

CODE OF CONDUCT FOR SERVING SMALL TO MEDIUM-SIZED ENTERPRISE CUSTOMERS

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Scope and objectives

SCOPE

The term "very small to medium-size enterprises" (VSME) refers to both legal entities and individual entrepreneurs, engaged in an industrial, agricultural or commercial activity that employs fewer than 250 people, and with annual revenues of less than 50 million euros or total assets of less than 43 million euros. This code of conduct applies to VSME and start-ups established in France that have developed a relationship with banks operating in France. For reasons of simplification, these entities and individuals will be referred to as VSME herein.

However, this code does not apply to professionals who are members of a professional body, or to associations, real estate companies or asset-holding companies.

The term "bank" refers to credit institutions that are accredited in and do business in France and which collect deposits from the public, grant credit and manage means of payment.

OBJECTIVES

The purpose of the code is to foster entrepreneurship and good relationships between banks and VSME, by helping both better understand their mutual roles and responsibilities and by promoting best practice. Observance of this code's recommendations by both banks and VSME will help ensure a good and fruitful banking relationship.

VSME play a major role in economic growth and employment and their access to financing and effective banking services can be essential to the success of their projects and very survival.

This is why French banks, working alone or in collaboration with specialized financial institutions, are making a special effort to provide services and financing to VSME that will support business creation and development, employment and the financing of innovation.

> ARTICLE 2

Promoting entrepreneurship by facilitating business creation and acquisition

The French banking industry is committed to providing more banking services and financing for entrepreneurs.

To enable this, banks must:

- **Appoint an "entrepreneur" manager** in each region or regional office.
- **Provide** each entrepreneur manager **with a document that indicates the main sources of public funding or assistance available for entrepreneurs who create or take-over a business** and the location and services provided by each of the region's entrepreneur service centres. However, banks are free to choose the "support networks" they wish to work with.
- **Train business customer service representatives (CSR)** to better understand and deal with entrepreneurs.

Banks must in particular make sure to:

- ensure that entrepreneurs are aware of the various support networks available and direct them, if necessary, to those available locally;
- receive all entrepreneurs referred by the support networks with which the bank has developed a partner relationship;
- name a business CSR for each entrepreneur;
- determine, working with the entrepreneur, the time necessary to review his/her request, in accordance with the maturity of the entrepreneur's project;
- ensure that project confidentiality is observed;
- ensure that the support networks the entrepreneur has contacted are kept informed of loan approval progress and of business activity;
- continuously monitor service quality and promote best practice throughout the branch network.

> ARTICLE 3

Banking rights

Opening an account is the first step in the relationship between a bank and its customer and the expression of a mutual desire to work together on a long-term basis. In some cases, a bank may decide not to open an account for a particular entity or person. In such cases, banks must notify the entrepreneur of their refusal in a letter (sent free of charge) that indicates the procedure necessary to exercise "banking rights" as specified in article L 312-1 of the French Monetary and Financial Code.

> ARTICLE 4

Account operation and the role of the customer service representative

Banks must designate a customer service representative to be the first contact person in the relationship between themselves and the VSME and to explain their rules and procedures.

Depending on how the bank is organized and on the clientele that it targets, the CSR will work in the branch office or "business centre" that normally handles the VSME's day-to-day transactions. This person does not have to be involved in the lending process, which is frequently entrusted to a loan approval committee.

However, the CSR is the person that the VSME will contact concerning day-to-day account operation. The CSR will therefore provide his/her customer with any explanations that may be necessary concerning such things as the account's value dates for debit and credit transactions or basic cash management products.

> ARTICLE 5

Open communication and ethics

Open and honest communication is essential to developing a strong, sustainable and well-balanced relationship. Banks must make sure that VSME are clearly informed of the terms that govern their relationship. VSME must in turn regularly provide their bank with all information that may be needed to monitor the company's affairs.

VSME must therefore provide, at least once a year, accounting documents, business forecasts and other information that enables their situation to be assessed in a reliable manner. Banks must indicate the information they require for this purpose and must also be attentive to the VSME's concerns and inform it of the main fees charged for the applicable services indicated in their brochure, to enable VSME to select the services they consider most useful.

