms of Caisse d'Epargne (French Savings Bank) and Banque Populaire respectively, merged in May 2006 to form Natixis.

As with other European countries, France has seen significant consolidation within the banking sector since the emergence of greater international competition and the introduction of the euro. Despite this, however, some specialist banking entities remain in retail and private banking.

The French government is the largest shareholder in BNP Paribas with a 10% stake. Despite this, it does not have voting rights or a seat on the board.

The mutual banks Banque Populaire and Caisse d'Epargne merged into BPCE on August 3, 2009. The state possesses EUR 3 billion in preference shares in the new banking group. The state does not have voting rights, although it appoint two representatives to the supervisory board.

After the Belgo-French bank Dexia posted big losses in the first half of 2011, its Belgian banking arm was nationalized in October 2011 (and renamed Belfius Bank in March 2012) and its Luxembourg retail bank sold to Precise Capital of Qatar and the Luxembourg Government in December 2011 (and renamed Banque Internationale à Luxembourg in March 2012). Part of its French banking arm (i.e. DexMA, its municipal-lending unit) was purchased by the state-owned Caisse de Dépôts et Consignations (CDC) and La Banque Postale (the banking arm of France's national postal service, La Poste) alongside the French government in February 2013 and renamed Caisse Française de Financement Local. Dexia's remaining "toxic" assets are to remain in a "bad bank"; the recipient of up to EUR 90 billion in funding guarantees provided by Belgian, French and Luxembourg governments.

Orange, France's largest telecoms operator and partly owned by the French government, plans to purchase up to 65 per cent of the Groupama insurance group's banking arm (Groupama Banque) which currently has approximately 530,000 customers. Following the purchase, Orange, which currently has over 28 million customers, then intends to launch Orange Bank, a wholly mobile bank, in 2017.

Payment Systems

Overview

The two main payment systems used in France are TARGET2 and CORE.

High-value, urgent EUR payments are made via TARGET2, which replaced TBF, France's real-time gross settlement system, and PNS, France's high-value net settlement system, on February 18, 2008. TARGET2's Single Shared Platform (SSP) is operated by the Banque de France, along with the Bundesbank and the Banca d'Italia.

CORE is France's technically-upgraded multilateral deferred net settlement system for low-value, non-urgent electronic items and paper-based instruments, including checks. It replaced the previous retail payment ACH, SIT (Système Interbancaire de Télécompensation), in October 2008. CORE was developed by STET (Systèmes Technologiques d'Echange et de Traitement).

STET intends to launch a new clearing and settlement mechanism (CSM) for the Single Euro Payment Area (SEPA), entitled SEPA.EU, in November 2016. SEPA.EU will be accessed via SWIFTNet. There will be multiple intraday clearing cycles, with settlement effected via TARGET2.

STET also plans to implement a pan-European 24/7 instant payment scheme for SEPA credit transfers (the SCTinst scheme) in November 2017.

High-value

Name of system	TARGET2 France's national component is TARGET2-Banque de France (T2-BF)
Settlement type	Real-time gross settlement
Settlement cycle	Transactions are settled in real time with immediate finality.
Links to other systems	The TARGET2 system links payment systems in all 24 participating EU member states.
Payments processed	High-value and urgent electronic credt transfers, both domestic and cross-border. Settlement of net positions from CORE.
Currency of payments processed	EUR
Value and other limits to processing	There are no value thresholds.
Operating hours	06:45–18:30 CET, Mon–Fri
System holidays	TARGET2 is closed on weekends plus January 1, Good Friday, Easter Monday, Labor Day (May 1) and December 25, 26.
Cut-off time	Customer payments: 17:00 CET Interbank payments: 18:00 CET
Participants	134 direct and 194 indirect participants in T2-BF
Access to system	Banks connect via SWIFTNet FIN Y-Copy service. Payments are submitted using SWIFT standard message types.
Future developments	NA

