



# FBBF

FEDERATION BANCAIRE FRANCAISE

# 2006

FRENCH BANKING FEDERATION



# contents

3 EDITORIAL

4 KEY MILESTONES IN 2006

1 6 BANKS AND THEIR CUSTOMERS

2 16 BANKING INDUSTRY HIGHLIGHTS

3 22 PAYMENT INSTRUMENTS

4 28 EUROPEAN BANKING AND FINANCIAL SERVICES MARKET

5 34 THE FBF

annexe THE BANKING SECTOR IN FIGURES  
(in French only)



Charles Milhaud  
FBF Chairman



Ariane Obolensky  
FBF Chief Executive Officer

# Banking is at the core of French society

French banks' relations with their retail customers were once again the focus of attention throughout 2006. Over the past two years, banks have implemented about 20 initiatives to make banking simpler and more user-friendly. Their initiatives have resulted in real progress for their customers, particularly the most disadvantaged among them. Late last year, for example, and based on recommendations from the Consultative Committee for the Financial Services Sector (CCSF), French banks decided to cut penalty fees on bad cheques and uncovered direct debit. Customers appreciated all of these improvements, and more than 80% of them say that they are happy with their bank\*.

French banks will continue along this path. To meet their customers' needs, they plan to move increasingly towards self-regulation, notably by adopting codes of good practice. This trend fits well with the rapid changes occurring in the global economy. In 2006, the FBF disseminated a banking/SME code of good practice and is now preparing a code on the marketing of financial products. This is an important initiative at a time when French people are increasing savings, to pay for their retirement, among other things. And after taking active part in its drafting, the FBF signed the new AERAS convention, which improves access to credit for persons with serious health risks.

However, this framework of self-regulation and collective commitment can only work if there is a climate of trust between the different parties, with no attempts to divert this process in order to gain the upper hand or increase competitive pressures. The FBF will make every effort to ensure that market rules are commensurate with the commitments that banks have made. This will promote progress, in the interest of both French banks and their customers.

In 2006, banking activity was very strong in France and elsewhere. This helped banks play a full role in the economy. Banking continues to create jobs, and it is one of the few sectors in which equal opportunities to progress are offered to employees. Banks hire young people of all levels of qualification and offer them training and career prospects.

French banks also assist first-time home purchases - one of the priorities of our fellow countrymen - by adapting to the prevailing economic and social environment. They also support business development, and lending to companies rises every year. Lastly, as a high-tech industry, banks continue to invest considerable sums to guarantee the security and proper functioning of IT and payment systems.

The role of banks in ensuring the financial independence of French companies and in furthering social integration of individuals is now a major factor in France's favour as it competes on the global stage. This is what the FBF has emphasized at national level, in promoting growth in our economy, but also at EU level in Brussels, with a view to creating a pan-European banking and financial sector that is in the interests of both consumers and companies.

\* Ireq survey on the image of banking, summer 2006.

# key milestones in 2006

## January

- 6.** The FBF sends the Minister of the Economy its remarks on the Delmas-Marsalet report regarding the marketing of financial products.
- 30.** French banks present an action plan, within the framework of the Consultative Committee for the Financial Services sector (CCSF) to provide easier access to bank accounts and banking services.
- 30.** The president of the FBF, Baudouin Prot, informs the Commissioner for the internal market, Charlie McCreevy, of French banks' reactions to the 2005-2010 white paper on financial services.

## February

**1.** French banks pledge to inform customers of changes that could be made during the running time of their group life insurance contracts.

**7.** The Chairman of the FBF meets Christine Lagarde, Minister of Foreign Trade, to remind her of the positions of French banks regarding the WTO negotiations.

**20.** The FBF, AFEI (French Association of Investment Firms), and UK and Italian professional associations publish a document setting out their vision of a European post-market infrastructure model. They ask the Commission to act.

## March

**21.** The FBF invites European Commissioner Charlie McCreevy, to speak. He discusses topics such as the post-market and means of payment with an audience of 200 bankers and market participants.

**23.** Rechargeable mortgages and reverse mortgage loans are established. The last necessary regulations authorising them are published in December.

**27.** The FBF launches an awareness campaign entitled "Even without a cheque book, life goes on" to publicise the range of alternative payment instruments available.

## April

**6.** The FBF and the AFEI (French Association of Investment Firms) publish a guide on how to report suspected market abuse, to help companies better meet their obligations.

**25.** The FBF mediator publishes its activity report for 2005, during which more than 850 claims were processed.

**28.** The right to a bank account is simplified. Bank branches offer to assist people with the application procedure.

## May

**11.** French banks publish a code of good practices for their relations with very small, small and medium-sized enterprises.

**11.** Professor Olivier Pastré submits to the Minister of the Economy a report on "The economic and social importance of the banking industry", written at the request of the Consultative Committee for the Financial Services Sector (CCSF).

**16.** The FBF launches a survey to find out more about the needs and issues at stake of high-growth "gazelle companies".

## June

- 6.** An awareness campaign on the theme “All together for a safer Internet” is launched to alert on-line consumers to good safety practices. The French banking industry is a partner.
- 8.** The FBF issues a response to the European Commission’s April bankcard report.
- 26.** The banks agree to cash prepaid universal service cheques (CESU), as a special customer service.

## July

- 6.** The AERAS convention is signed, with the aim of easing access to credit for individuals with serious health risks.
- 11.** The European Commission asks professionals to draw up a post-market code. French banks play an active part.

## August

- 1.** A ministerial order is published concerning accessibility for disabled people to establishments receiving public visitors. French banks are involved in the AFNOR working groups.

## September

- 1.** Charles Milhaud, chairman of the Executive board of the Caisse Nationale des Caisses d’Épargne et de Prévoyance, takes over as FBF chairman for a one-year term, succeeding Baudouin Prot, CEO of BNP Paribas.

## October

- 9.** The FBF replies to the preliminary report of the European Commission on the retail banking survey.
- 27.** France publishes its European payment instruments migration plan, drafted by the National SEPA Committee, which is chaired by the FBF and the Banque de France.

## November

- 21.** French banks make new proposals to the Consultative Committee for the Financial Services Sector (CCSF), notably on penalties for an accumulation of payment irregularities.

## December

- 8.** To fight money laundering and financing of terrorism, the European regulation on bank transfers is published. It comes into force on January 1 2007.
- 20.** The first overindebtedness index is published. Reliable statistics will facilitate efforts to reduce overborrowing.
- 31.** The revised 2006 finance law includes a measure creating the Sustainable Development savings account. French banks will distribute it as of 2007.

1.

# Banks and their customers







8 **Making banking fully accessible:** the undertakings of French banks

9 **AERAS convention:** easier access to credit

10 **French banks look back on two years of commitments**

12 **life insurance:** French banks make a new pledge

12 **marketing of financial products:** a code of conduct in 2007

13 **Record levels of debt for French households in 2005**

13 **two new types of credit**

14 **banks and VSE/SMEs:**

Instituting good practices

Public reporting of SME loans

Greater understanding of the needs of fast-growing SMEs

Guide to financing: a useful tool for SMEs

## Making banking fully accessible: the undertakings of French banks

► The commitments made by French banks in 2004, within the framework of the Consultative Committee for the Financial Services sector (CCSF) led to real progress in relations with their customers. In 2006, French banks went further. From the start of the year, they took further steps to ensure that everyone could open a bank account and access to the most suitable payment instruments.

► French banks are offering to assist those persons seeking to exercise their banking rights by handling the necessary formalities, which have been shortened to one working day. This new set-up has been in place since the end of April 2006.

► Some persons have an account but not a cheque book. For these persons, French banks offered an innovative solution in October 2005, with a range of alternative payment instruments. In 2006, they publicised these alternative means of payment, notably through a vast press campaign, and a personalised awareness campaign with customers who had been banned from writing cheques. Since April 2006, they have also mentioned these payment instruments in the letter sent out to persons listed on the “FCC” centralised cheque-writing blacklist.



► In the field, FBF territorial committees hold public meetings to inform disadvantaged people and their advisors

about the progress that is being made. More than 4,000 social workers and public officials have taken part.

### *New measures for 2007*

► In November 2006, the banks announced new measures, especially for their most disadvantaged customers.

