

# THE FRENCH BANKING SECTOR IN 2012

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MANAGEMENT REPORT



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# FINANCING GROWTH

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*Ariane Obolensky*

—  
*FBF Chief Executive*



*Jean-Paul Chifflet*

—  
*FBF Chairman*



**OUR COUNTRY IS CURRENTLY FACING THE CHALLENGE OF ACHIEVING SUSTAINABLE GROWTH AND REDUCING UNEMPLOYMENT.** To achieve this, the main priorities must be to shore up public finances and restore the competitiveness of French businesses. Banks also have an essential role to play. In 2012 French banks showed their determination to finance the plans of their individual and business customers in a tough economic environment. Outstanding loans rose by a further 1.7%, despite depressed economic growth.

**IF THEY ARE TO CONTINUE TO PLAY THIS CRUCIAL ROLE, BANKS MUST HAVE THE MEANS TO DO SO.** Yet they are currently facing a multitude of far-reaching regulations - in particular the Basel III bank capital requirements - which will considerably alter the French economy's current financing model and weigh on banks' lending capacity. French banks have made sizeable efforts and are on track to comply with the new prudential standards, while the United States has indefinitely delayed the implementation of Basel III for fear of the impact the new rules will have on lending and growth.

**THE FORTHCOMING EUROPEAN LIQUIDITY BANK RATIO WILL ALSO AFFECT LENDING.** Even though the Basel Committee has eased its requirements, French banks are in an atypical position since a significant portion of the savings deposits they collect does not stay on their balance sheets. In the current situation, raising the ceiling on the Livret A savings account is counterproductive because it reduces banks' lending capacity, while the funds held centrally by CDC are sufficient to finance social housing projects.

**PROPOSED LEGISLATION TO RING-FENCE AND REGULATE RISKY BANKING ACTIVITIES** comes as an additional constraint, applicable only to French banks, in what is already a challenging environment. This legislation was not even urgent as French banks overall weathered the crisis well, and the Liikanen report acknowledges that there is no link between a bank's failure and its organisational model. French banks will be the first to have to separate retail banking from investment activities, since the UK and US plans are far from being applied and it will take years for a European project to come into being.

**IN ANY CASE, BANKS NEED TO HAVE EFFECTIVE CAPITAL MARKET ACTIVITIES** so they can accompany businesses and the government on the markets. This is essential for our country, even more so since Basel III will force businesses to turn to the markets for financing more often. In this respect, regulations on how the markets operate need to be tightened.

**IF FRENCH BANKS ARE ABLE TO SUPPORT THEIR CUSTOMERS IN A DIFFICULT ENVIRONMENT,** it is also thanks to the commitment of their 380,000 employees. France boasts a dense banking network and local banks - which continued to hire during the crisis - provide services tailored to all their customers, including the most vulnerable individuals, across the whole of France. The quality of these services and banks' proximity to their customers must be preserved. France needs competitive banks that are strong in all their activities and able to lend to their customers. This is a matter of public interest.

*Completed on 30 January 2013*

# KEY DATES FOR THE FRENCH BANKING SECTOR IN 2012

## JANUARY

**1.** Under the 2012 French finance law, the interest-free «PTZ+» loan for first-time buyers is restricted to borrowers buying a new-built property and is subject to maximum income levels. This measure has an impact on the first-time homebuyers' market.

## FEBRUARY

**1.** Paul Loridant is appointed the Mediator to the FBF.  
**1.** The FBF launches an industry-wide advertising campaign entitled «Les banques françaises, 400 000 visages à votre service» (French banks - 400,000 people there to help), with the slogan «Parlons de la banque et parlons-en vraiment» (Let's talk about banks, and let's get serious). **16.** The FATF publishes revised recommendations in the fight against money laundering and terrorist financing. **21.** France's major banks are part of the debt swap agreement reached by Greece's private creditors.

## MARCH

**7.** The European Commission publishes a draft regulation on central securities depositories aimed at enhancing the security and accuracy of securities settlement and delivery in Europe. **14.** A European regulation sets the SEPA migration end-date at 1 February 2014.

## APRIL

**11.** In its response to the European Commission's consultation on the Green Paper entitled «Towards an integrated European market for card, internet and mobile payments», the FBF emphasises that all players must have the same rights and the same duties. **12.** The FBF brochure entitled «French Banks Support the Economy and Growth» explains the role French banks play in society. **12.** France's updated blacklist of non-cooperative states and territories includes 8 countries. **24.** The Pauget Constans report on future means of payment in France is published.

## MAY

**3.** A decree stipulates the information that must be provided to borrowers when taking out a debt consolidation loan. The decree was amended on 17 October 2012 and applies from 1 January 2013. **14.** The Mediator to the FBF publishes his report for 2011. **25.** The AMAFI (French association of financial market professionals) and the FBF publish an updated version of the «Procedures for reporting suspicions of market abuse».

## JUNE

**6.** The European Commission proposes a Directive establishing a framework for the recovery and resolution of credit institutions. **11-14.** The FBF replies to several European Commission consultations on changes to anti-money laundering regulations, bank accounts and shadow banking. **29.** The FBF signs its 10th partnership with France Active in French regions, under which it will support jobseekers in setting up their own business.

## JULY

**3.** The European Commission publishes legislation to improve consumer protection in financial services (retail investment products, investment funds and insurance mediation). **5.** GIFAS (the French Aerospace Industries Association) and the FBF sign an agreement to facilitate financing for the aerospace industry.

## AUGUST

**1.** France is the only country to apply a financial transaction tax, introduced under the amended finance law of 14 March 2012. **16.** The European Market Infrastructure Regulation (EMIR) on derivatives, central counterparties and trade repositories marks a major step forward in improving transparency and reducing risks.

## SEPTEMBER

**1.** Jean-Paul Chifflet, Chief Executive Officer at Crédit Agricole SA, takes over from Frédéric Oudéa as FBF Chairman. **12.** French Banks welcome the European Commission's proposals for a single supervisory mechanism led by the ECB. **21.** The banking profession

considers that the reform of regulated savings recommended in the report submitted to the Minister for the Economy and Finance must encourage the long-term financing of the economy. **24.** A report by Athling Management reveals that consumer credit reform in France had a rapid, significant impact.

## OCTOBER

**1.** The ceilings on the Livret A and LDD passbook savings accounts are raised to €19,125 and €12,000 respectively. **3.** A decree stipulates provisions relative to the duty of care and disclosure in the fight against money laundering and terrorist financing. **4.** Publication of the decree governing due diligence checks to be made before opening a Livret A savings account. **23.** A new version of the banking information website [www.lesclesdelabanque.com](http://www.lesclesdelabanque.com) is launched.

## NOVEMBER

**1.** The European regulation on short selling and credit default swaps comes into effect, enhancing transparency on these transactions. **13.** The FBF responds to the consultation on the Liikanen group's report on reforming the structure of the EU banking sector: the ring-fencing of banks' «high risk» activities must not jeopardise overall customer service.

