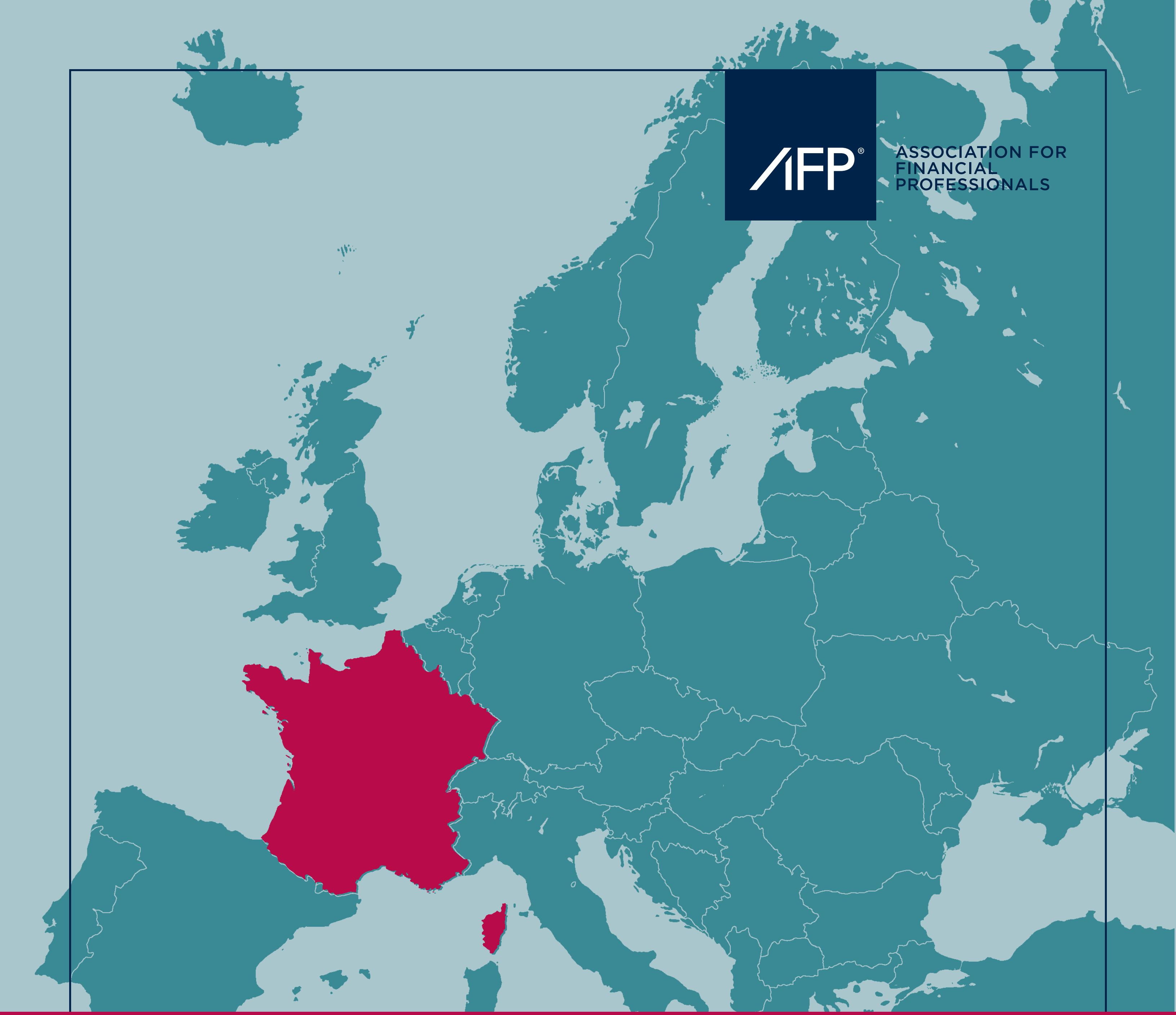

ASSOCIATION FOR FINANCIAL PROFESSIONALS

Underwritten by PNC

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 98 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.

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

PINACLE®, PNC's top-rated, online corporate banking portal provides access to International Funds Transfers to more than 130 countries in U.S. dollars and foreign currencies.