> In the event that penalty fees accumulate from uncovered cheques and direct debit, French banks pledge to seek a personalised solution for customers facing financial hardship resulting from a sharp decline in their resources or after suffering an accident. A total or partial exoneration of banking fees may be granted under certain circumstances. The banks will present the entire package in late March 2007 to the Consultative Committee for the Financial Services sector (CCSF).

> French banks will also offer to group their customers' fees in a single monthly statement. Additional information will be offered to customers, upon request, depending on the structure in place at each bank.

> Lastly, French banks pledge that any costs incurred from being kept on hold on premium rate numbers will not be billed above the basic cost of the call. Technical details are still to be worked out with telephone operators.

► The banking industry is thus taking a collective stand. However, a competitive environment, in which each bank prepares its own offering on the basis of its own particular set-up and the needs of its customers, is the best guarantee of efficiency, transparency and a full range of services to each customer.

## Mediation is expanding

► According to the Banking Mediation Committee, headed by the governor of the Banque de France, ombudsmen received more than 19,700 claims in 2005, a 3% increase over the previous year. Half of the claims resulted in a favourable outcome for the customer, and more than 90% of the banks complied with the ombudsmen's findings in 2005. The committee also stressed the reduction in the average case processing time to 35 days, which is well below the two-month legal limit.

► Nevertheless, many claims (46%) fall outside of the ombudsman's remit and are sent to the banks' own customer-service departments. In June 2006, an ombudsman information day was held to pool best practices.

► The FBF ombudsman received 862 claims in 2005. 125 banks chose to use this service. 42% of the claims involved sums of more than 500 euros, while 28% had no financial aspect whatsoever.

► Mediation is free of charge for customers after they have exhausted the first two levels of dialogue with their banks (i.e., their local branch, followed by the bank's customer-service department). The consumer protection bill in the French parliament provides for an extension of the mediators' brief, which is currently limited to deposit accounts.

### **An ombudsmen directory**

is maintained by the Banque de France. The updated 2006 version is available at [www.fbf.fr](http://www.fbf.fr).

## AERAS convention: easier access to credit

► On July 6, 2006, banking and insurance professionals, associations defending the sick and the disabled, consumer associations, and public authorities signed the AERAS<sup>(1)</sup> convention to ease access to credit for individuals with serious health risks. The new convention came into force in January 2007 and replaces the Belorgey convention. Through the convention-formulation process, the Belorgey agreement had already been improved upon several times and had been made very efficient, since 99.7% of credit applications are covered by insurance. The French banking industry wants the convention-formulating process to be reinforced and made permanent.

► Banking professionals and their insurance sector colleagues have worked together on making some innovative suggestions allowing for real progress.

*Here are a few examples:*

> The convention's field of application has been widened in terms of the borrower's age, the size and length of the loan.

> Disability risk is covered when it is technically insurable. If this proves to be difficult, alternatives (security guarantees, life insurance contracts, etc.) are systematically considered.

> Banking and insurance professionals cover some of the additional premiums charged to members of the lowest income bracket.

> It is possible to submit an insurance application beforehand with a bank or insurance company, even before the signing of a pre-sale agreement.

### Improved communication

The goal is to better inform the public well before the act of applying for credit. For example, at each bank, an advisor can answer questions from potential credit applicants covered by the convention. The FBF has drawn up a mini-guide that is available on its Internet sites and at banking branches. Information is also available by phone at 0821 221 021 (0.12 euro/min).

### *Involvement is required across the board*

► French banks have modified their IT systems and trained their customer advisors for dealing with specific customer segments. Banks have also widely distributed a mini-guide to the AERAS convention.

► However, the success of the entire system requires informing people well in advance. Public authorities have pledged to involve national health insurance bodies and health-care providers. They will also relay information to professionals involved in lending, such as notaries and real-estate agents. The associations concerned have also pledged to disseminate information to their members. A law is expected to enshrine the convention's main principles.

(1) s'Assurer et Emprunter avec un Risque Aggravé de Santé (Insurance and Loans for individuals with serious health risks).

## French banks look back at two years of commitments

► The Consultative Committee for the Financial Services sector (CCSF) met for the first time on October 7, 2004. In a little more than two years, French banks have made nume-

rous proposals and have respected their commitments, thus significantly furthering transparency and easier access for all to suitable banking services.

### A review of the commitments made:

#### easier access to banking services for everyone

**Pledge:** By March 1, 2005, each French citizen shall have free access to cash at his or her banking branch.

► Effective as of March 1, 2005. The details vary from one network to another, but all customers without bankcards now have free access to cash, e.g., free cash withdrawals at the teller counter, purpose-specific ATM cards, etc.

**Pledge:** By March 1, 2005, greater assistance shall be provided to persons needing help in using ATMS.

► Effective as of March 1, 2005

**Pledge:** By the summer of 2005, a range of non-cheque alternative payment instruments shall be set up for persons who no longer have cheque books and for those denied cheque books by their bank. Because of the three-month legal notification period, these offers will be available beginning October.

► Effective as of October 1, 2005. The range is offered for a nominal fee, including a zero floor limit card, along with facilities for transfers and direct debit, and payment slips allowing for automatic withdrawal. The offering varies from one bank to another. To publicise these new services, the banks undertook an

awareness campaign in the media in spring 2006. In the first half of 2006 they sent personalised information to 1.6 million persons banned from writing cheques. Since April 2006, alternative payment instruments have been systematically mentioned in the letter sent to people put on the “FCC” blacklist.

**As of the end of June 2006, 57% of blacklisted persons had a zero floor limit card.**

**Pledge:** As of April 2006, it will no longer be mandatory to go to the Banque de France to obtain banking rights.

► Effective as of April 28, 2006. Access banking rights has been simplified. If persons concerned so wish, the banking branch that refused to open an account for them can handle the formalities. The branch will forward the request to designate a credit establishment to the Banque de France, which has one working day to reply. In April 2005, the FBF launched an awareness campaign focused on banking rights, which led to a 7% increase in awareness of this initiative.

**In 2006, the number of applications for banking rights rose by 14%.**

#### more equitable penalties for payment incidents

**Pledge:** Beginning July 1, 2005, customers shall be informed of the consequences of writing bad cheques.

► Effective as of July 1, 2005. In the preliminary letter sent to customers notifying them of an overdraft, the consequences and penalties incurred shall be mentioned.

**Pledge:** A flat fee per bad cheque that includes all incident and settlement penalties shall be mentioned in banking service rate booklets by July 2005 and come into force by October.

► Effective as of October 1, 2005. The flat fee includes – for returned cheques of above 50 euros – all penalties incurred for the incident and its settlement (including the rejection fees, the warning letter, registration on the centralised “FCC” blacklist, processing fees, management fees, etc.).

## A more competitive field of play

### switching banks

**Pledge:** By January 1, 2005, all fees shall be lifted on account closures, including current accounts and savings accounts (Codevi, Livrets A, etc.).

▶ Effective as of January 1, 2005. In July 2006, 32% of French customers had changed banks at least one time (+ 6 points in one year). Source Ireq

**Pledge:** By March 1, 2005, the guide to changing banks shall be available free-of-charge at banks wishing to welcome new customers.

▶ Effective as of March 1, 2005. 600,000 guides have been distributed free of charge by the FBF and the banks. The guide to changing banks can also be downloaded from [fbf.fr](http://fbf.fr), [lescledeslabanque.com](http://lescledeslabanque.com) and many banking sites.

**Pledge:** By March 1, 2005, customers wishing to change banks shall be able to obtain a list of their automatic and recurrent operations.

▶ Effective as of March 1, 2005. At the customer's request, banks provide, for a reasonable fee, a list of transactions made on the current account that is to be closed.

**76% of French people believe that the banking sector is genuinely competitive.**

Source Ireq, July 2006

### transparency and comparison

**Pledge:** By March 1, 2005, all banking fees shall be readily accessible on-line and at banking branches in the form of leaflets and posters.

▶ Effective as of March 1, 2005. Rates may be downloaded on bank web sites and consulted in leaflets and on posters available at bank branches.

**Pledge:** By the end of summer 2005, a glossary of ordinary banking operations shall be written. Banks shall use this glossary in their marketing offers, in presenting their rates and in account statements by the beginning of 2006.

▶ Done. A glossary of almost 90 terms is available on-line at [fbf.fr](http://fbf.fr), [lescledeslabanque.com](http://lescledeslabanque.com) and on bank web sites.

It is available in the form of a mini-guide. Banks uses these terms in their brochures.