## DECEMBER

**10-11.** French banks participate in the national conference on poverty and exclusion and make 10 proposals for identifying, preventing and managing vulnerable customers' banking problems. **12.** The National SEPA Committee, chaired by the Banque de France and the FBF, examines progress in terms of SEPA migration and calls on all stakeholders to step up their efforts to ensure full migration before the deadline. **19.** The government presents its draft law on the separation and regulation of banking activities. Banks are concerned about the constraints and additional costs arising from this draft law, which comes as they are preparing to meet Basel III requirements, and could undermine their financing of the economy. **26.** A decree further raises the ceiling on Livret A savings accounts, taking it to €22,950 as of 1 January 2013.

# FRENCH BANKS ARE ROBUST AND COMMITTED

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“ *A strong  
economy  
needs  
strong banks.* ”

*Jean-Paul Chifflet*  
FBF Chairman for 2012-2013

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# THE RESILIENCE OF THE UNIVERSAL BANKING MODEL

*French banks are adapting to the changing regulatory environment*

## ADJUSTMENTS REQUIRING SIZEABLE EFFORTS

- A number of reforms have been undertaken since the end of the 2000s to improve the stability of the international banking and financial system. These reforms have significantly altered the French and European landscape in terms of supervision, prudential supervision, compensation, regulation of market activities, etc. They mark a major change in the regulatory environment for banks and are having a major impact on their activities: the French banking model is evolving and adapting to the new rules governing its lending activities.
- French banks are robust and are using their own resources to comply with stricter regulatory rules. They are ready to comply with the new capital requirements in 2013 following considerable efforts, including allocating a large part of their earnings to reserves since 2008. Banks are also adapting their activities in order to complete the transition to the new business model.
- However, the new standards will inevitably impact lending activities as banks will be obliged to at least double the amount of capital set aside for each loan.

### BUSINESSES ARE SET TO TURN MORE TO THE CAPITAL MARKETS FOR FINANCING

*In France, bank loans currently cover around 70% of businesses' financing requirements, while the capital markets fund 30%. These figures are reversed in the United States.*

- The French financing model will increasingly resemble the American model as the role of banking intermediation declines. It is nonetheless important that bank customers can continue to borrow during the transition period, which is why the impact of any new measures that threaten to undermine the French universal banking model needs to be carefully assessed.

*“The French banking system has proved its ability to adapt and hold on despite uncertain conditions, at no cost for tax-payers. French banks will comply with the new prudential rules of Basel III.”*

*Frédéric Oudéa*  
FBF Chairman for 2011-2012

# FRENCH BANKS SERVE THE ECONOMY

*In 2012, French banks continued to support the French economy by financing the projects of their individual and business customers.*

## OUTSTANDING LOANS ARE RISING FASTER THAN GDP IN FRANCE

French banks have increased their support for the economy in recent years, even during the crisis, notably thanks to their diversified business model. In 2012, outstanding loans increased by +1.7% year on year, totalling €1.945 trillion (as at 31 December 2012) <sup>(1)</sup>. Banks continued to play a counter-cyclical role throughout 2012: €25 billion in new loans were pumped into the French economy, despite depressed growth in France.

### VERY STRONG GROWTH IN OUTSTANDING LOANS

*Outstanding loans granted by French banks increased by +94% between 2000 and 2012.*

While banks must continue lending to their customers, even during times of crisis, they must lend responsibly. French banks' lending practices are reasonable, and France has a low loan default rate. However, lending remains closely correlated to demand, which slowed in 2012. The tough economic environment and ongoing uncertainties meant that both businesses and consumers delayed their investments.

This slower demand for loans impacted new loan production in 2012 and will have a knock on effect on

total outstanding loans in 2013, as the amount granted in new loans was less than the total amount of maturing loans.

## BANKS LEND MORE THAN THEY COLLECT IN DEPOSITS

All customer deposits are used to fund loans to individuals and businesses in France. At the end of September 2012<sup>(2)</sup>, French banks had €1.617 trillion in customer deposits while they grant a much higher amount of loans. To fulfil their lending role, banks borrow the shortfall on the capital markets.

This disparity between deposits and loans is specific to France since a significant portion of savings deposits in France does not stay in banks' balance sheets. French people deposit most of their savings into two types of product: life insurance and regulated savings accounts (Livret A, LDD, LEP passbook accounts). Life insurance deposits are recorded in the insurance firms' balance sheets, while the majority of funds deposited into regulated accounts are centralised by the Caisse des Dépôts et Consignations. The deposit/lending shortfall puts French banks at a disadvantage in their transition to Basel III liquidity rules, which will soon require European banks to hold practically as many liquid assets as loans.

*“French banks currently lend €1.945 trillion to French consumers and businesses.”*

*Ariane Obolensky*  
FBF Chief Executive

(1) Source: Banque de France - January 2013. (2) Source: Banque de France - December 2012

# MORE EFFORTS TO COME FROM FRENCH BANKS

*The resilience of the universal banking model was acknowledged in 2012. However, the French government has tabled draft legislation to ring-fence and regulate banking activities in France. This could penalise French banks.*

## TOUGH PROPOSED LEGISLATION...

■ French banks weathered the financial crisis well and are in favour of improving supervision in the financial sector. However, the draft legislation put to the French cabinet in December 2012 could have major consequences on the financing of the French economy if it proves inappropriate. The draft law acknowledges the resilience of the diversified and well-regulated universal banking model. But it provides for the ring-fencing of certain trading activities into a subsidiary subject to tighter operating rules. The criterion for separating activities is their usefulness for customers. As such, the bank could continue with trading activities carried out on behalf of customers, but those that do not meet this criterion would be transferred to a subsidiary or disallowed.

*MARKET-MAKING enables issuers, including the government, to place their debt and investors to find a counterparty for their securities trading activities. It is useful for the economy.*

■ The draft law also includes provisions for the resolution of failed banks, which largely anticipate the corresponding European Directive that is currently being prepared. It grants exceptional powers to the supervisor, which should be reserved for the winding up of systemically-important banks.

## ... JUST AS BUSINESSES ARE SET TO SEEK MARKET FINANCING MORE OFTEN...

■ Universal European banks - including French banks - provide a high-quality global banking service for a competitive price. These banking groups house both retail banking and corporate and investment banking (CIB) activities within the same entity, benefiting all their customers. CIB activities help finance the economy, notably by funding the expansion of large firms, by organising the placement of public debt and by serving as the intermediary between «issuers» seeking capital and «investors» providing funds. These services enable businesses to grow or invest, ensure the design and management of investment products and provide securities brokerage and management solutions.

■ Today's challenge is to ensure that the economy has solid retail banks that can also offer effective CIB activities, as these services are set to be increasingly in demand to finance the economy. Having competitive market participants is a matter of economic sovereignty for Europe and France.

## ... AND ONLY AFFECTING FRENCH BANKS

■ The draft legislation to ring-fence and regulate banking activities comes as banks are under pressure to apply a multitude of strict new regulations. French banks are the first to see their activities restricted by law. They will be the only ones in Europe subject to such rules for a long time to come. This will be a disadvantage at a time when France's priority should be to rebuild growth and employment, and when it is essential for France to have a solid and competitive banking system that can play its full role in financing the economy.