Multicurrency Accounts

Demand deposit accounts that hold foreign currency instead of U.S. dollars offer a simple and integrated way to manage and move money denominated in more than 30 currencies, including offshore Chinese Renminbi. In addition, our EUR and GBP multicurrency accounts (MCAs) are able to receive payments via the local payment systems, SEPA and BACS/ FPS, respectively. 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. We offer a comprehensive treasury management platform in Canada including U.S. dollar and Canadian dollar accounts, payment initiation services (ACH, wire and check), receivables (A/R Advantage lockbox, branch deposits, electronic payments) and information reporting (with previous day through PINACLE®).

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 U.S. dollar 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 help you 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, help 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 help you connect 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 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.

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Disclosure

PNC, PNC Bank, ACHIEVEMENT, PINACLE, Working Cash, ActivePay, Global Trade Excellence, Vested Interest, Midland Loan Services, Enterprise!, CMBS Investor Insight, Portfolio Investor Insight, Borrower Insight, Shared Servicing, PNC Riverarch Capital, and PNC Erieview Capital are registered marks of The PNC Financial Services Group, Inc. (“PNC”). PNC Retirement Solutions is a service mark of PNC.

Bank deposit, treasury management and lending products and services, foreign exchange and derivative products (including commodity derivatives), and investment and wealth management and fiduciary services, are provided by PNC Bank, National Association (“PNC Bank”), a wholly-owned subsidiary of PNC and **Member FDIC**. Certain fiduciary and agency services are provided by PNC Delaware Trust Company.

Important Investor Information: Securities, insurance, foreign exchange, and derivative products are:

Not FDIC Insured • Not Bank Guaranteed • Not A Deposit
Not Insured By Any Federal Government Agency • May Lose Value

In Canada, PNC Bank Canada Branch, the Canadian branch of PNC Bank, provides bank deposit, treasury management, lending (including asset-based lending) and leasing products and services. Deposits with PNC Bank Canada Branch are not insured by The Canada Deposit Insurance Corporation or by the United States Federal Deposit Insurance Corporation.

Lending, leasing and equity products and services, as well as certain other banking products and services, require credit approval.

PNC does not provide legal, tax or accounting advice unless, with respect to tax advice, PNC Bank has entered into a written tax services agreement.

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Financial Environment

Country Information

Geographical Information

Capital	Paris
Area	551,500 km^2
Population	67.36 million
Official language	French
Political leaders	Head of state — President Emmanuel Macron (since May 14, 2017) Head of government — Prime Minister Edouard Philippe (since May 15, 2017)

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	2019 — May 1, 8, 30, June 10, July 14, August 15, November 1, 11, December 25, 26 2020 — January 1, April 10, 13, May 1, 8, 21, June 1, July 14, August 15, November 1, 11, December 25, 26 2021 — January 1, April 2, 5, May 1, 8, 13, 24, June 14, July 14, August 15, November 1, 11, December 25, 26 Source: www.goodbusinessday.com
International dialing code	+ 33

FRANCE

Country Credit Rating

FitchRatings last rated France on January 18, 2019 for issuer default as:

Term	Issuer Default Rating
Short	F1 +
Long	AA
Long-term rating outlook	Stable

Source: www.fitchratings.com, April 2019.

Economic Statistics

Economics Table

	2012	2013	2014	2015	2016
GDP per capita (USD)	42,184	44,002	44,310	37,560	38,273
GDP (EUR billion)	2,087	2,116	2,141	2,181	2,229
GDP (USD billion)	2,681	2,809	2,841	2,419	2,477
GDP volume growth* (%)	+ 0.4	+ 0.6	+ 0.6	+ 1.4	+ 1.1
BoP (goods, services & income) as % GDP	+ 0.9	+ 1.3	+ 1.3	+ 1.7	+ 1.1
Consumer inflation* (%)	+ 2.0	+ 0.9	+ 0.5	Ø	+ 0.2
Population (million)	63.56	63.84	64.12	64.40	64.72
Unemployment (%)	9.8	10.3	10.3	10.4	10.1
Interest rate (corporate lending rate)† (%)	2.42	1.99	1.98	1.82	1.71
Exchange rate‡ (EUR per USD)†	0.7783	0.7532	0.7537	0.9017	0.9040