**Pledge:** By the end of 2005, further mobilisation of banks and their customers in expanding the use of deposit account agreements.

▶ Done. During 2005 each bank informed customers who had not signed an agreement in a personalised letter, and raised the subject during appointments.

**68% of French people believe it is easy to find the rates charged on banking transactions.** Source Ireq, July 2006

### an easier-to-read bank statement

**Pledge:** By the end of 2005, a visual code for banking fees shall be used on printed deposit account statements for individual customers.

▶ Effective as of the end of 2005.

**Pledge:** By the end of 2005, standardised keywords for the most common banking operations shall be included on bank statements.

▶ In place. Keywords of the 39 most common banking operations carried out by individual customers have been standardised and have been included in printed bank statements since the end of 2005.

**Pledge:** The description of specific purchases made by card shall be standardised in card statements. Implementation timetable to be determined.

▶ In place. A list of headings was drawn up in Spring 2006 by the CFONB (French Banking Organisation and Standardisation Committee). The headings are recommendations that aim to help identify each specific purchase in bank statements.

**59% of French people believe that banks have done more to inform them of their service fees: +5 points vs. 2005.**

Source Ireq, July 2006

## Life insurance: French banks make a new pledge

- ▶ In January 2006, the FBF pledged to better inform customers on group life insurance contracts. This pledge will be put into practice in July.
- ▶ Banks pledge to inform customers, before they sign, if the contract is with an insurance company that is a subsidiary or part of the same group. The bank shall also inform the customer of changes that could be made during the life of the contract, as well as the terms and consequences of a cancellation of the contract. During the life of the contract, the bank pledges to inform and explain to its customers of any change occurring in the contract, at least three months before that change becomes effective.
- ▶ This commitment is part of the French banking profession's efforts towards self-regulation in its relations with customers. In December 2005, the FBF had already adopted an industry-wide commitment regarding the transformation of a euro-denominated contract into a unit-linked contract.

### Total life insurance outstandings

came to 1,052 billion euros at end-November 2006.  
Unit-linked contract premiums rose by 52% in the first 11 months of 2006.

Source : FFSA.

## Marketing of financial products: a code of conduct in 2007

- ▶ During the second half of 2006, the FBF worked on a professional code of conduct for the marketing of financial products. This was part of the self-regulation approach preferred by the banking industry. The code is based on the spirit of European law, while seamlessly reflecting the recommendations of the Delmas-Marsalet report.
- ▶ Under the code, the banker must be familiar with the situation of his customer or potential customer and adapt his approach to the customer's needs and offer suitable products. With this in mind, financial products are clearly and precisely ranked according to their level of guarantee and the risk of loss of principal.
- ▶ The code is expected to facilitate customer understanding, through a brief, standardised presentation of the main characteristics of each financial product. The banker shall also explain to his customer the various types of products available and help compare them.
- ▶ Writing the code required a very large number of meetings of the professionals involved. To coordinate the code with the timetable for the European texts that inspired it, the code is expected to enter into force in November 2007, at the same time as the Markets in Financial Instruments Directive (MiFID).

### Les clés de la banque : Informing and prevention



▶ Over the past several years, the FBF has helped provide individuals with practical information on banking and money, via a programme based mainly on the site *lesclesdelabanque.com* (900,000 visits in 2006), and a series of free mini-guides available on-line or in their printed versions. In 2006, the site was supplemented by a page for social workers, providing the most essential information to assist persons facing financial hardship.

- ▶ Among the latest mini-guides:
  - > Insurance and loans for individuals with serious health risks
  - > Where to put your savings
  - > Direct debit and other recurrent payment instruments
  - > Special practical guide: Security of banking operations
  - > Excess debt
  - > Life without a cheque book

## Record levels of debt for French households in 2005

► A survey by the Observatoire de l'endettement des ménages (OEM)<sup>(1)</sup> found that debt rates continued to rise in 2005, in line with the upward trend which began in 2004. At 52.6% at end-2005, the household debt rate is one of the highest ever recorded. Households are taking on all types of loans: 34.5% have a consumer loan (vs. 33% in 2004) and 30.5% have a mortgage loan (vs. 29.1% in 2004).

► Almost 58% of consumers under the age of 30 had an outstanding loan at the end of 2005. This is the highest rate for the past 15 years. Debt levels are also increasing among those over 65. 24.6% of whom had an outstanding loan at the end of 2005, vs. 21.7% in 2004.

(1) Annual Sofres survey of 8,000 households.

## Two new forms of credit

► Two new types of loans are available since the reform introduced in France by the ministerial order of March 23, 2006.

> Rechargeable mortgages, which allow a borrower who already has a conventional real-estate mortgage to “recharge” that original mortgage as it is paid down, in order to guarantee a new loan. The recharge can be used for all types of loans, including consumer, real-estate and professional loans, but not for a revolving credit facility.

> The reverse mortgage loan, which allows a property owner to obtain a loan that is guaranteed by a mortgage on the property and that is not due until the death of the borrower or the sale of the mortgaged property. This type of loan is meant mainly to provide additional income for elderly people who own their own homes while leaving them with the use of their property.

► The FBF was involved in preliminary discussions and is in favour of these innovations. However, it has drawn the attention of public authorities to the need to lay down prudential usage terms for these new products.

### Elsewhere in France: the FBF in the field



► The FBF is active throughout France, via 21 regional committees and 88 departmental committees. They are presented in the FBF's brochure entitled “*La FBF: une dynamique en région*” published in 2006, along with regional French banking data. A total of 2,500 banking professionals have been mobilised to promote the role of banking, especially among young people, social workers and consumer associations, as well as businessmen.

For example, to publicise the different banking professions, the committees hold regular “career days”, in partnership with French local education authorities and universities. After Nantes, Dijon, etc., other career days are planned for spring 2007 in Lyon, Lille, Brest and other cities.

© Ando Keskiküla / Bridgeman-Giraudon



## Banks and VSE/SMEs:

### *Instituting good practices*

- ▶ The French banking industry is very attentive to its relations with very small enterprises (VSEs) and small and medium-sized enterprises (SMEs). It also promotes mutual understanding of the roles and responsibilities of each party. This is why the FBF has drawn up a code of good bank-VSE/SMEs relations, which came into force in autumn 2006. This widely disseminated code is helping to promote the best practices that currently exist in retail banking.
- ▶ For example, to effectively meet the needs of VSEs and SMEs and to provide them with quality service, French banks have pledged to:
  - > expand services to customers starting new businesses and taking over existing ones;
  - > set up a running dialogue with VSEs and SMEs, in order to develop a solid, durable and balanced relationship;
  - > set up better rules of transparency in the lending process.
- ▶ The FBF will see to it that the code is implemented and that commitments are honoured.

### **SMEs are important players**

in France's economic growth. In 2004, France had almost 2.5 million very small, small and medium-sized enterprises (according to the French ministry for SMEs).  
In 2006, more than 230,000 companies were set up in France (APCE).

### *Public reporting of loans to SMEs*

- ▶ To make it easier to monitor loans by each bank to small and medium-sized enterprises, French banks agreed to publish detailed figures on outstanding SME loan volumes. The French president had made a request along these lines in spring 2006. How this commitment would work in practice was then established in cooperation with public authorities, the banking industry, business representatives, the Banque de France and the French Banking Commission.
- ▶ Under this new system, each bank will report its total SME credit production volumes, by type of loan (short-term, medium-term, etc.), by sector of economic activity, and by company size (in terms of revenue) and age (less than one year, less than three years).
- ▶ This commitment will help highlight French banks' contribution to new businesses and to the development of SMEs. It will be included in the code of good practices governing relations between banks and VSE/SMEs.

### **Outstanding SME loan volumes**

as of end-November 2006, came to more than €407bn, an increase of more than 16% in one year (Banque de France).



## *Greater understanding of the needs of fast-growing SMEs*

► In the first half of 2006, the French SME minister launched a plan to support high-growth-potential SMEs, the so-called "gazelles<sup>(1)</sup>". The plan was renewed in 2007 under the name "Croissance PME". The FBF is in favour of this initiative and has published an information booklet on what high-growth companies can expect from their banks. It undertook a survey to better identify their needs and to allow banks to better meet those needs.

► The results of this survey were reported in October and show how important dialogue and the quality of the relationship are in establishing trust between the SME and its bank. For example, 81% of "gazelles" believe that their account manager is a real partner for an SME.