## NEW LIQUIDITY RULES WILL SOON APPLY IN EUROPE

■ European regulations are tightening up banks' liquidity requirements. This means that banks in Europe will gradually have to set aside more «liquid» assets to cover their lending. The structure of French people's savings makes it more difficult for French banks to comply with this requirement. These changes are a source of concern for French banks, as they threaten banks' ability to support their customers' plans. In order to maintain their loan production, French banks will have to increase the amount of deposits they hold on their books.

## COUNTERPRODUCTIVE MEASURES ON REGULATED SAVINGS ACCOUNTS

■ The French government introduced its first measures on regulated savings accounts in the autumn of 2012, ignoring the need to keep deposits in banks' balance sheets.

### RAISING OF DEPOSIT CEILINGS IS COUNTERPRODUCTIVE

*From 1 October 2012, the ceiling on Livret A savings accounts was raised by 25%, while the upper limit on LDD accounts doubled. The limit on the Livret A account was raised by a further 25% to €22,950 on 1 January 2013.*

■ These new limits are encouraging savers to increase their deposits into these short-term liquid products, leading to record savings inflows in October 2012, notably as massive amounts were transferred from bank savings products to these regulated savings accounts. In October 2012, Livret A savings accounts attracted €7.35 billion in new deposits. As for the LDD accounts, outstanding savings increased by nearly 20% in one month. At the end of October 2012, €325.5 billion were held in Livret A and LDD savings accounts, that is to say €88.8 billion more than at the end of 2008.

■ These very large deposits are mainly centralised by the Caisse des Dépôts et Consignations (CDC); they are not used to fund social housing yet they are not available to help banks finance the economy. This is why French banks are calling for a review of ways to bolster bank deposits, in particular by revising the amounts centralised with CDC and creating a new, long-term bank savings product with attractive terms for customers.

## SPECIFIC TAXES FOR BANKS

■ Banks contribute directly to the nation's budget through the taxes and social security charges levied on all businesses. They also make additional contributions, which have significantly increased over the past two years. Sums paid in taxes cannot be assigned to financing the economy. These levies also make it harder for banks to comply with capital and liquidity requirements.

■ Since the start of the financial crisis French banks are estimated to have paid out nearly €1.5 billion in additional taxes. In 2013, specific bank taxes could exceed €3 billion.

## PRESERVE BANKING NETWORKS IN FRANCE

■ In 2012, French banks continued to adapt while maintaining a high level of service quality and without raising their fees. Forthcoming legislation in France must take care to ensure that the provisions for retail banking do not have an excessive impact on how banks function and on their close relations with their customers. The new regulations will disrupt financing models in a tough economic environment; to restart growth, the solidity and competitiveness of French banks must be preserved.

# JOBS IN BANKS

*Employment levels in French banks remained stable: in 2012, banks employed over 373,000 people.*

## THE BANKING SECTOR IS ONE OF FRANCE'S LEADING PRIVATE-SECTOR EMPLOYERS

- Banks employed 353,000 people in 2000 and 371,000 in 2010, making it one of the most dynamic sectors in terms of job creation (+5.1% in 10 years), ahead of the food and drink and equipment goods sectors.
- According to the FBF's survey of employment in banks, the ratio of new hires to existing staff stood at 8.8% in 2011, with around 30,000 people being hired across the French banking sector. Most new appointments were permanent ones, and fixed-term contracts account for less than 2% of total bank staff.
- The total number of people working for banks rose slightly: +0.5%. At the end of 2011, 373,000 people worked in FBF-member banks. French banks have succeeded in expanding their international operations while supporting employment in their home country: most head office and technical departments such as IT are located in France.

## DIVERSITY IN RECRUITMENT, FOCUSED ON YOUNG PEOPLE AND WOMEN

- People under 30 account for two-thirds of new hires and 41% of management-level staff recruited. Banks' commitment to employing young workers is reflected in the total headcount: people under 30 account for 18.2% of all bank employees.
- In 2011, female applicants accounted for 58.8% of new hires, or over half of all new bank employees. French banks have been implementing gender equality policies for more than 10 years now and in 2010 they achieved the goal of seeing women account for 40% of management-level staff that was set in an industry agreement on gender equality in the workplace.

- The profiles of new recruits vary considerably. The vast majority hold higher-education qualifications: 37% held a «Bac+4» degree (obtained after 4 years of higher education) or higher qualification, and nearly 50% held a «Bac+2/+3» degree (marking 2 or 3 years of higher education). Over 13% of new hires held the French Baccalaureat or a Bac+1 diploma. Banking is also becoming more accessible to unqualified youngsters. Experimental initiatives have been organised under agreements between the AFPA<sup>(3)</sup> and the CFPB<sup>(4)</sup>. Several hundred people, including disabled workers, have already benefited from these initiatives, which are ongoing.

### PREPARING FOR THE FUTURE WITH A WORK-STUDY PROGRAMME

*Banks employ 10,000 young people under combined work-study programmes (apprenticeships, «professionalisation» training contracts, VIE international volunteer programmes) and also train a large number of interns.*

“Banks have still recruited in large numbers, especially staff in contact with customers.”

Jean-Claude Guéry  
Head of Social Affairs

(3) National vocational training association. (4) Banking industry's training organisation.



## THE KEY ROLE PLAYED BY RETAIL BANKS

- In 2011, most bank employees worked in retail banking. More than one employee out of two deals with customers (individual or business customer advisers, wealth management advisers, etc.), 21% are involved in processing transactions and 27% work in support functions (control, marketing, legal departments, etc.).

## FEWER RECRUITMENTS IN 2012

- The total headcount has slightly moved back in 2012 as staff numbers contracted in some activities, especially in corporate and investment banking.
- In 2012, French banks faced a restriction in some of their corporate and investment banking activities and structural changes caused by the accelerated implementation of Basel III capital reforms and an increase in taxes. They are therefore adjusting their business model to the new environment.

## CONTINUOUS DIALOGUE BETWEEN UNIONS AND THE BANKING INDUSTRY

- The AFB and unions continued their dialogue in 2012. There were two highlights: the signing of an agreement covering objectives and resources between OPCABAIA (a body that centralises funding for vocational training) and the government in February, and the signing of an industry-wide agreement.

## AN AGREEMENT TO IMPROVE OCCUPATIONAL HEALTHCARE AND SCREENING

- On 20 April 2012 French banks unanimously signed an agreement establishing the SSTIB (inter-company occupational health services for the banking industry).
- The creation of the SSTIB aims to address the banking industry's specific requirements, to apply the preventive screening and support measures provided for in industry-wide agreements and to ensure more effective monitoring of the physical and mental health of bank employees.
- These new healthcare services for bank employees are being trialled in Marseille and Lille.

## A NEW CATALOGUE OF «MANAGEMENT-LEVEL POSITIONS IN BANKING»

- The banking sector has undergone considerable adjustments in recent years with banks facing tougher regulatory requirements, growing competition, the development of new technology - in particular online banking, changes in customer relations, etc.
- To help management-level staff, young people and human resources specialists to understand the wide range of banking professions, the Apec (executive employment agency), the AFB and the *Observatoire des métiers, des qualifications et de l'égalité professionnelle entre les femmes et les hommes dans la banque* (Observatory on professions, qualifications and gender equality in banking) pooled their expertise to draw up a new catalogue of management-level positions in banking.
- The catalogue includes 17 factsheets that are enhanced with feedback from active managers. The factsheets are grouped into 4 types of position: sales, transaction processing, support functions and risk and control functions.