	2017	2018			
		Q1	Q2	Q3	Q4
GDP per capita (USD)	39,796	–	–	–	–
GDP (EUR billion)	2,292	–	–	–	–
GDP (USD billion)	2,584	–	–	–	–
GDP volume growth* (%)	+ 2.2	+ 2.1	+ 1.7	+ 1.4	+ 0.9
BoP (goods, services & income) as % GDP	+ 1.2	–	–	–	–
Consumer inflation* (%)	+ 1.0	+ 1.4	+ 1.9	+ 2.3	+ 1.9
Population (million)	64.98	–	–	–	–
Unemployment (%)	9.4	9.6	8.7	8.8	9.3
Interest rate (corporate lending rate)† (%)	1.63	1.60	1.60	1.59	1.51
Exchange rate‡ (EUR per USD)†	0.887	0.814	0.839	0.860	0.876

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

Sources: *International Financial Statistics*, IMF, April 2019 and 2018 Yearbook.

Sectoral Contribution as a % of GDP

Agriculture – 1.7%

Industry – 19.5%

Services – 78.8% (2017 estimate)

Major Export Markets

Germany (14.8%), Spain (7.7%), Italy (7.5%), USA (7.2%), Belgium (7%), UK (6.7%)

Major Import Sources

Germany (18.5%), Belgium (10.2%), Netherlands (8.3%), Italy (7.9%), Spain (7.1%), UK (5.3%), USA (5.2%), China (5.1%)

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

France has a strong and diversified economy but, with high levels of public debt and government spending, and relatively slow growth, it has been considered the "sick man of Europe" in recent years. The French economy has shown signs of recovery, posting GDP growth of 2.2% in 2017, the highest rate since 2011. However, economic growth slowed to a revised 1.6% in 2018, below the government's original forecast of 1.7%, hit by weeks of strikes in the first half of 2018 and the "gilets jaunes" (yellow vest) crisis in the second half of the year. The country's budget deficit stood at 2.5% of GDP in 2018, the lowest since 2006 and down from 2.8% in 2017, but is now expected to marginally exceed the EU threshold of 3% this year, reaching 3.1% of GDP, after the government's decision to announce EUR 10 billion of spending concessions to anti-government protesters in December 2018. Public debt stood at 98.4% of GDP in 2018, unchanged from 2017. France's trade deficit decreased to EUR 4 billion in February 2019 from EUR 4.2 billion in the previous month, mainly due to a rise in exports.

The unemployment rate in France stood at 8.8% in Q4 2018, the lowest level since 2009 and down from from 9.1% in Q3 2018. President Macron has pledged to bring the unemployment rate down (by introducing sweeping labor reforms including making it easier for companies to hire and fire staff). The previous administration introduced a new labor code in July 2016, which, while keeping the 35-hour working week, afforded companies the opportunity to offer more flexible employment contracts including the ability to make people redundant more easily; the new labor laws sparked off violent protests across the country and strikes. President Macron's new and more ambitious reforms to the labor market have proven as unpopular.

President Macron has also announced plans to launch a privatization program in 2018 to help fund a EUR 10 billion government drive to boost industry and innovation. The government has stakes in 81 French companies ranging from defence companies and carmakers to energy groups and airport operators. In June 2018, the government presented a privatization law alowing the state to sell its stakes in the companies. The law came into force in April 2019.

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.

Presidential elections are held every five years. Emmanuel Macron of the centrist La République en Marche party was elected president in May 2017. Edouard Philippe was chosen to serve as prime minister.

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 Assemblée Nationale elections in June 2017, President Macron's La République en Marche party and centrist ally MoDem won a landslide victory.

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 2020.

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

In May 2017, Emmanuel Macron, of the of the centrist La République en Marche (LREM) party, was elected president, the French people choosing his ticket of greater European integration over his rival Marine Le Pen's promise to hold a referendum on EU membership and retaining the euro. During his election campaign, Macron pledged to reform the country's onerous labor laws and tackle the country's high unemployment rate. The IMF estimates that without major labor reform it is unlikely that France's relatively high unemployment rate will fall below 8.5%. However, President Macron's sweeping labor reforms have faced strong opposition, and in September 2017, thousands of protesters turned out across the country in the first big challenge to the president's reforms.