► The survey noted the need for mutual transparency: 96% of the "gazelles" understand that an SME should regularly give its bank the information needed to monitor its activities, while 65% believe their bank is being forthright with them on the lending process and terms, and 69% state that they get an answer on a request for financing within a reasonable amount of time.

(1) The 2006 plan grants the status of "gazelle" to SMEs of 5 to 250 employees whose revenue growth has been exceptionally rapid during the two previous years (more than 34% annual revenue growth). The 2007 plan grants the status of "gazelle" to SMEs having increased their payroll by about 15 to 20% annually during two consecutive years.

## *Guide to financing: a useful tool for SMEs*

► In February 2006, the French minister of Industry set up a working group to study how to improve payment times and terms in industrial sub-contracting, as this is considered an obstacle to French business competitiveness. The working group, with which the FBF is associated, is mainly trying to identify existing good practices, sector by sector, and how to extend their use to other areas.

► In June 2006, the minister of industry reported the findings of the working group and announced several initiatives. Among these initiatives is a brochure for SMEs published by the FBF, Oséo and Coface, jointly with the Ministry of the Economy, Finances and Industry and the General Confederation of SMEs. The guide's purpose is to educate SMEs on the main means of short-term financing (discounted bills, Dailly law financing, factoring, collateral financing, export-financing tools, etc.), which the financial sector makes available to businesses.

► Moreover, the Observatoire des délais de paiement (Trade Credit Observatory) has been reworked and updated. It now focuses on statistical analysis, as well as the evaluation and economic study of business behaviour as regards trade credit deadlines. It is in charge of an annual assessment of changes in payment deadlines as practiced by French companies and companies in other countries.



2.

Banking  
industry  
highlights





**18** the new solvency ratio comes into force

**18** accounting standards: new projects

**19** **MiFID directive:** significant impact on French banks and their customers

**19** a guide to reporting suspected market abuse

**20** **security:** bank robberies down 39%

**20** **fighting money laundering and financing of terrorism:** a new system for bank transfers

**20** **labour relations:** five new agreements signed

**21** **Employment Intelligence Unit:** a forum for reviewing and planning

## The new solvency ratio comes into force

- ▶ The new solvency ratio resulting from the European, and then French, transposition of the Basel II agreement, entered into force in January 2007. However, its phase-in timetable varies according to the risk evaluation approach used by the banks. Most major French banks have opted for the "Advanced Internal Rating" approach, which uses in-house calculation of risk parameters and which is applicable as of January 2008. They therefore have another year in which to adapt their prudential oversight and risk-management systems.
- ▶ Implementing the reform, which aims at a better fit between banks' capital adequacy and the risks that they have actually taken on, is a big project. The France-specific work done by the French Banking Commission and the banking industry has given banks a head start on implementing the changes entailed by the new ratio. The Banking Commission has joined all banks in developing a process to evaluate their internal risk measurement systems. This work is expected to reach its conclusion in 2007.
- ▶ However, the lag in Basel II implementation in the US and the conditions for applying the new ratio could create difficulties for French banks. Discussions are in progress to spare banks with US subsidiaries from dual bookkeeping, which would be complicated and costly to implement.

### Texts in force:

*Directive 2006 / 48 / CE of June 14, 2006 relating to the taking up and pursuit of the business of credit institutions*

*Directive 2006 / 49 / CE of June 14, 2006 relating to the capital adequacy of investment firms and credit institutions*

## Accounting standards: new projects

- ▶ In 2006, the 8,000 listed companies in Europe reported their 2005 figures under IFRS (International Financial Reporting Standards). In France, on the whole, the switchover went well, for banks in particular, as they had readied themselves far in advance, thanks mainly to FBF working groups. Analysts welcomed the adoption by all banks of the reporting format proposed by the FBF and recommended by the French National Accountancy Council (CNC).
- ▶ Standard IAS 39, on financial instruments, also came into force in 2006, with the exception of the macro-hedging part, which was rejected by Europe for being unsuited to financial activities. In December 2006, after three years of delays, the IASB <sup>(1)</sup> at last said it would be open to a clarification on this part of the standard, based on the proposals of European banks, including French banks. Working together, the European Banking Federation and the IASB should be able to move to full adoption of the standard in Europe for 2009.

(1) The International Accounting Standards Board (IASB) is a private, London-based organisation that draws up international standards.

► In February 2006, the IASB began working with the US standards organisation on a plan to converge IFRS (International Financial Reporting Standards) with US GAAP. Among the major issues being addressed, the conceptual framework and fair value are priorities for French banks. The FBF will work at orienting these efforts to relevant standards that best reflect economic activity. This is why European companies and institutions want to see improvements in how the IASB operates, so that it better reflects the interests of Europe.

## MiFID directive: a considerable impact for French banks and their customers

► On November 1, 2007 the Markets in Financial Instruments Directive (MiFID) will come into force. This is crucial for French banks, as it will result in major changes in how financial markets are organised, as well as in relations between financial establishments and their customers. The elimination of the rule on order concentration and the opening up of trading systems to competition will create new transparency requirements and formal rules of conduct in banks' relations with their customers, with a view to ensuring investor protection. Among other things, the MiFID provides for adapting banks' obligations to the services they provide and to their customers' familiarity with the financial markets.

► Since 2005, French banks have been readying themselves for the changes, strategically, organisationally and technologically. For example, the FBF and the French Association of Investment Firms have been working closely with the authorities to prepare the transposition of the texts into French law. They are also making their members aware of the changes that are in store and how to get ready for those changes. Work picked up pace in 2006, as the texts began to take shape:

> at European level, the directive and regulation on measures for implementing MiFID were published in the European Official Journal of September 2, 2006. They specify the standards that establishments must apply in the areas of organisation, transparency, customer information and evaluation, etc.

> at French level, the MiFID will be transposed via ministerial order. During prior consultations with French banks, discussions dealt, among other things, with best execution of orders and the rules of conduct with customers (obligations pertaining to customer information and advice and simple order execution).

### 6 informatory meetings in 3 months

In early 2006, the FBF and the French Association of Investment Firms held a series of meetings to identify the key issues, clarify the changes in store, and evaluate the costs and opportunities generated by the MiFID for establishments. Among the issues dealt with were the new European securities market environment, the opening up to competition of trading systems, customer relations and technical repercussions.

## A guide to reporting suspected market abuse

► On April 6, the FBF and the French Association of Investment Firms (AFEI) published a guide to help banks and investment firms set up a system by July 1, 2006, that would allow them to comply with their obligation to report suspected market abuse (insider trading and price manipulation) to the market regulator.

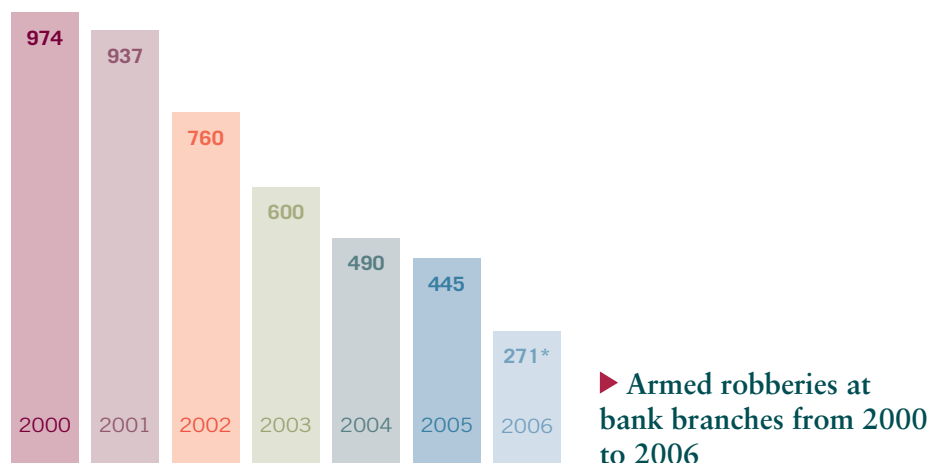
► This obligation to report suspected market abuse comes from the transposition of the Market Abuse directive and is required of all European countries. To determine how to apply this measure and how to define a suspicious market activity, the FBF and AFEI coordinated a Paris task force of compliance officers, legal experts and market operators.