Low-value

Name of system	CORE
Settlement type	Multilateral deferred net settlement
Settlement cycle	Payments are settled on a same-day or next-day basis, depending on the instrument being processed. Payments are cleared between 0:00 CET (midnight) and 20:50 CET, Monday to Thursday, and between 0:00 CET on Friday and 10:50 CET on Saturday. Final settlement is effected via TARGET2 across participants' accounts at the TARGET2 SSP between 14:45 and 15:40 CET Monday to Friday.
Links to other systems	NA
Payments processed	Low-value and non-urgent electronic and paper-based payments, both domestic and cross-border.. These include SEPA credit transfers, SEPA direct debits, electronic bills of exchange, promissory notes, ATM, POS and e-money transactions and checks. Paper-based payments (primarily checks) must be truncated into electronic items before processing.
Currency of payments processed	EUR
Value and other limits to processing	Payments are processed up to a maximum value of EUR 800,000.
Operating hours	The system operates 24 hours a day, Monday to Friday, and until 14:00 CET on Saturday.
System holidays	The system's holidays are set by the French Banking Federation (FBF).
Cut-off times	There are varying cut-off times for different types of transactions. Direct debits, credit transfers, card payments and ATM withdrawals = 13:30 CET (for same-day settlement) Electronic bills of exchange (LCRs) and promissory notes (BORs) = 18:30 CET (for settlement in five days) Checks = 18:30 CET (for next-day settlement)
Participants	There are ten direct and 337 indirect participants.
Access to system	Participant banks access CORE via data processing centers that connect to its technical platform.
Future developments	NA

Payment and Collection Instruments

Overview and Trends

The most important cashless payment instruments in France in terms of value are electronic credit transfers, and the increased use of electronic and internet banking among consumers and small businesses has led to a growth in their usage. Checks and direct debits are also important in terms of value. Card payments are also increasing, especially in the retail sector.

Since January 1, 2008, all debit cards issued by banks in France have been Single Euro Payments Area (SEPA)-compliant. The country's banks have offered pan-European SEPA credit transfers (SCTs) for EUR-denominated payments since January 28, 2008. SEPA direct debits (SDDs) have been available since November 2, 2009. Migration to SCTs and SDDs was finalized in France on August 1, 2014. France's remaining niche payment schemes were fully replaced by SEPA instruments on February 1, 2016.

Statistics of Instrument Usage and Value

	Transactions (million)		% change	Traffic (value) (EUR billion)		% change
	2013	2014	2014/2013	2013	2014	2014/2013
Checks	2,620.57	2,482.82	- 5.3	1,320.02	1,216.94	- 7.8
Card payments	8,964.30	9,437.92	5.3	438.43	443.31	1.1
Credit transfers	3,250.23	3,416.95	5.1	23,198.46	24,046.38	3.7
Direct debits	3,107.73	3,541.46	14.0	1,399.30	1,514.55	8.2
Card-based e-money	50.53	52.91	4.7	0.11	0.24	118.2
Other payment instruments†	92.74	25.93	- 72.0	330.26	0.98	- 99.7
Total	**18,086.10**	**18,957.98**	**4.8**	**26,686.58**	**27,221.50**	**2.0**

† Bills of exchange and promissory notes until 2013. Money remittances and transactions via telecommunication, digital or IT devices from 2014.

Source: *ECB Payment Statistics*, October 2015 .

Paper-based

Checks

Checks remain popular payment instruments with smaller companies and with retail consumers. In 2014, checks represented 13.1% of the volume of all cashless payments and 4.5% of the value.

All checks are truncated into electronic items before processing through CORE. In most cases, the paper vouchers are stored by the remitting banks. Unusual checks and those drawn for a value above EUR 5,000 (*chèques circulaires*) are physically exchanged between banks through the

Centre d'Échange Physique de Chèques within four days of the submission of the truncated item. Checks are usually settled on a next-day basis.

Bills of Exchange

There are two forms of bill of exchange. The *lettre de change relevé* (LCR) is usually used as an instrument to finance trade. The *billet à ordre* (BOR) is a promissory note. Both are negotiable and transferable. For settlement, the instruments are truncated into electronic items and then processed through CORE for settlement on a five-day cycle.

Both have remained in operation since August 1, 2014.

Direct Debits

Principally used for recurring payments such as utility bills or insurance premiums, the *titre interbancaire de paiement* (TIP) was a niche a form of direct debit used in France until February 1, 2016.

The TIP remained in operation following August 1, 2014, but has now been full fully replaced by the SEPA direct debit (SDD).