In June 2017, Emmanuel Macron's La République en Marche party won a clear majority in the Assemblée Nationale elections, giving him a clear mandate for his reform agenda. However, the president's party failed to repeat the performance in the country's senatorial elections in September 2017, winning fewer than 8% of the seats and consolidating the Senate's existing conservative majority. The result will make it harder for Emmanuel Macron, whose approval ratings have dropped significantly since he took office, to carry out unpopular reforms.

In October 2018, Mr. Macron reshuffled his cabinet in an attempt to take back control amid plummeting popularity, protests and scandals.

In November 2018, thousands of protesters, dubbed the "gilets jaunes" (yellow vests), took to the streets across the country to protest against rising fuel taxes and diesel prices. The yellow vest movement, which was created on social media with no recognized leadership, has since widened into an anti-establishment movement that has shaken the presidency of Mr. Macron.

In December 2018, Mr. Macron announced a EUR 10 billion package of handouts and tax breaks for pensioners and low-income workers in a bid to end weeks of growing anti-government mass demonstrations. However, demonstrations have continued throughout the country, forcing the president to delay reforms while he hosts a "national debate" on issues ranging from taxation to public services.

In April 2019, Mr. Macron, shaken by months of "gilets jaunes" protests but boosted by higher than expected economic growth in 2018 and a lower than expected budget deficit, promised significant tax cuts and pension rises but also a continuation of his reform program and a return to public order in France, in response to the yellow vest movement.

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%. The rate will be reduced to 25% over the period from 2017 to 2022 (for 2018, the reduced 28% rate applies only only on the first EUR 500,000 of taxable income). Small or new businesses may benefit from lower rates.

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.

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. However, the credit for competitiveness and employment will disappear as from January 1, 2019, and will be replaced with a reduction of the employer's share of social security contributions.

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 1.72% (5% x 34.43%). 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 4.13% (12% x 34.43%).

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

Rulings are becoming a regular practice. A special ruling procedure exists to confirm whether a foreign entity has a PE in France.

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 by a French corporation to a non-resident shareholder are subject to a 30% withholding tax, unless a tax treaty provides for a lower rate or the EU parent-subsidiary directive applies. Under the directive, dividends paid by a French corporation to a qualifying EU parent company are exempt from withholding tax.

Royalties paid to a non-resident entity are subject to the corporate income standard tax rate. The rate may be reduced or eliminated under a tax treaty or where the royalties qualify for the benefit of the EU interest and royalties directive.

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 2019).

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.

As of April 2019, there are 105 signatory countries, including:-

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

Controlled Foreign Companies

The CFC rules apply to more than 50% owned or controlled foreign subsidiaries or permanent establishments of a French company when the local taxation is less than 50% of the French rate (i.e. the actual tax paid compared to the French tax that would be due on the income calculated under French GAAP). In such a case, the French company, is:

- taxed on its pro rate share of the income deemed to be received from the CFC if the CFC is a permanent establishment or a branch; or
- deemed to have received distributed income from the CFC if the latter is a subsidiary. EU companies are outside the scope of the CFC rules, unless the structure was put in place to avoid tax.

Dividends, interest, royalties and payments for services made to companies located in a non-cooperative country may be subject to a 75% withholding tax. Further, dividends received from entities located in non-cooperative countries cannot benefit from the participation exemption.

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.

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 or from the EU or EEA (European Economic Area). 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 or from the EEA. 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. 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. Certain transactions are zero-rated or exempt.

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 4.13%.

Systemic RIsk and Financial Transactions Taxes

A systemic risk tax at 0.222% 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 0.3% 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 2018 (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 the 119 "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. As of January 1, 2019, all transactions, including transactions between residents and non-residents from SEPA countries, above EUR 50,000 must be reported to the Banque de France on a monthly basis.

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 four 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, Law No. 2016-731,Decree No. 2013-183 and Decree No. 2017-1094.) The Bank of France and the Financial Market Authority have also issued related Guidelines and Regulations which are regularly updated. The 4th EU anti-money laundering directive has been transposed into French law by Order No. 2016-1635.
- The 5th EU Anti-Money Laundering Directive (Directive (EU) 2018/843) entered into force on July 9, 2018, amending the 4th EU Anti-Money Laundering Directive, and member states must transpose this Directive into national law by January 10, 2020.

- 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 2019.