► The FBF-AFEI guide produced by the task force suggests a possible organisational plan and procedures whose principles serve as recommendations to the establishments concerned. The guide also provides a profile of potential market abuse and a list of signs of suspicious market activity. The guide is expected to be updated as more is learned from experience.

► Nevertheless, it is the view of the FBF and the AFEI that efficient detection of potential market abuse will above all require employee training.

## Security: hold-up attempts down 39%

► The number of hold-ups of bank branches fell for the sixth year in a row. The number of armed robberies fell by 39.1%, from 445 in 2005 to 271 in 2006. In six years, they have fallen by 72%. The constant decline in the number of hold-ups is due to continued preventive measures by banks and tougher police and gendarme enforcement.



\* Due to the time required for data consolidation, figures for 2006 are not yet definitive

## Fighting money laundering and financing of terrorism: a new system for bank transfers

► The European regulation on mandatory reporting of bank transfers was published on November 15 and came into effect on January 1, 2007. Bank transfers must now include information identifying the initiator of the transfer. The information required varies according to whether or not the transfer is initiated from within the European Union.

► This regulation transposes the FATF's special recommendation VII on the monitoring of electronic bank transfers. From the very start of the discussions, the FBF stressed to the European Commission the importance of a uniform transposition of this recommendation. As the recommendation has been put in the form of a regulation, there is no risk of divergent interpretations from one country to another.

## Labour relations: five agreements signed

► The French Banking Association (AFB) signed five agreements with unions in 2006, thus demonstrating the solid footing of labour relations in the banking sector. The first agreement was signed in January and redefines the reference businesses, in order to adapt the classifications used in collective agreements to changes that have occurred in business. In November, three agreements were signed, on narrowing the gender gap in banking, on bank branch security, and on verbal abuse involving customers. In December a salary agreement was signed setting the annual minimum pay raises for the sector at 2.5% to 3%, depending on the level in the hierarchy.

### *Closing the gender gap*

► The agreement on equality between men and women in the workplace deals mainly with recruiting, training, promotions and remuneration. In this context, French banks and the three signatory trade unions have set a target of eliminating the gender gap in remuneration by the end of 2010. The wage agreement signed in December laid down the approach to be taken in eliminating the gender gap.

► This agreement is an extension of the numerous initiatives already taken sector-wide along these lines. This is the first sector agreement signed since the law of March 23, 2006 on equal salaries for men and women.



### **A guide to jobs in banking**

In late 2006, the FBF published a brochure giving an overview of the various business lines in banking, including retail banking, corporate and investment banking, markets, marketing, IT and human resources.

## *Security and reduction of verbal abuse*

- ▶ The agreement on security in bank branches comes after one year of round-table discussions. Since 1996, French banks have negotiated and reached three-year professional agreements on bank branch security.
- ▶ As for the agreement on verbal abuse, while this is a society-wide phenomenon, the two sides did agree that the banking sector has a role to play in measuring the phenomenon and in helping to reduce the verbal abuse that bank employees sometimes suffer. The agreement aims to set up a system to identify preventive measures and to advocate aftercare measures for the victims.

## **The Observatoire des métiers (Employment Intelligence Unit): A forum of review and planning**

- ▶ In December, the banking sector's Observatoire paritaire des métiers (Employment Intelligence Unit) published its report on its second year of activity, during which it undertook several studies.
- ▶ Céreq (Centre for job-qualification research) carried out a comparative study of men's and women's careers in banking over the last 15 years, which shed light on factors that could explain the gaps in the respective career progress of men and women, and should lead to more effective measures. However, its findings will have to be updated in a few years in order to reflect the efforts made in the banking profession since the end of the 1990s.
- ▶ The first phase of a study entitled "Close-up of an age group: 45-50-year-old banking employees" has been completed. The extension of the retirement age, combined with the increased complexity of the different jobs in banking, will mean that 45-49-year-old employees will have to redesign their career paths.
- ▶ 2006 was also highlighted by the opening of the Observatoire's web site, at: [www.observatoire-metiers-banque.fr](http://www.observatoire-metiers-banque.fr), in accordance with the provisions of the November 2004 collective bargaining agreement regarding professional training in the banking sector.
- ▶ In 2007, the Observatoire will undertake two studies: one on jobs in corporate and investment banking and the other on back offices, which employ a third of staff.

### **In 2005**

- > A 9.7% hiring rate
- > 70% of new hires were young people under 30.
- > Women make up 55% of staff.
- > Management staff make up 39% of staff (up 10 points in 7 years).
- > More than one manager out of 3 is a woman.

Source: 2005 employment survey (AFB banks and Banque Populaire group)

# 3.

## Payment instruments







**24** **European payment instruments:**

France adopts  
its migration plan

**25** **payment services  
directive:**

an essential step

**26** **universal service cheques  
(CESU) cashed**

at all bank branches

**26** **on-line banking security:**

greater awareness

**27** **bankcard fraud:**

the lowest rate  
ever recorded

**27** **more than 14 billion  
payment transactions in  
France in 2006**



## European payment instruments: France adopts its migration plan

On October 27, the national SEPA committee adapted the plan for France's switchover to new European payment instruments, which will ultimately replace most national payment instruments. The objective of the SEPA<sup>1</sup> project, initiated by the European Commission, is for every European to be able to make euro payments as easily in all EU countries as in their own country. Under this vast plan, European authorities will coordinate the migration plans of each euro-zone country.

### *A collective effort*

► To draw up the French migration plan, the Banque de France and the French Banking Federation set up the National SEPA Committee, which they co-chair. This committee includes representatives of all parties concerned, including banks, government agencies, companies, merchants and consumers, as well as members of parliament and a representative of the Economic and Social Council. It met for the first time in April.

### *Payment instruments will soon be standardised*

► The guiding principle of the National SEPA Committee has been to maintain the quality of France's existing payment systems. Within this framework, French banks will be able to offer European cards, bank transfers and direct debit to their customers beginning in 2008. These three payment instruments account for almost 75% of non-cash payments in France. The banks will first have to make the necessary adjustments to their IT systems, train their retail network employees, update customer brochures, etc.

► Both French and European payment instruments will be valid during a transitional period, to allow non-banking companies and government agencies to make the preliminary adjustments to the new payment instruments, including changes to their IT systems, migration of databases, switchover approach, etc. National payment instruments are set to be withdrawn definitively at the end of 2011 for bank transfers and at the end of 2012 for direct debit. For bank-cards, the transition period will consist of a phase-in that should be completed in 2010.

► A nationwide report system will be set up to monitor the phase-in of all new payment instruments and progress by the participants involved. The system will help decide whether to confirm or modify the migration deadline.

### *Still some uncertainties to be raised and more analysis required*

► The current timetable may very well be adjusted, as there are still many uncertainties, including the payment services directive, the Commission's position on business models, bankcards and direct debit, compatibility with competition law, SEPA direct debit and migration plans in other countries.

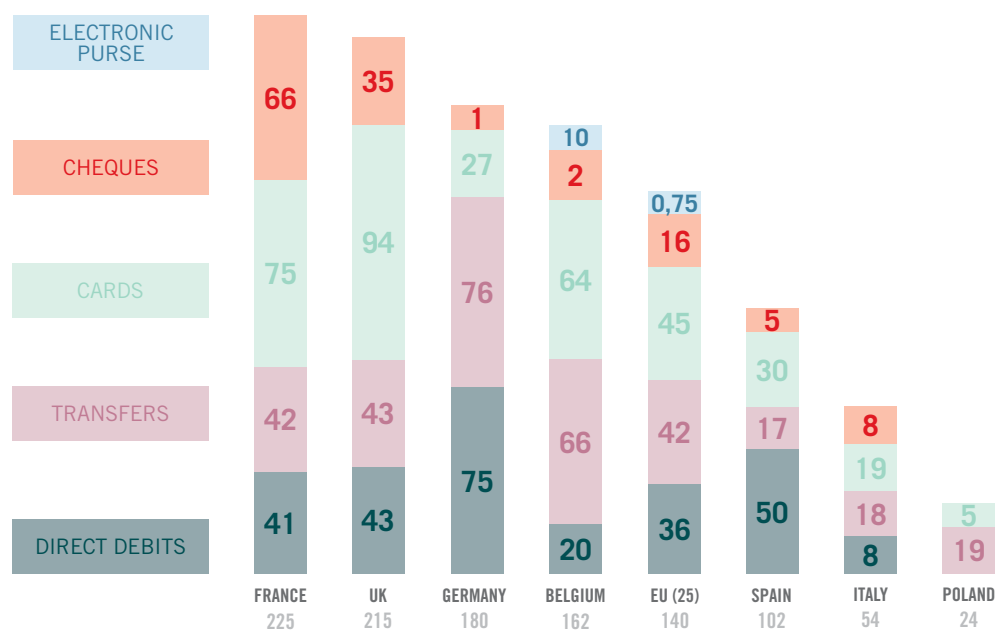
1. Single Euro Payments Area. SEPA includes the European Union, as well as Iceland, Liechtenstein, Norway and Switzerland.