New catalogue of «Management-level position in banking» available on the website of the *Observatoire des Métiers de la banque*



## KEY FIGURES

### NUMBER OF HOUSEHOLD LIVRET A SAVINGS ACCOUNTS BY DEPOSIT BALANCE AT 31 DECEMBER 2011 (AS %)

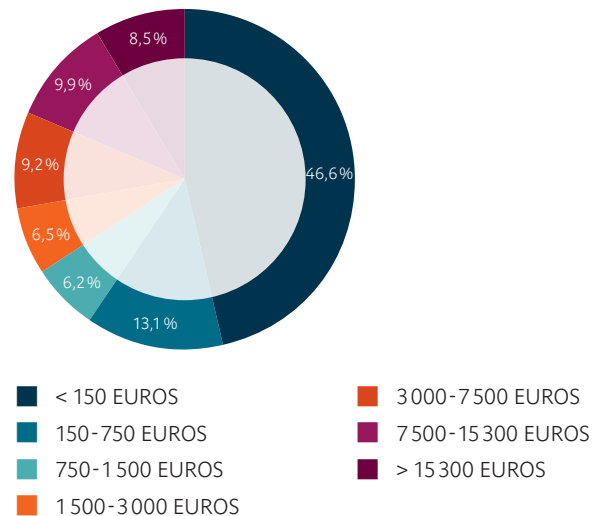
**Les banques françaises :  
400 000 visages à votre service.**



Les collaborateurs des banques françaises soutiennent l'économie : l'encours des crédits aux particuliers et aux entreprises a augmenté en un an de 90 milliards (+5,3%) à fin 2011 et dépassé 1 900 milliards d'euros\*. Les 1 500 milliards de dépôts\*\* des Français ont donc servi entièrement à financer l'économie et non des activités spéculatives.

\*Banque de France janvier 2012 \*\* Banque de France décembre 2011

**Parlons de la banque et parlons-en vraiment.** FEDERATION BANCAIRE FRANÇAISE



Collective communication of the banking profession, February 2012

(Source: Banque de France, Regulated savings observatory)

# 70%

**NEARLY 70% OF THE 373,000 BANK EMPLOYEES IN FRANCE** are in contact with customers.  
(Source FBF employment survey)

# 21.29

21.29 billion euros in **RECORD DEPOSITS INTO LIVRET A AND LDD SAVINGS ACCOUNTS** in October 2012 (compared with €0.39 billion in October 2011).  
(Source Caisse des Dépôts)

# 30

**OVER 30 BILLION EUROS THE INCREASE IN CAPITAL BY THE BIGGEST FRENCH BANKS** over the first nine months of 2012.  
(Source ACP - EBA)

# 2/3

2 out of 3 new hires are under 30. In 2011, the ratio of new hires to existing staff stood at 8.8%, **REPRESENTING AROUND 30,000 RECRUITS PER YEAR.**  
(Source FBF employment survey)

# 130

130 million euros paid by French banks **TO FUND THE AMF AND THE ACP**, their supervisory bodies.  
(Source ACP)

# 23.3

23.3 billion euros in **SURPLUS CAPITAL HELD BY THE FOUR BIGGEST FRENCH BANKS** at 30 June 2012 in relation to the target core tier-one ratio of 9% required by the supervisory authorities.  
(Source ACP - EBA)



# PRESERVING RELATIONS WITH CUSTOMERS

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*“ Dialogue is crucial  
to banks’ relations  
with their customers. ”*

*Pierre Bocquet*

Head of  
FBF’s Retail Banking and Direct Banking Department

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# BANK-CUSTOMER RELATIONS - A LOCAL PRESENCE IS A PRIORITY

*Retail banking, focused on serving and maintaining relations with customers, is the core business of French banks, which support businesses and individuals and finance their projects. Most bank employees in France work in retail banking.*

## INFORMATION AND TRANSPARENCY ARE IMPORTANT TO BANKS AND THEIR CUSTOMERS

- According to the IFOP «Banks' image» survey, the image of banks continued to improve in 2012, returning to its pre-crisis level.
- 6 out of 10 French people have a positive opinion of banks, close to the level recorded before 2008. People also have a better opinion of their own bank, with 81% having a positive opinion in 2012. Customer satisfaction with their personal adviser is also improving, at 73%, while 82% of customers consider their adviser to be competent.
- This improvement in banks' overall image reflects their considerable ongoing efforts to make banking services easier to understand and use. As a result:
  - 75% of French people consider themselves to be well informed about the everyday management of their account,
  - 63% are satisfied with the information available on savings and investments,
  - 64% think it is easy to find out the cost of a service,

- 67% of French people remember having received their annual statement of bank fees and 57% have an idea of how much their bank costs them each year.

## BANK FEES ARE STABLE

- The price of banking services is rising by less than inflation. The survey by consumer association CLCV in 2012 showed that bank fees were falling for the 3 customer profiles it analysed. This confirms the conclusions of the first report of the Observatoire des tarifs bancaires (Observatory of Bank Fees), published by the CCSF (Banking Sector Advisory Committee) in November 2011, which showed that over the past 10 years, banking fees have risen by less than inflation and more slowly than the price of other services.

### BANKING SERVICES AS A PERCENTAGE OF HOUSEHOLDS' BUDGETS

*According to the French national statistics office, INSEE, financial services accounted for 0.6% of households' total budget in 2012.*

## FINANCING FOR HOUSEHOLDS IN 2012

- Total loans to individuals continued to rise strongly, with home loans in particular recording strong growth. Outstanding loan amounts increased by +2.3% in the year to the end of 2012, despite the economic crisis. Home loans recorded stronger growth (+3.6% in one year) than consumer loans (+5.1% in one year), mainly due to a decline in revolving credit facilities<sup>(1)</sup>.
- Lending conditions are very attractive, with interest rates falling throughout 2012. The average mortgage interest rate declined by nearly 0.7 points in a year, to stand at 3.23% in December 2012<sup>(2)</sup>.
- Despite these attractive lending terms, the market is currently seeing a slowdown in demand. The number of property transactions is in decline and according to the Observatoire des crédits aux ménages (Household lending observatory), the number of households with at least one loan is also falling, at 48.6% in 2012.

(1) Source: Banque de France - January 2013

(2) Source: Observatoire Crédit Logement (Home loan observatory)/ CSA polling agency - January 2013.

# BANKS ARE THE FINANCING PARTNERS OF SMALL BUSINESSES

*Banks are actively supporting microenterprises and small businesses by financing their activities and helping rebuild sustainable growth.*

## THE ECONOMIC OUTLOOK IS WEIGHING ON LOAN APPLICATIONS FROM MICROENTERPRISES AND SMALL BUSINESSES

- The bleak activity outlook means business leaders are revising their investment plans and keeping a tight control on their cash flow. However, even since the start of the crisis, loans to small businesses have increased by much more than GDP in France, and the growth in small business loans has outstripped that in total loans (to individuals and businesses).
- Total outstanding loans to microenterprises and small businesses amounted to €188 billion at the end of 2012, an increase of 2,5%<sup>(3)</sup>. Loan applications from small businesses are declining, though most are successful: 34% of small businesses requested a new loan, and among these applications, 86% of investment loans and 62% of treasury loans were approved<sup>(4)</sup>. With nearly 8 in 10 small businesses obtaining the loan they requested (compared with the European average of 6 in 10), France has consistently had one of the highest loan approval rates in Europe since 2009<sup>(5)</sup>.