Banking Sector Structure

Major Domestic Banks

Bank	Total assets (USD million) December 31, 2018
BNP Paribas	2,335,320
Crédit Agricole	1,858,787
Société Générale	1,498,373
BPCE	1,457,748
Banque Fédérative du Crédit Mutuel	586,484*
Crédit Agricole Corporate and Investment Bank	580,544
Natixis	566,994
Credit Industriel et Commercial	314,686*
La Banque Postale	275,044
Dexia Crédit Local	214,394*

* December 31, 2017.

Source: www.accuity.com

Overall Trend

France has 178 registered commercial banks. In addition, there are 98 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 in many of the country's larger cities. There are also 90 branches of foreign banks in France.

In March 2017, retail giant Carrefour launched an online current account, C-zam, the first such account offered by a retailer. Orange, France's largest telecoms operator, launched, Orange Bank, a mobile-based retail bank, in November 2017. The increasing use of mobile apps and online banking is driving not only greater investment in digital technologies but is changing the landscape of banking as banks reduce their extensive branch networks and move more customers onto their digital platforms. Société Générale, for example, plans to close 20% of branches by 2020 while investing EUR 1.5 billion on digital technology over the same period (Société Générale's Boursorama is France's leading online bank). Similarly, BPCE is to shut 5% of its branches and invest in its online services; by 2020 it expects 90% of its customers to be banking online.

The country's financial sector is likely to benefit post-Brexit with many of London's international banks seeking to set up subsidiaries in Paris. In order to attract those financial institutions looking for an alternative location to London, the government has pledged to scrap the highest bracket of payroll tax for firms, including banks, that do not pay VAT, cancel a planned extension of the 0.3% tax on financial transactions and make sure that bankers' bonuses are no longer taken into account when labor courts decide on unfair dismissal compensation.

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 a multilateral deferred net settlement system for low-value, non-urgent electronic items and paper-based instruments, including checks. CORE was developed by STET (Systèmes Technologiques d'Echange et de Traitement).

In November 2016, STET launched a new clearing and settlement mechanism (CSM) for the Single Euro Payment Area (SEPA), SEPA.EU. SEPA.EU is accessed via SWIFTNet. There will be multiple intraday clearing cycles for SEPA credit transfers (SCTs) and SEPA direct debits (SDDs), with settlement effected via TARGET2. The SEPA.EU platform hosts STET's Instant Payments CSM, which launched in November 2017, alongside the launch of the EPC's SCTInt scheme (a pan-European 24/7 instant payment scheme for SEPA credit transfers) on November 21, 2017.

The European Central Bank has developed a new pan-European service for the settlement of instant payments in central bank money. The new service, called TARGET Instant Payment Settlement (TIPS) service, enables payment service providers and ACHs with access to TARGET2 to offer fund transfers 24/7, 365 days a year. The new service is based on the same message formats and aligned with SCT Inst and, by complementing SCT Inst, TIPS is expected to ensure that demand for instant payments is met at European level, facilitating further integration in the euro area. The service focuses on EUR payments but is also technically capable of settling payments denominated in other currencies. TIPS launched on November 30, 2018.

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	140 direct and 185 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	The ECB has launched a project to consolidate TARGET2 and TARGET2 Securities (T2S) in terms of both technical and functional aspects in order to meet changing market demands by replacing TARGET2 with a new real-time gross settlement (RTGS) system and optimising liquidity management across all TARGET Services. The consolidated TARGET platform will use the ISO 20022 messaging standard and consist of a Central Liquidity Management Module (CLM), a new RTGS system, T2S and TARGET Instant Payment Settlement (TIPS). It is scheduled to be launched in November 2021.

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 15:15 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, 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. 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 147 indirect participants.
Access to system	Participant banks access CORE via data processing centers that connect to its technical platform.
Future developments	STET expects to migrate SEPA credit transfers (SCTs) from CORE to SEPA.EU by September 2020. Unlike the current system used by CORE, in SEPA.EU the cycle concept will be replaced by continuous settlement with a prefunding model. SEPA direct debits (SDDs) migrated to SEPA.EU in November 2016.

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.

In January 2016, a Revised Directive on Payment Services (PSD2) entered into force. The overall objective of the PSD2 is to increase the competition on the EU payment market, facilitate innovative payment services and ensure that payment services are safe and offer complete consumer protection. The directive is to be incorporated into the EU members' national laws and regulations by January 2018.