CONFIDENTIALITY

Banks must observe banking secrecy requirements in dealing with all information concerning the customer, except for those situations provided for by law.

PREVENTION OF MONEY LAUNDERING, TERRORISM AND CRIMINAL ACTIVITY

Banks must work to prevent money laundering, the financing of terrorism, criminal activity and anything that adversely affects the economic interests of their home country, including tax fraud. In keeping with current regulations, banks must continuously monitor their customers' transactions to detect any suspicious activity.

Banks may therefore have to ask their customers to explain any transaction that does not seem to serve any clear purpose, and, if they suspect suspicious behaviour, submit a report to TRACFIN, the Ministry of Finance's specialized money-laundering prevention agency.

NON-DISCRIMINATION POLICY

Banks must make sure to prevent discrimination against anyone on the basis of ethnic origin, gender, religion or nationality, in compliance with the applicable legislation, internal compliance rules and professional ethics.

> ARTICLE 6 Lending authority

Banks will remain free to accept or refuse any request for credit, in accordance with their business and risk-management policies.

LENDING TRANSPARENCY

To enable their bank to examine their loan application, VSME must provide all information that may be useful for this purpose, such as economic or financial forecasts, annual financial statements, current assets and liabilities, commitments to other banks or third parties, or any security or guarantees that may be provided. Before reviewing a loan application banks must verify what type of information and/or data they will need and inform the VSME of any specific information that may influence their decision. Banks must then inform the VSME of any initial observations they might have concerning the loan application. The VSME will then have the possibility to provide additional information and explanations.

The future bank solvency ratio and the new accounting standards will have an impact on the accessibility and cost of credit for VSME and will require banks to implement new risk-management

tools. Communication between entrepreneurs and their CSR must therefore be strengthened. VSME must also be more attentive to indicators that may affect their credit-worthiness and rating with the Bank of France.

Credit institutions must, upon request, explain their credit-rating decisions to VSME and other companies who apply for a loan. This explanation must be provided in writing if the company expressly request this. The fee charged for this service must be proportional to the size of the loan applied for.

DECISION NOTIFICATION TIME

Banks must inform VSME of their credit decision as soon as possible. The amount of time required to examine a loan application depends on its complexity and on the organization of the bank's loan-approval and decision-making processes.

The time required to notify decisions will also depend on the amount of time the VSME takes to submit a complete loan application.

TRANSPARENCY OF TERMS AND CONDITIONS

Prior to making a loan commitment, banks must provide VSME with comprehensive, clear and detailed information concerning the terms and conditions that apply to the credit requested. The VSME must be informed of any material change that may be made to these terms and conditions prior to signing the loan agreement, in accordance with changes in economic, financial or regulatory conditions.

VSME must inform their bank of any material change that affects their situation and which may have an impact on their relationship.

Open communication between a VSME and its bank is particularly necessary when the VSME's situation deteriorates. The VSME must agree to inform its bank immediately in such an event. The bank will then openly discuss the various options available with the VSME. However, the bank must reserve the right to implement any measure necessary to protect its rights.

> ARTICLE 7

Evaluation of code compliance by the FBF

A body within the French Banking Federation will be responsible for monitoring any difficulties in implementing or interpreting the various procedures specified in this VSME banking code of conduct, but will not arbitrate disputes under any circumstance.

This body must verify that banks have established a good dialogue with their VSME customers, that they have implemented this code and comply with its recommendations.

For this purpose, it will ask VSME to give their opinion of any difficulties they may have encountered and for which a solution was not found.

> ARTICLE 8

Review process

The body specified in Article 7 above is also responsible for gathering information for the purpose of improving this code. This involves recording VSME and bank observations concerning any deficiencies or problems they may have encountered and proposing improvements.

Each year, the relevant FBF committees will review how effectively the code has been implemented by all networks and the code's evaluation, and will discuss any improvements that may be necessary between them.

> ARTICLE 9

Dissemination of the code and entry into effect

The FBF will distribute this code of conduct to the professional bodies that represent VSME and to the support networks. The banks will distribute the code to their relevant customers at their branch offices or business centres.