## DIALOGUE BETWEEN BANKS AND SMALL BUSINESSES: A CLOSE RELATIONSHIP IS ESSENTIAL

- In a difficult economic environment, banks and small businesses are in more frequent contact so they can better understand each other.

- The FBF's regional banking committees regularly meet with local economic partners and local authorities.

## THE SMALLEST BUSINESSES HAVE ACCESS TO CREDIT

- Microenterprises account for a large portion of new loans: €18 billion in loans were granted to microenterprises in France in the third quarter of 2012<sup>(6)</sup>. A total of over €210 billion in outstanding bank loans are held by microenterprises. The local networks of banks, branches and specialised business centres provide considerable support to professionals and microenterprises, which are at the heart of France's regional economy.

### CREATION OF A PUBLIC INVESTMENT BANK

*In October 2012, the government presented its plans to set up the Banque Publique d'Investissement (public investment bank) in early 2013. French banks are already working successfully with state agencies, in particular Oséo (a fund providing support to small businesses), to co-finance and share the risks related to investments by small businesses throughout France. The public investment bank will be effective if it complements the existing wide range of banking products and services, for example by meeting small businesses' capital requirements.*

## MICROCREDIT: A FINANCING SOLUTION FOR NEW ENTREPRENEURS

- The FBF's regional banking committees are committed to helping jobseekers set up their own business, and are establishing new partnerships with the France Active network. A total of ten French regions have undertaken to support this initiative to boost microcredit.
- On the ground, the FBF is involved with chambers of commerce and associations to provide entrepreneurs with information. Over 20,000 brochures from the «Clés de la banque» (Keys to Banking) series have been handed out to professionals.

(3) Banque de France, February 2013. (4) Banque de France, January 2013. (5) ECB, November 2012. (6) Banque de France, November 2012. (6) Banque de France, Novembre 2012.

# PARTICULAR ATTENTION IS PAID TO VULNERABLE CUSTOMERS

*Prior to the national conference on poverty and exclusion organised by the French government in December 2012, the FBF contributed to preparatory work on «Banking inclusion and the fight against overindebtedness».*

## BANKS ARE ACTIVELY WORKING ON BANKING INCLUSION

- French banks are implementing a number of industry-wide initiatives to make banking clearer and more accessible to everyone, especially vulnerable individuals, alongside the action taken by each bank for its own customers.
- These initiatives take several forms, for instance:
  - enhancing prevention by providing customers with information and teaching them about budget and financial management, via the Les clés de la banque (Keys to Banking) programme and the La banque, ma banque et moi (Banks, My Bank and Me) scheme, for example.
  - encouraging the development of socially- and economically-effective solutions such as professional and personal microcredit facilities.
  - giving a group dimension to the commitment made by banks in their local areas (partnerships between local FBF committees and social welfare organisations).
- The FBF favours a pragmatic approach through partnerships between banks and institutions or associations, which can seek appropriate solutions to the social and economic challenges faced by a large number of French people.

- In preparation of the national conference in December, French banks also drew up a list of ten proposals for identifying, preventing and managing vulnerable customers' banking problems. One of these proposals was to set up local centres to guide vulnerable people through the maze of charities and public agencies that can help them.

### A CONTINUOUS DEVELOPMENT OF PERSONAL MICROFINANCE

*Steady growth in personal microcredit: Personal microcredit financing increased by +26% in 2011 compared with 2010, while total professional microcredit loans grew by 4% over the same period.*

*(2011 Microfinance observatory, November 2012)*

## BANKS CREATE SOCIAL TIES

- French banks support charities, investing over €150 million each year. These funds go to initiatives across France, such as inner-city projects, the Restos du Coeur homeless charity, local initiatives encouraging insertion, employment and economic development, and international aid organisations. Banks are also loyal patrons of sporting and cultural initiatives in France, sponsoring schemes ranging from family sports days to major events.

## A LEADING ROLE IN FINANCIAL EDUCATION

- Since 2004 the FBF has organised a major education and training programme to help the general public and associations learn about finance, with a dedicated website and a comprehensive range of mini-guides. The [www.lesclesdelabanque.com](http://www.lesclesdelabanque.com) website was entirely revamped in 2012 to make the information easier to find. This website provides individuals, professionals and associations with tools to help them understand banking and facilitate their relations with their banks (model letters, documentation, glossary, etc.).

“ *The [www.lesclesdelabanque.com](http://www.lesclesdelabanque.com) website attracted 2.1 million visitors in 2012.* ”

*Anne-Catherine Derck*  
Head of Banking Information Center



## KEY FIGURES ON BANK-CUSTOMER RELATIONS

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**38 000**

**OVER 38,000 BRANCHES THROUGHOUT FRANCE AT THE END OF 2011**, including La Banque Postale's points of sale.

*(ECB, September 2012)*

**99 %**

**99% OF FRENCH PEOPLE OVER 18 HAVE A BANK ACCOUNT.** This is one of the highest percentages in Europe.

*(2011 Microfinance observatory, November 2012)*

**79 %**

**79% OF FRENCH PEOPLE CONSIDER ONLINE BANKING TO BE SECURE.**

*(IFOP survey, June 2012)*

**78**

**OVER 78 MILLION SIGHT ACCOUNTS** held by **INDIVIDUAL AND BUSINESS CUSTOMERS** with French banks in 2011.

*(Banque de France)*

**16.5 %**

16.5% the savings rate in France in the second quarter of 2012. **THIS IS THE SECOND HIGHEST RATE IN EUROPE, AFTER GERMANY.**

*(INSEE, 2012)*

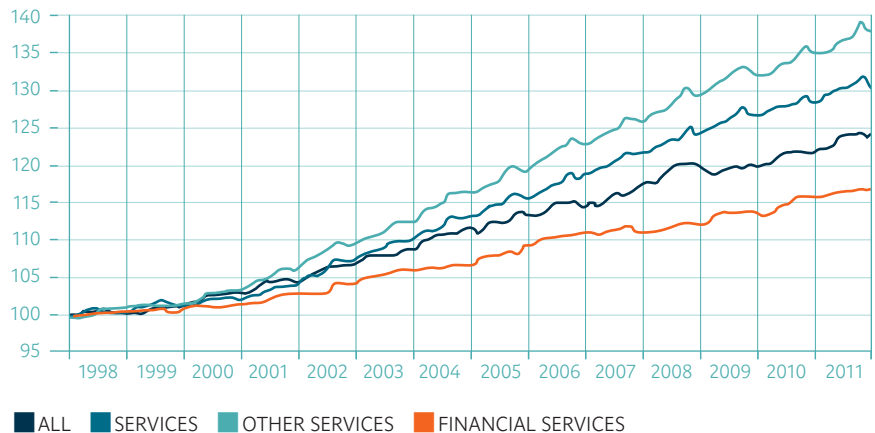
**69 %**

**69% OF FRENCH PEOPLE REGULARLY LOG ONTO THEIR BANK'S WEBSITE**, versus 64% last year. 50% of internet users have transferred money online, while 7% have opened a savings account or made an investment.