In November 2017, the European Payment Council's SCTInt scheme went live across all SEPA countries. The scheme enables the transfer of funds (the maximum value threshold will be EUR 15,000) to another account in less than ten seconds.

Statistics of Instrument Usage and Value

	Transactions (million)		% change	Traffic (value) (EUR billion)		% change
	2016	2017	2017/2016	2016	2017	2017/2016
Checks	2,137.5	1,926.7	- 9.9	1,077.3	1,001.9	- 7.0
Debit card payments	9,831.6	10,416.2	6.0	438.8	455.9	3.9
Credit card payments	1,165.4	1,588.3	36.3	53.3	71.9	34.9
Credit transfers	3,752.9	3,869.7	3.1	23,696.8	24,068.6	1.6
Direct debits	3,962.6	4,091.3	3.3	1.492.1	1,578.6	5.8
Card-based e-money	38.1	55.1	44.6	0.6	0.9	50.0
Other payment instruments†	19.9	17.0	- 14.6	0.8	0.8	0.0
Total	**20,908.0**	**21,964.3**	**5.1**	**26,759.7**	**27,178.6**	**1.6**

† Money remittances and transactions via telecommunication, digital or IT devices from 2014.

Source: *ECB Payment Statistics*, October 2018.

Paper-based

Checks

Checks remain popular payment instruments with smaller companies and with retail consumers, despite the overall trend toward electronic payments. In 2016, checks represented 10.2% of the volume of all cashless payments and 4.0% 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 primary 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 2016 and 88.6% 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. STET has plans to migrate SEPA credit transfers (SCTs) from CORE to SEPA. EU by September 2020.

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.

EBA Clearing and Italy's SIA Group (which already serves as a technical operator for STEP2) have developed and implemented a pan-European real-time infrastructure for instant EUR payments. The service, called RT1, is fully compliant with the SEPA Instant Credit Transfer (SCT Inst) Scheme of the European Payments Council (EPC) and aligns with the ISO 20022 global messaging standards for instant payments. Both RT1 and SCT Inst were launched in eight European countries (Austria, Estonia, Germany, Italy, Latvia, Lithuania, the Netherlands and Spain) on November 21, 2017. The EPC's SCT Inst service will be available across 34 SEPA countries, 24/7, 365 days a year, by 2019. SCT Insts have a maximum limit of EUR 15,000 per transaction and take no more than ten seconds to complete. The EPC's SCT Inst-based services have been available in France since April 2018.

STET has developed an optional instant payment settlement service called CSM (Clearing and Settlement Mechanism) Instant Payment. The service, which is based on the EPC's SCT Inst scheme and will be incorporated into SEPA.EU, launched in November 2017.

Direct Debits

The SEPA Direct Debit (SDD) can be cleared and settled on a same-day basis via SEPA.EU.

SEPA Direct Debit (SDD) CORE and B2B services enable cross-border EUR-denominated direct debits to be made. The EBA processes SDD payments in STEP2.

Payment Cards

Payment cards are the most popular cashless payment instrument in France. At the end of 2017, there were approximately 61.1 million payment cards with a debit function and 18.7 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 120 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.

Contactless card technology is available in France.

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

ATM/POS

At the end of 2017, there were 56,649 ATMs and approximately 1.62 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 2.7 million cards in circulation with an e-money capability at the end of 2016. Card-based e-money payments are currently processed through CORE.

Digital wallet technology is available in France, although take up of such services has been slow. In May 2017, BNP Paribas and France's retail group Carrefour launched Lyf Pay, a new mobile wallet that relies on QR codes and supports in-store, online and peer-to-peer (P2P) mobile transactions as well as loyalty cards, coupons and offers. Other participants in the scheme include MasterCard and Crédit Mutuel. Apple Pay was launched in France in July 2016.

YouPass is a leading mobile payment app in France, enabling contactless payments. YouPass customers may make payments by holding their mobile phones over POS terminals.

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.

The French banking community uses 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.

The CFONB (the standardisation office in the banking sector of France) 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. In 2017, online banking penetration was 62%.

Mobile banking is also increasing in popularity and is offered by the country's leading commercial banks. Mobile banking penetration in France is approximately 30%.

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