Electronic

Credit Transfers

Credit transfers are the main form of payment instrument used by large companies to pay suppliers and salary payments. Companies with a gross turnover in excess of EUR 15 million are required to use credit transfers when making tax (via the *transfert de données fiscales et comptables* procedure) and social security payments. Credit transfers are also used to make treasury payments and for payments between banks. Credit transfers accounted for 18.0% of the volume of all cashless payments processed in 2014 and 88.3% of their value.

Domestic and cross-border electronic credit transfers in EUR can be made using the Europe-wide SEPA-compliant XML-based credit transfer format.

High-value

High-value and urgent credit transfers in EUR are processed through TARGET2. Customer payments must be submitted by 17:00 CET and interbank payments by 18:00 CET to be settled on a same-day basis. All payments settled through TARGET2 are done so with immediate finality.

The pan-European TARGET2 system also processes cross-border payments, as long as the beneficiary holds an account accessible through a participant in TARGET2.

High-value and urgent cross-border electronic payments can also be processed via the EBA's EURO1 clearing system. Fourteen banks in France participate in EURO1.

Cross-border credit transfers in other currencies can be made via a combination of SWIFT connectivity, correspondent banking relationships and branch network capabilities.

Low-value

Non-urgent and low-value credit transfers are processed through CORE. Payments can be settled on a same-day basis.

Low-value cross-border transfers can be processed through banks' traditional correspondent banking relationships or networks.

Low-value cross-border electronic payments in EUR can also be processed via the EBA's STEP1 or STEP2 systems.

Direct Debits

The *télérèglement* (TLR) was a a niche alternative to a preauthorized direct debit (and an electronic alternative to a TIP) in which the debtor must agree before funds can be transferred to the creditor. The TLR remained in operation following August 1, 2014 until February 1, 2016. The SEPA Direct Debit (SDD) has now fully replaced all legacy direct debits.

SDDs can be cleared and settled on a same-day basis via CORE.

SEPA Direct Debit (SDD) CORE and B2B services have been available since November 2, 2009, enabling cross-border EUR-denominated direct debits to be made. The EBA has been processing SDD payments in STEP2 since the launch of the SDD schemes on that date. Banks have been obliged to accept and process CORE SDDs since November 1, 2010.

Payment Cards

The use of payment cards continues to increase in France among retail consumers, to the extent that they are now the most popular cashless payment instrument in France. At the end of 2014, there were approximately 55.3 million payment cards with a debit function and 24.9 million cards with a credit function in circulation in France.

Groupe de Cartes Bancaires (GCB) manages the distribution of debit and credit cards in France in association with its 115 member institutions. The majority of payment cards issued in France are co-branded (i.e. GCB plus Visa or MasterCard). The Visa France debit card is the most popular payment card in France. American Express and Diners Club international credit cards and domestic Cofinoga and Cetelem credit cards are also available.

All payment cards in circulation should now be SEPA-compliant EMV chip payment cards.

ATM/POS

At the end of 2014, there were 114,870 ATMs and approximately 1.61 million POS terminals in France. All ATMs and POS terminals in France should now be EMV chip-compliant. ATM and POS transactions are currently cleared through CORE.

Electronic Wallet

To date, there has been limited use of electronic money schemes in France.

France's main electronic money scheme is Moneo. This multi-purpose e-money functionality has now been incorporated into France's payment cards by GCB. There were approximately 14.2 million cards in circulation with an e-money capability at the end of 2014. Card-based e-money payments are currently processed through CORE.

Liquidity Management

Short-term Borrowing

Overdrafts

Both resident and non-resident companies can arrange overdrafts (*découverts*) with banks. Companies may also maintain debit balances on their checking accounts, although these must be preauthorized. Most overdrafts are arranged for one year.

French banks usually charge a *plus fort découvert* surcharge on the highest daily debit balance in any month on top of standard charges and arrangement fees.

More creditworthy companies may be able to arrange *credits de trésorerie* for periods of 10-30 days (and sometimes up to one year).

Bank Lines of Credit / Loans

Loans are available for terms up to two years. Banks make advances at agreed margins over Euribor (euro interbank offered rate) in EUR and foreign currencies (margin over relevant market rate).

Crédit spot can be arranged by larger companies, usually for terms of ten days up to three months, with interest margins set with reference to Eonia (euro overnight indexed rate average).

Trade Bills – Discounted

Discounting trade bills (*traite*) is a method of short-term financing used by small and medium-sized companies in France, typically for terms of 90 or 120 days. Funding costs are usually levied with reference to Euribor or Eonia.