*(IFOP survey, June 2012)*

## COMPARED EVOLUTION OF CONSUMER PRICES INDEX AND SERVICES PRICES

(base 100 - january the 1<sup>st</sup> 1998)



(Insee)

# 84 %

**84% OF INTERNET USERS HAVE ACTIVATED A SECURE ONLINE PAYMENT SERVICE WITH A ONE-TIME PASSWORD, such as 3D Secure.**

(Card security observatory report, July 2012.)

# 3

**3 EUROS PER MONTH IS THE AVERAGE COST OF NON-CHEQUE PAYMENT ALTERNATIVES** - this cost held steady between 2010 and 2011.

(Observatory of bank fees, November 2011)

# 48.6 %

**48.6% OF HOUSEHOLDS HAVE AT LEAST ONE LOAN.** 31.4% have a property loan, and 27.6% have a consumer loan.

(Household credit observatory, January 2013)

# 99 %

**99% OF HOUSEHOLDS LIVING IN POVERTY HAVE A DEPOSIT ACCOUNT, and 81% have a payment card (compared with 39% in 2000).**

(CREDOC survey, April 2010)

# 3

**OVER 3 MILLION REVOLVING CREDIT ACCOUNTS** have been closed since 2010.

(Athling Rapport, September 2012)

# 4 077

**4,077 APPLICATIONS FOR CREDIT MEDIATION WERE SUBMITTED BY COMPANIES IN FINANCIAL DIFFICULTY IN 2012** (compared with 4,535 in 2011). 3,162 of these applications were accepted.

(Company credit mediation, management report, January 2013)



# SECURE AND INNOVATIVE MEANS OF PAYMENT

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*“French banks  
are constantly investing  
in the security and  
development of  
means of payment,  
always more sophisticated.”*

*Willy Dubost*

Head of  
FBF's Systems and Means of Payment Department

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# A BUSINESS SECTOR UNDERGOING CONSTANT CHANGE

*The French means of payment sector, which is renowned for its excellence, is undergoing major change linked to technological innovations, regulatory developments and the arrival of new players.*

## INNOVATING SECURELY

- French banks are already adapting their products and services to developments in what is a highly competitive market, in order to ensure that their customers' payment instruments function correctly. They use cutting-edge technology to guarantee the successful completion of online payments and banking transactions, which are essential to any modern economy. French banks welcome initiatives that further enhance innovation, transparency and security for all players.

## A SINGLE EUROPEAN PAYMENTS AREA FROM 1 FEBRUARY 2014

- The migration to European payment instruments under the SEPA project is a major event in France. A European regulation has set the migration end-date at 1 February 2014. Only certain niche products such as the TIP interbank payment method and the «télérèglement» electronic payment scheme in France can be maintained until 1 February 2016.
- French banks are ready for the transition and have offered SEPA credit transfers since January 2008 and SEPA direct debits since November 2010. Uptake of

the SEPA credit transfer has been strong, at 33% of credit transfers carried out by the end of 2012. However, migration to the SEPA direct debit is proving much slower. The public sector has scheduled its migration during 2013, which should produce a massive increase in SEPA transactions.

- The challenge now is to get all businesses to migrate to the new means of payment. Businesses need to prepare their migration as soon as possible. To achieve this, the National SEPA Committee has decided to organise a nationwide communication campaign and to launch a new website ([www.sepafrance.fr](http://www.sepafrance.fr)).

### BANKS' INITIATIVES ON THE GROUND

*Around twenty information meetings on SEPA were held from mid-2012. The meetings are chaired by specialists from the Banque de France, the FBF or the AFTE (the French association of corporate treasurers). They aim to facilitate relations between businesses and the appropriate experts: professional associations, accountants, software editors, chambers of commerce and banks. Banks will pursue these communication efforts and continue to support their customers in 2013, in particular with the creation and launch of a «Banks-SEPA» website.*

## DEVELOP MODERN FACE-TO-FACE PAYMENT SOLUTIONS, MAINLY VIA BANKCARDS

- Bank cards account for 45% of all payments in France and are already the preferred means of payment for French people. As well as being widely accepted, bank cards offer additional features such as guaranteed payment for merchants, transaction traceability and reliability and a very low rate of fraud for local purchases. Use of bank cards is set to continue to rise. Banks offer special rates for card payments for purchases under €15 and for small shopkeepers and self-employed professionals, which should further encourage card use. They are also developing secure contactless payment solutions. A number of initiatives are in progress in France, including systems for making secure payments using a smartphone.



## CLOSE MONITORING OF FRAUD

- In France, the fraud rate on card payments and withdrawals stood at 0.077% on local transactions in 2011. The fraud rate for cards issued within the SEPA is significantly lower than on cards from outside the SEPA, justifying the efforts made in Europe in recent years to migrate all payment cards and terminals to standards that ensure a high level of security.
- International transactions account for just over 10% of the total value of card payments, but 49% of the total amount of card fraud.

## PREPARING FUTURE MEANS OF PAYMENT

- On 24 April 2012, French banks were informed of the 20 proposals made in the government-commissioned Pauget-Constans report on how to prepare for the major changes expected in payment systems and instruments in the next few years.

These proposals aim to facilitate secure online payments and to support French people in their transition to new payment solutions (reduced use of cheques, growth in contactless payments, implementation of online payments in government departments, etc.).

- French banks share most of the conclusions reached in the Pauget-Constans report. They have been innovating for a long time to modernise the complex systems behind everyday transactions and to make them more secure. They are facilitating the expansion of online payments while enhancing transaction security.

Since 2010, banks have been providing cardholders with one-time authentication solutions such as the 3D Secure system (transmission of a one-time password by text message, use of a secure key provided by the bank, etc.).

### CUSTOMERS PLAY AN ACTIVE ROLE IN PREVENTING AND COMBATING FRAUD

*Combating fraud is everyone's concern: banks, officials, stockkeepers, customers: 84% of internet users have activated a secure online payment service with a one-time password.*

*(Card security observatory Report – July 2012)*

## CONSTANT EFFORTS TO COMBAT FRAUD AND ASSAULTS ON BANK STAFF

- The banking industry is permanently mobilised in the fight against money laundering and terrorist financing. Progress was made in several areas in 2012:

- in June, French banks responded to the European Commission's consultation ahead of the revision to the Third Anti-Money Laundering Directive;

- in early July, the processing of personal data by French banks in respect of anti-money laundering rules complied with the amended single AU-003 authorisation of the CNIL (French data protection agency);

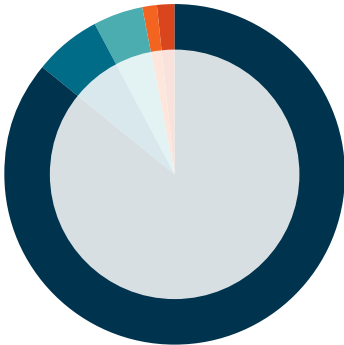
- under the decree dated 3 October, French banks comply with enhanced due diligence requirements in situations involving a high risk of money laundering.