► The migration plan is thus a provisional version at present that will have to be supplemented and possibly revised. A new meeting of the National SEPA Committee is set for 27 March 2007, as additional analysis has proven necessary.

Members of the National SEPA Committee, October 27, 2006.

## ► Number of payments, per capita and per annum in the European Union



Source : ECB Blue Book published in March 2006, based on 2004 figures (EU 25)

## Payment services directive: an essential step

► The European Commission published a draft payment services directive for the European Union on December 1, 2005, with a target of translating the directive into member country legislation by January 1, 2008. The publishing of this directive is essential for setting up pan-European payment instruments. Without a clear and harmonised legal framework, professionals will be unable to achieve SEPA within the time allotted. Indeed, the French switchover plan will have to be adjusted for the directive's publication date.

► In September 2006, the European Parliament unanimously approved the report by MEP Jean-Paul Gauzès, after attaching a total of 640 amendments. The report made significant improvements, but some points must still be ironed out to guarantee sufficient protection of consumers and healthy competition.

► Among the main improvements approved by Parliament is the field of application, which is limited to payments made in a member state currency and between two EU-established payment service providers.

► Similarly, the prudential system for payment establishments has been strengthened. They are subject to minimum capital adequacy rules that vary according to the business actually being done, and furthermore come under the supervision of banking oversight authorities. This helps to avoid confusing the consumer, who might not have the same level of security with one operator as with another. These payment institutions come under a new status created by the draft directive and co-exist alongside banks. A plenary session vote by Parliament, initially planned for late 2006, has been postponed to February 2007.

## Universal service cheques (CESU) cashed at all bank branches

► French banks are taking an active part in developing personal service jobs, an initiative launched by Jean-Louis Borloo, Minister of Employment, Social Cohesion and Housing. One way this initiative is taking shape is through the widespread use of universal service cheques, and French banks have a role to play here. In 2006, they issued more than 1 million CESU cheques per month (these replace the service cheques).

► French banks have proposed interbank provisions to facilitate the cashing of prepaid vouchers<sup>1</sup>. An agreement has been concluded with government agencies and the National Personal Service Agency, laying down the responsibilities of each party, as well as technical standards. In accordance with their June 26, 2006 pledge, persons paid with prepaid vouchers can cash them at any of France's 40,000 bank and postal-bank branches and have their accounts credited directly. This shortens clearing times and provides more convenience and security to personal service workers.

1. Prepaid vouchers have a pre-set value.

They are bought from issuing organisations by companies, who give or sell them to their employees.

## On-line banking security: greater awareness

► 85% of on-line banking customers have been informed of the precautions to be taken in improving Internet security (1), thus showing that the many collective and individual awareness campaigns on on-line banking security are paying off. For several years now, French banks have been offering security pointers to their on-line customers. The FBF publishes a guide on banking operation security and has, for the second year, partnered the "All together for safer Internet" initiative, under the aegis of French government agencies.

► On-line banking security is a chain that is only as strong as all of its links, including banks, merchants and individuals, Internet service providers, and hardware and software makers. French banks protect access to data and have also introduced alerting devices, as well as regular monitoring of transactions. They monitor technology constantly and react quickly to any new risk. In 2006, 60% of people with an Internet connection consulted bank web sites<sup>1</sup>.

1. Ireq survey, 2006



## Bankcard fraud falls to its lowest level ever recorded

- ▶ Credit card fraud fell by 2.3% in France in 2005 vs. 2004. It amounted to 0.064% of total card payments, or 236 million, according to the Observatoire de la sécurité des cartes de paiement (a body created to monitor the security of payment cards). This is the lowest rate ever recorded since the establishment of the task force.
- ▶ As in previous years, 60% of cases of fraud involved international transactions, which represented under 10% of transactions in French systems.
- ▶ Almost half of the cases of fraud were due to card loss and theft. French banks and the FBF regularly offer security advice: protect your card, don't let anyone watch when you type in your PIN, read your bank statements, etc. The task force noted that cardholder vigilance is decisive in fighting theft of data at points of sale.

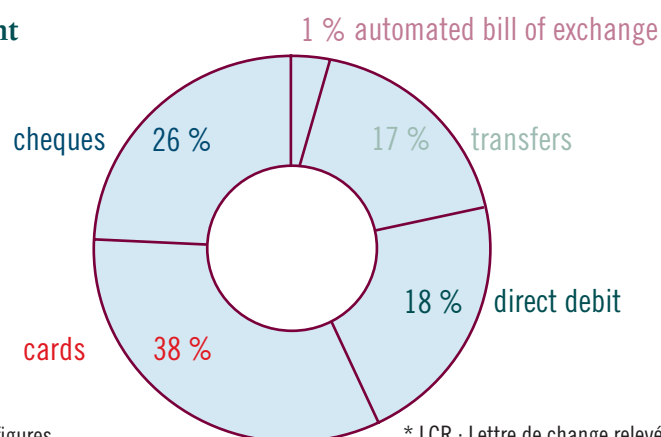
### More than 78 million cards in France

There were 51.2 million interbank cards in France in 2005 and 27.2 million "private" cards, according to the *Observatoire de la sécurité des cartes*.

## More than 14 billion payment transactions in France in 2006

- ▶ An estimated 14.6 billion payment transactions were made in France in 2006 (not counting cash payments and ATM withdrawals), i.e. a 2.8% increase in one year. Unlike previous years, these estimates include interbank, intrabank and intragroup transactions. The reason for the change is that overall 2006 statistics were compiled under the auspices of the Banque de France, as part of a standardisation of European statistics. Cheques continued to fall out of favour, covering 4.1% fewer transactions, while direct debit and card payments remained the fastest-growing payment instruments, up 6.5% and 5.9%, respectively, compared to 2005.

### ▶ Breakdown of payment transactions in 2006

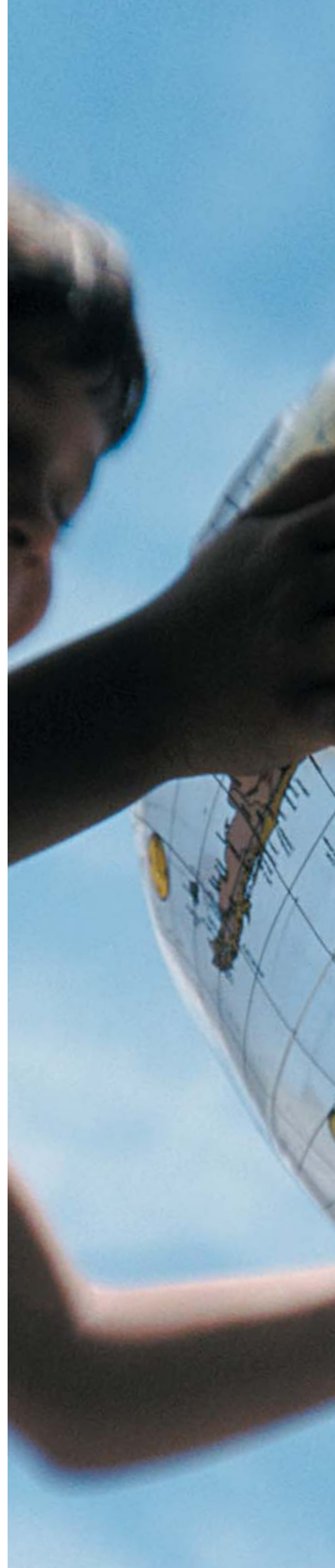


Source : FBF estimate, based on Banque de France and GSIT figures

\* LCR : Lettre de change relevé.