Suppliers can also discount invoices directly through the use of a daily loan (*escompte classique*). These can also be used as a guarantee for loans or overdrafts, in which case the bank will usually inform the borrower's debtors and ask them to make payment via the bank.

Factoring

Factoring is widely available on both a disclosed and undisclosed basis. It has grown in popularity in recent years.

A factor must accept all or none of the risk of loss under French law. If a factor purchases a company's receivables in full, it does not usually have any further recourse to that company in the event of a default.

Commercial Paper

Domestic commercial paper (*billet de trésorerie* – BT) is issued in France. The biggest issuers are financial institutions (FI), mutual funds and the larger non-bank companies. Funding maturities are from overnight to one year.

While French investors will accept unrated paper from domestic issuers, issues in the European commercial paper market need to be rated. Issues are usually also supported by back-up credit lines.

Bankers' Acceptances

These are not commonly available in France.

Supplier Credit

Supplier credit can be arranged in France, for terms up to a maximum of 60 days from the invoice date, though an amendment to the Commerce Code has made the standard term 45 days.

Intercompany Borrowing, including Lagging Payments

French groups are permitted to establish intercompany loans as part of a liquidity management scheme or for a longer term, though transfer pricing and thin capitalization rules may apply. Cash concentration structures are also available for working capital funding; notional pooling is less common because of the difficulty in obtaining cross-guarantees.

Short-term Investments

Interest Payable on Bank Account Surplus Balances

Interest-bearing current, or checking, accounts are available to both resident and non-resident entities, though interest paid on these accounts tends to be low. Until March 2005, banks had been prohibited from paying interest on domestic currency deposits with a maturity of less than one month (including checking accounts).

Demand Deposits

Interest-bearing demand, or sight, deposit accounts are available to both resident and non-resident entities. Until March 2005, banks had been prohibited from paying interest on domestic currency deposits with a maturity of less than one month.

Time Deposits

Banks offer time deposits for terms ranging from one week to one year in either EUR or foreign currencies.

Certificates of Deposit

Certificates of deposit (CDs) are issued by banks; usually for maturities from one day to 12 months, with maturities of between three and six months being most common. CDs paying fixed and variable rates are both available. CDs have a minimum value of EUR 150,000.

Treasury (Government) Bills

Treasury bills (*bons du Trésor*) are issued by the Ministry of the Economy and Finance's sovereign debt management agency, Agence France Trésor, on behalf of the French government. If a bill is issued at a discount for a maturity of under a year, it is known as a *bon du Trésor à taux fixe* (BTF).

Commercial Paper

French companies and public authorities issue commercial paper for terms of one day to 12 months, with one month typical. Domestic commercial paper is known as *billet de trésorerie* (BT). Commercial paper has a minimum value of EUR 150,000.

French companies can invest in eurocommercial paper (ECP). Issuers usually have a published credit rating and issue ECP for maturities under a year in a variety of currencies.

Money Market Funds

French banks were prohibited from paying interest on deposits with a maturity of less than a month until March 2005. As a result, short-term mutual investment funds (*organismes de placement collectif en valeurs mobilières* OPCVMs) developed as an alternative location for short-term investment. OPCVMs are permitted to invest in a range of different instruments, from short-term money market instruments to bond and equity market instruments.

OPCVMs remain popular short-term investment instruments, despite the availability of interest-bearing checking accounts. There are two forms of OPCVMs. A *société d'investissement à capital variable* (SICAV), or open-ended investment company, is required to publish its net asset value daily. A *fond commun de placement* (FCP) operates as a form of unit trust, with investors co-owning the securities purchased by the fund.

Repurchase Agreements

Repurchase agreements (repos) are actively traded in the French interbank market. They usually have maturities from one to seven days.

Bankers' Acceptances

Bankers' acceptances are not used as short-term investment instruments with companies in France.

Liquidity Management Techniques

Cash Concentration

Cash concentration techniques are widely available and increasingly used by French companies to manage company and group liquidity.

Both resident and non-resident bank accounts can participate in a cash concentration structure located in France. Each structure must conform to a number of conditions: all entities must be seen to benefit from the structure; all participating entities must share the same ultimate

ownership with one entity having control over the others; and the operating terms must be set out in a document (*convention de trésorerie*) which must have board-level authorization (*conseil d'administration*) and, if possible, auditor approval.