- The steady decline in the number of armed bank robberies confirms that security procedures are being correctly applied and followed by customers, staff and sites.



# KEY FIGURES IN FRANCE...

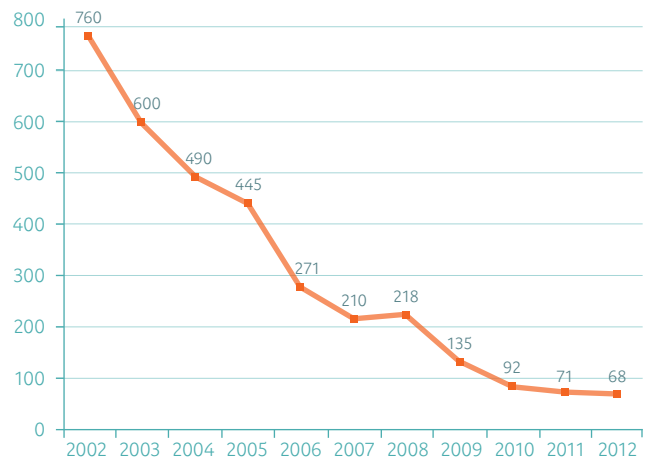
## PAYMENTS' TOTAL AMOUNT BY PAYMENT INSTRUMENT IN 2011 (%)



- **86%** BY CREDIT TRANSFER
- **6,3%** BY CHEQUE
- **4,7%** BY DIRECT DEBIT
- **1,4%** BY CARD
- **1,6%** BY OTHER MEANS

(ECB, September 2012)

## TREND IN THE NUMBER OF ASSAULTS AND ARMED ROBBERIES FROM 2002 TO 2012



(FBF, January 2013)

# 17.5

**17.5 BILLION PAYMENTS WERE MADE BY INDIVIDUALS AND BUSINESSES IN FRANCE IN 2011** (excluding cash payments), an increase of 2.8% on 2010.

(ECB, September 2012)

# 58 170

**58,170 CASH MACHINES** were available in France in 2011.

(ECB, September 2012)

# 85,7

**85.7 MILLION CARDS WERE IN CIRCULATION IN FRANCE IN 2011**, including 64.7 million interbank cards (CB, Visa and MasterCard) and 21 million store cards.

(Card security observatory Report – July 2012)

# 28 420

**28.42 TRILLION EUROS THE TOTAL AMOUNT OF PAYMENTS MADE IN 2011**, equal to nearly 14 times French GDP.

(ECB, September 2012)

# 45%

**45% OF TOTAL PAYMENTS IN FRANCE WERE MADE BY CARD IN 2011.** Cheque use is continuing to fall, accounting for only 17% of transactions in France.

(ECB, September 2012)

# 74%

**74% OF THE SUSPICIOUS TRANSACTION REPORTS RELATING TO MONEY LAUNDERING** submitted by finance professionals in 2011 were made by banks, amounting to 15,582 reports.

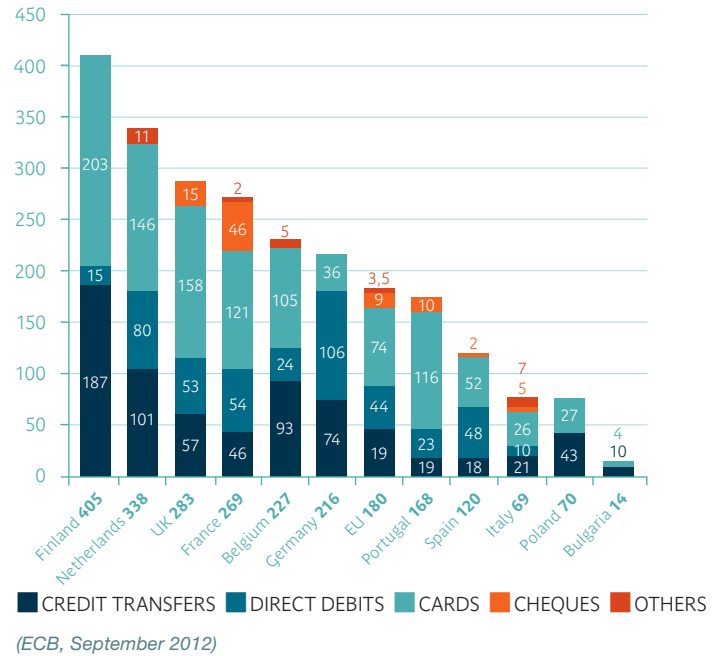
(Tracfin, annual report, August 2012)

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KEY FIGURES



# ...AND IN EUROPE

NUMBER OF PAYMENTS PER INHABITANT IN THE EU IN 2011



**240 200**

**OVER 240.2 TRILLION EUROS THE TOTAL AMOUNT OF PAYMENTS MADE IN EUROPE IN 2011.** Credit transfers accounted for 88.9% of this amount, with the remainder mainly split between direct debits (7.5%), cheques (2.3%) and card payments (less than 1%).

(ECB, September 2012)

**19%**

**OVER 19% OF TOTAL PAYMENT TRANSACTIONS IN EUROPE WERE MADE BY FRENCH PEOPLE.** In 2011, French people also accounted for 64% of cheque payments.

(ECB, September 2012)

**90.6**

**90.6 BILLION NON-CASH PAYMENTS WERE MADE IN THE EUROPEAN UNION IN 2011,** an increase of 4.6% in one year.

(ECB, September 2012)

**37**

**37 BILLION CARD TRANSACTIONS WERE MADE IN 2011,** an increase of 8.7%.

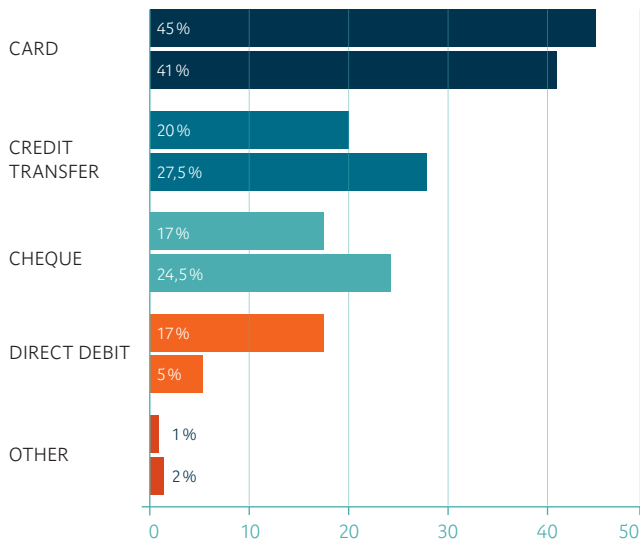
(ECB, September 2012)