# 4.

## European banking and financial services market





**30** post-market activities:  
the FBF asks for a directive

**31** a constructive dialogue  
between the FBF and  
Commissioner McCreevy

**32** retail banking survey:  
the FBF replies  
to the Commission

**33** draft directive on consumer  
credit:  
room for improvement

**33** supervision of cross-border  
mergers:  
a reform is due



## Post-market activities: the FBF asks for a directive

- ▶ To complete the integration of the European financial sector, post-market activities will have to be standardised. With this goal in mind, Commissioner McCreevy said on July 11, 2006, that he was in favour of a process of self-regulation, in order to make post-market activities in Europe more efficient and more competitive. He asked post-market infrastructures to draw up a code of conduct to promote real competition in this area and to reduce the costs of processing cross-border transactions.
- ▶ The code of conduct was signed on November 7, 2006, by European federations representing post-market infrastructures (FESE for securities markets, ECSDA for central depositaries, and EACH for clearing institutions). The code revolves around three priority areas:
  - > price transparency;
  - > access to infrastructures and their interoperability;
  - > the separation of services from back offices.
- ▶ Signatories will phase in the provisions of the code, which must be fully implemented by January 1, 2008.

### *The FBF's stance*

- ▶ As users of post-market infrastructures, French banks were consulted during the drafting of the code of conduct. When the draft was presented, the FBF expressed its satisfaction that the broad principles that it values, in particular price transparency and separation of services (network operation on the one hand and competitive activities on the other hand), had been made a focus of the code of conduct.
- ▶ However, during several meetings in 2006, the FBF reminded Commissioner McCreevy of its preference for a directive that would provide a regulatory framework for the post-market sector, which is a quasi-monopoly, just as network activities (transport, energy and telecoms) come under specific European regulations.

### *The Eurosystem project*

- ▶ In July 2006, Eurosystem began consultations on a single platform for unwinding operations on euro-denominated securities called Target 2 Securities. French banks are very much in favour of this idea. In its September 2006 reply to the ECB questionnaire, the FBF said that a single platform such as this would, among other things:
  - > contribute to the integration, security and efficiency of European settlement-delivery systems;
  - > reduce cross-border settlement-delivery costs for euro-denominated securities;
  - > reduce possible distortions in competition that could exist between post-market infrastructures and banks in some activities.
- ▶ A feasibility study has been launched, whose results are due to be presented in late February 2007 to the Board of Governors of the European Central Bank.



## A constructive dialogue between the FBF and Commissioner McCreevy

► In 2006, two meetings with the European Commissioner in charge of the internal market and services were a clear demonstration of how active the FBF is on European issues.

### More than 760 million transactions

were made in 2004 on the main European markets (London, Frankfurt and Euronext).

5.5 million shares changed hands each day.

Source DGTPÉ

### Commissioner McCreevy comes to Paris

► At the invitation of the FBF executive committee, Commissioner McCreevy met with more than 200 Paris bankers and market participants in Paris on March 21, 2006, at the FBF offices. Mr. McCreevy discussed three current issues:

> he reiterated the Commission's desire to see pan-European payment instruments in place by 2008 and reported on what the Commission is doing to determine their future legal framework;

> he reiterated his wish to see efficient reforms undertaken by banks in order to make the clearing and settlement-delivery systems work more effectively;

> he discussed the work being done to remove obstacles to cross-border deals in Europe.



© Yves Denoyelle

### FBF executive committee meets in Brussels

► On September 12, 2006, the FBF executive committee met in Brussels and met Commissioner McCreevy on that occasion.

► The FBF stressed how active French banks had been in setting up European payment instruments by 2008. However, like all European banks, the FBF highlighted the need for lifting uncertainties in the legal framework, in order to clear the way for the profession to undertake the essential preliminary work.

### Post-market activities

are operations that, after trading on a financial market, ensure proper completion of transactions and ensure delivery and payment of securities.

They include two stages:

clearing in order to determine the net number of securities to deliver, and settlement-delivery, i.e. the delivery of securities to the buyer and the payment of the corresponding sum.

### European banking sector consolidation

has led to a greater presence of French banks elsewhere in Europe. As of the end of 2004, French credit institutions had 468 locations in the European Economic Area (EEA), including 360 subsidiaries and 108 branches, an increase of almost 8% in one year and 83% in four years.

The "free provision of services" (FPS) by French banks has thus risen significantly. As of the end of 2005, 864 notifications had been made involving EEA member countries, or 18% more than in 2004.

(CECEI)

## Retail banking survey: the FBF replies to the Commission

► To promote the integration of the retail banking sector in Europe, the European Commission is undertaking a survey of payment cards, current accounts and related services in Europe. As part of this investigation, it has published two intermediate reports, for consultation purposes.

The FBF understands the Commission's wish to act, given the importance of these activities in the smooth operation of the economy. However, it regrets the lack of methodological rigour and is critical of some of the Commission's conclusions.

### *Methodology questioned on cards*

► In its June 2006 response to the Commission, the FBF said that the report on bankcards did not reflect the reality of the business model for payment services developed in France. It made no mention of the contribution of cards to the economy and omitted some special card features in use in France, such as the payment guarantee, secure use and protection from major system risks.

► The report's statement regarding the high profitability of the card sector overlooks banks costs' for cash withdrawals, the cost of capital for credit cards, etc.

► The FBF also challenges the report's finding that there is a lack of competition, noting that participants operate in open and competitive markets, even if these markets are still very local in nature, as they feed on the convenience that is central to retail banking.

### *Competition on the retail market confirmed*

► Regarding the report on current accounts and related services published in July 2006, the FBF shares the Commission's view that the European retail banking sector is highly fragmented, but is surprised at some of the interpretations of this fact.

► In the FBF's view, this disparity is not due to anti-competitive practices, but to a combination of historical factors, legislative and regulatory practices and consumer behaviour, which varies from one country to another. The French banking market, in particular is highly competitive. The range of services is very broad, customer satisfaction very high, and prices are in the European average. Moreover, financial service fees make up just 0.6% of the average French household budget.

► The Commission also points to a low rate of customer mobility, but without noting the connection between the rate of customer mobility and customer satisfaction. With a rate of customer mobility of 7.75%, France is within the European average.

► The Commission also accuses France's national payment systems of blocking competition and the arrival of new market entrants. In its reply, the FBF pointed out that France's payment systems were specifically designed for national banking practices that are acknowledged as being efficient.

## The French bankcard market

accounts for more than 22% of card payments in the European Union. (ECB)

In 2005, French cardholders made more than 4 billion payments, just with their "CB" cards.

► Generally speaking, the FBF is favourable to retail banking consolidation in Europe, as it believes that this would benefit consumers, banking institutions and the European economy in general. The FBF believes, pragmatically, that such consolidation should be done through full harmonisation by focusing on specific measures to promote the development of cross-border banking services.

► After consulting on these two reports, the Commission is expected to release its final report on retail banking in January 2007.

## Draft directive on consumer credit: room for improvement

- ▶ Throughout 2006, the FBF has sought to make adjustments to the draft directive on consumer credit presented by the Commission in October 2005. It has requested, at both European Council and Parliamentary level, a further full harmonisation of certain provisions of the text, in order to avoid skewing of competition between lenders, while promoting cross-border activity.
- ▶ The proposed compromise presented by the Finnish presidency in October 2006 made some progress toward meeting the wishes of French banks, including:
  - > the exclusion of all property loans from the directive's field of application,
  - > the elimination of lender responsibility for non-delivery or for flaws affecting the financed asset.
- ▶ However, French banks believe that the retraction period, which is 14 days long with no possible reduction at the customer's request, is still too long.
- ▶ As the meeting of the Competitiveness Council of December 4, 2006 could not come to an agreement on the draft directive, the matter was carried over to the German presidency, which begins in January 2007. The FBF will continue arguing its position on this matter.

## Supervision of cross-border mergers: a reform is due

- ▶ The European Commission wishes to lift obstacles to cross-border mergers and acquisitions in the banking and financial sector. With this in mind, it launched a consultation in April on updating certification rules on cross-border mergers. The FBF took part.
- ▶ In September, the Commission presented a draft directive that aims to provide a more detailed framework for the power of supervisors. The draft calls for a "clear and transparent" approval procedure for mergers and lays down precise criteria for national supervisors to use in their evaluations.
- ▶ The FBF is in favour of this draft directive, considering that cross-border mergers are a good way to further the establishment of a single market for financial services, but that the current fragmentation of banking supervision is an obstacle to market consolidation. In the FBF's view, the lack of both transparency and sufficiently precise rules in the review of planned mergers by banking supervision authorities is an obstacle to cross-border consolidation. The FBF would also like to see added to the draft the principle of reciprocity in the certification procedure or equivalent treatment regarding non-EU countries.