Cross-border structures vary by bank, but there are no restrictions on the pooling of both resident and non-resident accounts together. Lifting fees on transactions between resident and non-resident bank accounts are rarely charged.

Notional Pooling

Notional pooling is available in France. Accounts held by different legal entities, including both resident and non-resident entities, may participate in the same notional pool. However, because cross-guarantees are difficult to obtain, notional pooling is relatively expensive to arrange. Some banks offer a zero-balancing cash concentration structure using mirrored accounts as an alternative.

Trade Finance

General Rules for Importing/Exporting

A member of the EU, France follows the EU customs code and all associated regulations and commercial policies apply.

All trade with other countries in the European Economic Area (EEA) is free from tariffs and other controls.

The EU has also established trade agreements with a number of countries as well as with other regional trade blocs.

Two free zones (Free Zone of Verdon - Port de Bordeaux and Free Zone of French Guiana) are currently operating in France.

Imports

Documentation Required

Imports originating outside the EU will normally need to be accompanied by a commercial invoice, a customs declaration, a bill of lading and a packing list. A certificate of origin may also be required.

Imports originating inside the EU do not require formal supporting documentation, although a commercial invoice should normally be supplied.

Import Licenses

Imports from specific countries and specific imports from outside the EU, including those subject to quantitative restrictions, require import licenses. Items of national interest or of a strategic nature from within the EU may also require an import license.

Some imports from outside the EU and those listed under the European Coal and Steel Community (ECSC) Treaty from non-ECSC countries must be supported by an administrative visa from French customs or the appropriate government department.

Import Taxes/Tariffs

As a member of the EU, France applies the common customs code to all imports originating from outside the EU. In general terms, the EU customs code applies higher levels of tariffs on agricultural imports.

Financing Requirements

There are no particular financing requirements for imports.

Risk Mitigation

France does not operate a national risk mitigation program for importers.

Prohibited Imports

France prohibits imports in line with EU regulations and UN Security Council resolutions. Imports are prohibited for safety and moral reasons, to preserve wildlife, and to protect national security.

Exports

Documentation Required

Exports to countries outside the EU will normally need to be accompanied by a commercial invoice, a customs declaration, a bill of lading and a packing list. A certificate of origin may also be required.

Exports to countries within the EU do not require formal supporting documentation, although a commercial invoice should normally be supplied.

Proceeds

There are no restrictions on the use of export proceeds.

Financing Requirements

There are no particular financing requirements for exports.

Export Licenses

Any items subject to international controls require export licenses. Certain prohibited exports are sometimes permitted under a special license.

Export Taxes/Tariffs

France levies tariffs on exports of artworks, antiques, precious metals and jewelry.

Risk Mitigation

Export financing is available from France's commercial banks.

Coface, a subsidiary of Natixis, provides state-supported credit insurance for exports and offers a range of risk mitigation products for exporters and entities investing abroad. Export credit insurance is also available from other commercial entities.

Prohibited Exports

France prohibits exports in line with EU regulations and UN Security Council resolutions.

Information Technology

Electronic Banking

Almost all French companies have access to electronic banking services.

In October 2008, the French banking community made a decision to migrate from domestic ETEBAC (*Echanges télématiques entre les Banques et leurs Clients*) X25-connection telecommunications protocols, developed by the French Banking Organization and Standardization Committee (CFONB), to the German, SEPA-compliant Electronic Banking Internet Communication Standard (EBICS), a secure transfer protocol for the online exchange of XML files, or SWIFT for Corporates for large multinational companies. ETEBAC protocols remained functional until July 21, 2011.

The CFONB has adopted the Referentiel General de Securité (RGS), an electronic certificate for the banking industry. The RGS is a set of rules for securely exchanging information electronically within the banking sector, thus facilitating the acceptance of electronic certificates and signatures.

Most banks offer internet banking. In most cases, a similar range of banking services to those available through a physical electronic banking workstation are provided online. Internet banking is offered via an ASP software element provided as part of the bank's electronic banking package.

Mobile banking is also increasing in popularity in France and is offered by the country's leading commercial banks. Mobile banking penetration in France is currently in excess of 20%. BNP Paribas established Hello Bank!, the first pan-European digital mobile bank, in Belgium, France, Germany and Italy in May 2013.