# 5.

## The FBF

The French Banking Federation (FBF)

is the professional body that represents all banks operating in France.

This includes almost 500 French and foreign commercial, cooperative and mutual banks.





**36** the FBF statutory bodies:  
the executive committee  
commissions and committees

**37** FBF banks: key figures

**38** FBF organisation chart

**40** FBF roles and tasks

**40** FBF-affiliated entities

# The FBF's statutory bodies

## The executive committee

The founding members of the FBF are ex-officio members of the Executive Committee. They are represented on a permanent basis by a designated individual who must be either the Chairman or the Chief Executive Officer. Each year, the executive committee appoints one of its members as FBF chairman.



**Charles Milhaud**

FBF Chairman  
Chairman of the management committee,  
Caisse nationale des Caisses d'Épargne et de Prévoyance



**Daniel Bouton**

FBF Vice-Chairman  
Chairman and CEO, Société Générale



**Étienne Pflimlin**

FBF Treasurer  
Chairman, Confédération nationale du Crédit Mutuel



**Philippe Dupont**

Chairman, Banque Populaire group



**Georges Pauget**

Chief Executive Officer, Crédit Agricole SA



**Baudouin Prot**

Chief Executive Officer, BNP Paribas



**Pierre Richard**

Chairman, Dexia group



**Ariane Obolensky**

FBF Chief Executive Officer

## Commissions and committees

The FBF's Executive Committee has set up three Commissions and five Technical Committees, appointed their chairmen and specified their organisational rules. The role of the Commissions is to examine technical banking issues and make proposals. When these proposals concern the banking industry as a whole, they are submitted to the Executive Committee for review. These commissions and committees are made up of about 20 members from different banks.



### Retail Banking and Direct Banking Commission

Chairman: Georges Pauget  
Chief Executive Officer, Crédit Agricole SA



### Risk Control and Prudential Banking Commission

Chairman: Philippe Dupont  
Chairman, Banque Populaire group



### Investment Banking and Capital Markets Commission

Chairman: Michel Pébereau  
Chairman, BNP Paribas



### Accounting Committee

Chairman: Gérard Gil  
Chief Accounting Officer, BNP Paribas



### Tax Committee

Chairman: Patrick Suet  
Deputy corporate secretary, Société Générale



### Legal Committee

Chairman: Jean-Louis Guillot  
Head of legal affairs, BNP Paribas



### Money-laundering Prevention Committee

Chairman: Patrick Werner  
Chairman of the management committee, La Banque Postale



### Payment Management Committee

Chairman: Philippe Citerne  
Chief Executive Officer, Société Générale

## FBF banks: key figures

**400,000**  
**employees**  
representing 1.6%  
of the French em-  
ployed working  
population

**40,000**  
permanent branches  
*including 12,700*  
*La Banque Postale sales points*

## ONE OF FRANCE'S LEADING PRIVATE-SECTOR EMPLOYERS

**3%**  
of GDP

**500**  
banking  
firms

**46,000**  
ATMs

**1,300**  
billion euros of loans  
at end-June 2006\*

**30,000 to**  
annual recruitments  
**40,000**

**1 200** billion euros in deposits  
at end-June 2006\*

**48**  
million  
**customers**

**70** million  
current accounts

**14 billion**  
payment transactions processed  
each year

**Jean-Claude Guéry**  
Social affairs

AFB

**Olivier Robert de Massy**  
Professional training

**Philippe Gendillou**  
Operations and organisation



**Pierre de Lauzun**  
Banking Business and Research

**Bernard Dutreuil**  
Systems and means of payment

**Françoise Palle-Guillabert**  
Retail banking and Direct banking

**Jean Tricou**  
Investment banking and Capital markets

**Sylvie Grillet-Brossier**  
Banking and Accounting supervision

**Pierre Reynier**  
Taxation

**Annie Bac**  
Legal affairs

**Internal Management**

**Suzel Berthelet**  
Human resources, financial and  
IT management

**Michel Bonnet**  
General services





## Ariane Obolensky

Chief Executive Officer

## G rard Girel

Security advisor



### Val rie Ohannessian

Information and external relations

### Philippe Caplet

Centre for banking information:  
*les cl s de la banque*

### Colette Cova

Information, press and publications

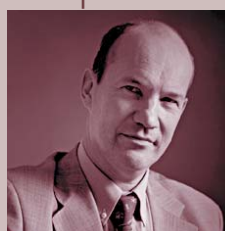
### Catherine Garnier

Communication, member services,  
regional activities

### S verine de Compreignac

### Fr d rique Cayron

Political and Parliament relations



### Jean-Fran ois Pons

European and international  
affairs

### Pascale Brien

European relations  
*In Brussels*

### Hubert d' tigny

European relations  
*in Paris*

### Estelle Brack

International relations

### AFB EXPORT



## FBF roles and tasks

The FBF has three core tasks which are reflected in its organisation:

### *Banking Business and Research*

- ▶ This department provides a full spectrum of banking expertise and oversees the FBF's commissions and committees in such areas as retail banking and direct banking, investment banking and capital markets, risk control and prudential banking, systems and means of payment, legal and tax affairs, etc.
- ▶ It also negotiates and works with various French and European government and regulatory authorities.

### *Information and external relations*

- ▶ This department's role is to anticipate changes in the political, economic and social environment; promote the role of banking and banks in society and make sure that all those concerned are properly informed.
- ▶ This involves all forms of external communication at the national and regional levels, including relations with government officials and members of Parliament, the media, consumers, young people and educators as well as other professions and associations.
- ▶ It disseminates information to banking institutions, most notably concerning new regulations in effect or in preparation, and the FBF's work, and heads up regional FBF committees.

### *European and international affairs*

This department, based in Brussels, is responsible for:

- ▶ relations with EU institutions and with various bodies representing the banking and financial services sectors in Europe;
- ▶ the monitoring of non-EU issues and relations with global banking trade associations;
- ▶ the monitoring of specific issues that concern foreign banks established in France.

## FBF-affiliated entities

### *The French Banking Organisation and Standardisation Committee (CFONB)*

- ▶ Created in 1930, this body governs the standardisation and organisation of banking activities in France. It is authorised to act as a standards bureau of AFNOR (French standards association). Its scope of competence extends to means of payment and exchange systems, as well as standardisation in the area of marketable securities.

### *Revue Banque Group*

- ▶ This group is structured around three major poles of activity: magazines and periodicals (Revue Banque, Banque & Stratégie, Banque & Droit, Banque & Marchés); "Club Banque", monthly conferences; and publishing, with about 50 titles put out every year aimed at both banking professionals and broader categories.

### *OPCA-Banques*

- ▶ A joint fund-raising body accredited by the French Banking Association, OPCA-Banques has three main functions: allocating funding for bank training initiatives, collecting training fund contributions, and advising banks in the area of training.

## French Banking Association (AFB)

- ▶ The AFB is a founding member of the FBF and sits on the Executive Committee, where it mainly represents small and medium-sized banks and foreign banks established in France. Today, the AFB is the professional body that oversees the social aspects of the collective labour agreement of January 2000 for commercial banks and the Banque Populaire Group.

### The FBF keeps members informed:

- ▶ About 30 meetings were held in 2006 on current issues, such as the fight against money laundering, IFRS, the AERAS convention, European payment instruments, MiFID and other topics.  
More than 5,000 banking professionals had the opportunity to meet with specialists and ask questions.





FEDERATION  
BANCAIRE  
FRANCAISE

This document was designed and created by the Information  
and External Relations department of the FBF

18, rue La Fayette - 75440 Paris Cedex 09  
Tel.: +33 (0)1 48 00 52 52 - Fax: +33 (0)1 42 46 76 40  
[www.fbf.fr](http://www.fbf.fr) - [www.lesclesdelabanque.com](http://www.lesclesdelabanque.com)

Completed December 31 2006  
Printed in March 2007

Head of Publication: Ariane Obolensky

Copyright registration: 1st quarter 2007  
ISSN allocation pending

Graphic design: Ideodis Création  
13, rue de l'Abbaye - 75006