YouPass is a leading mobile payment app in France, enabling contactless payments using Near Field Communication (NFC) technology. YouPass customers may make payments by holding their mobile phones over POS terminals. YouPass app transactions are protected by the consumer's existing bank app security.

External Financing

Long-term Funding

Bank Lines of Credit / Loans

Medium- and long-term financing is available in the form of bank loans for the funding of capital investments such as new buildings and equipment. Revolving lines of credit can be arranged. Depending on the nature of the borrower's requirements, funding can be available as a bilateral facility or in the form of a syndicated loan. Local French banks are experienced in arranging syndicated loan facilities and sharing credit risk.

Bank loans are available to both domestic and foreign-based companies in both domestic and foreign currencies.

Bank loans are typically made for three, five and ten years although the period can be longer.

Leasing

Leasing is a popular form of longer-term finance for French companies. There are various forms of leasing for equipment, real estate, vehicles and vendor goods. Both financial and operating leases are available in France, with operating leases more common.

Leases can be set with fixed or floating rates of interest. Terms of contracts usually range from 18 months to five years, though contracts can be arranged for longer periods for assets such as plant and equipment. Property leases are available for terms up to 25 years, though the average term is around 16 years.

Bonds

Bond funding is available in France, although in recent years the domestic market has tended to be dominated by the public sector. Larger companies can choose between French bonds and a wide range of Eurobonds. Some larger companies arrange medium-term note programs (*bons à moyen-terme négociables*) for terms of two to seven years (with terms of over five years most popular).

All types of bond are available, including bonds paying fixed or floating interest, zero coupon bonds, or convertible bonds. Some bonds contain "put and call" options (*fenêtres*). Warrants (*bons de souscription*) are also available. The quality of the issuer, expressed by its rating, the maturity, the currency and the liquidity all determine the exact amount of interest paid. To issue a bond, a company must have been profitable for the past two years and have registered its prospectus with the French Financial Markets Authority.

Private Placement

The private placement of securities is common in France.

Asset Securitization / Structured Finance

The issue of asset-backed bonds and notes has become mainstream in France. Many banks are prepared to arrange asset securitization programs for non-bank corporations.

Government (Agency) Investment Incentive Schemes / Special Programs or Structures

Small and medium-sized companies have access to subsidized loans from government development agencies, often in co-financing arrangements with banks. Funding is also available for larger companies working on public infrastructure projects and public–private partnership initiatives through the state-owned Caisse des Dépôts et Consignations (CDC).

The EU's structural funds are available to finance infrastructural development. However, with the growth in size of the EU, the funds available for such investment have to be distributed to more countries. Funds are also available through the European Investment Bank and the European Investment Fund.

Useful Contacts

National Treasurers' Association

French Association of Corporate Treasurers — www.afte.com

National Investment Promotion Agency

Business France — www.sayouitofrance-innovation.com

Central Banks

Banque de France — www.banque-france.fr

European Central Bank — www.ecb.int

Supervisory Authorities

Autorité de Contrôle Prudentiel et de Résolution (ACPR) — www.acpr.banque-france.fr

French Banking Organization and Standardization Committee — www.cfonb.org

Payment System Operators

Systèmes Technologiques d'Echange et de Traitement (STET) — www.stet.eu

Moneo — moneo.com

YouPass — www.youpass.com

ATM/POS Network Operator

Groupement de Cartes Bancaires (GCB) — www.cartes-bancaires.com

Banks

BNP Paribas — www.bnpparibas.com

Crédit Agricole — www.credit-agricole.fr

BPCE — www.bpce.fr

Société Générale — www.societegenerale.com

Stock Exchange

Euronext — www.euronext.com

Ministry of Finance

Ministry of the Economy and Finance — www.economie.gouv.fr

Treasury

Department of the Treasury — www.tresor.economie.gouv.fr

Treasury and Debt Management Agency

Agence France Trésor — www.aft.gouv.fr

Chambers of Commerce

Assembly of French Chambers of Commerce and Industry — www.cci.fr

Chamber of Commerce and Industry of Paris Île-de-France — www.cci-paris-idf.fr

Bankers' / Banking Associations

Association of French Banks — www.afb.fr

French Banking Federation — www.fbf.fr

French Association of Credit Institutions and Investment Firms — www.afecei.asso.fr