**41%**

**41% OF PAYMENTS WERE MADE BY CARD IN 2011,** followed by credit transfers (27.5%) and direct debits (24.5%).

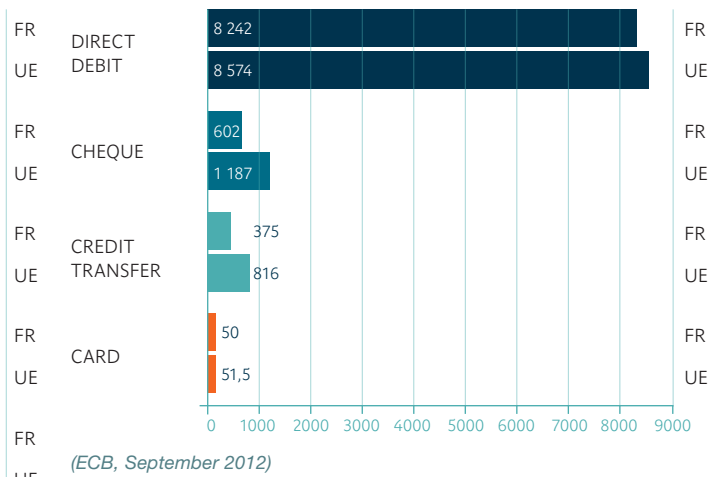
(ECB, September 2012)

### BREAKDOWN OF PAYMENTS BY PAYMENT INSTRUMENT IN VOLUME, IN 2011 (IN %)



(ECB, September 2012)

### AVERAGE AMOUNT OF PAYMENT TRANSACTIONS IN 2011 (IN EUROS)



(ECB, September 2012)

# 1.45

1.45 payment card per European inhabitant in 2011, or **OVER 730 MILLION PAYMENT CARDS IN CIRCULATION** in the European Union at the end of 2011 (all types of payment card).

(ECB, September 2012)

# 1

**LESS THAN ONE CHEQUE IS ISSUED PER PERSON PER YEAR** in certain European countries, including Belgium, Finland, Germany and Poland.

(ECB, September 2012)

# 34.9%

**34.9% OF CREDIT TRANSFERS IN EUROPE** are SEPA credit transfers.

(ECB, January 2013)

# 7.5%

7.5% is the percentage decline in cheque use, which accounted for just **5.1% OF TOTAL PAYMENTS IN EUROPE IN 2011**.

(ECB, September 2012)

# 64%

**64% OF THE CHEQUES ISSUED IN EUROPE** are from French customers.

(ECB, September 2012)

# 395

**395 DAYS LEFT FOR COMPLETING** the migration to SEPA by February the 1<sup>st</sup> of 2014, starting on January the 1<sup>st</sup> of 2013.

DOWNLOAD  
KEY FIGURES



# TOWARDS AN INTEGRATED BANKING AND FINANCIAL SECTOR IN EUROPE

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*“The markets are the only source  
of financing for a large part  
of the economy, which is  
why we need rules  
on how they function.”*

*Pierre de Lauzun*  
FBF Director General Delegate

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# THE BANKING UNION IS TAKING SHAPE

*The European agreement on a single supervisory mechanism for European banks is the first step towards a banking union that provides for greater mutual support between Member States.*

- French banks welcome the European agreement of 13 December 2012 on a single supervisory mechanism for the eurozone's banks. The proposed European banking union will also harmonise deposit guarantee schemes<sup>(1)</sup> and provide a single resolution and recovery framework for failing banks.

## A SINGLE SUPERVISION BASED ON SINGLE RULES

- The European Central Bank (ECB) should take over direct supervision of the eurozone's biggest banks on 1 March 2014. It will delegate the oversight of smaller banks to national supervisors but will retain intervention powers over all banks in certain cases. The European Banking Authority will draw up a single set of rules to preserve the integrity of the single market and ensure coherence in banking supervision in all European Union countries.
- French banks have always called for greater supervision at European level, adapted to the size of cross-border banking groups, as this will ensure better transaction security. The new supervisory framework will ensure greater stability and will consolidate the monetary union. The application of the same standards across Europe will reinforce the single market.

## A LAST-RESORT CRISIS RESOLUTION MECHANISM

- Banks always have numerous relations with other banks. If a bank experiences serious difficulties, its failure must be arranged rapidly and in an orderly manner so as to avoid contagion and protect the activities that are essential to the economy (deposits, lending, payments) without requiring taxpayers' money.
- The draft Directive of 6 June 2012, which is currently being examined by the European Parliament and Council, aims to establish a bank recovery and resolution system in each country. This should be complemented by other measures in 2013 such as the creation of a European authority responsible for bank recovery and resolution and a European deposit guarantee scheme.
- While the proposals to enable the orderly winding down of a failed bank are a step in the right direction, the recovery and resolution mechanism must only be implemented as a last-resort solution, when all other options for absorbing losses (notably recapitalisation) have been exhausted.

*“French banks have been in favor of a european single supervisory mechanism for a long time.”*

*Ariane Obolensky*  
FBF Chief Executive

(1) Member States have been negotiating the revised Deposit Guarantee Schemes Directive since July 2010.

## LIQUIDITY RATIO: A WORRY FOR EUROPEAN BANKS

- The application of the Capital Requirements Regulation and the Capital Requirements Directive IV (known jointly as CRR-CRD4) imposing new solvency and liquidity requirements on banks, which was initially scheduled for 1 January 2013, has been postponed. French banks overall support the objective of reinforcing financial stability under this reform, which derives from Basel III requirements, but they emphasise the consequences it will have on financing the economy.
- French banks have prepared for the application of the CRR-CRD4 and are ready to comply with the new solvency ratio. They are also preparing for the new liquidity ratios, which will have a very significant impact on their lending activities.
- In a globalised financial sector, it is crucial that all players follow the same rulebook. The United States has delayed the introduction of the Basel III agreement owing to the extent of the reform and differences of opinion revealed in responses to the regulator's consultation.
- French banks ask the European authorities to be mindful of the risk of creating an uneven playing field for European banks if the reform is introduced earlier in Europe than in the United States.

## IN FAVOUR OF AN IN-DEPTH ANALYSIS OF THE SHADOW BANKING SYSTEM

- The shadow banking system needs to be addressed as a diversified system of activities, markets and contracts that are connected by institutions. Shadow banking can be considered as useful in certain regards as it provides an alternative to bank financing and diversifies risk. The regulation of shadow banking requires a global vision of all the issues and their implications in terms of financing the economy. This matter could be addressed in the months ahead.

### THE RING-FENCING OF BANKS' «HIGH RISK» ACTIVITIES MUST NOT JEOPARDISE OVERALL CUSTOMER SERVICE

*French banks welcome the fact that the Liikenen group's report on the organisation of banks acknowledges the effectiveness of the universal banking model and notes that there is no link between a bank's failure and its organisational model.*

*However, they regret that the report does not distinguish between market activities that benefit customers and proprietary trading. While international regulations are restricting the use of credit, it is important that banks retain the capacity to finance governments and businesses by ensuring that the securities markets function correctly while providing their customers with a global service, notably through their market-making activities. Inappropriate measures in this area could threaten these activities and undermine Europe's economic sovereignty.*

*“European regulation will require that we keep as many deposits as loans. Let us have the necessary fuel for our business.”*

*Jean-Paul Chifflet*

FBF Chairman for 2012-2013

# A STEP TOWARDS GREATER MARKET TRANSPARENCY AND SECURITY

*New regulations on derivatives are a step towards improving the security of European financial markets and how they operate.*

■ Markets must be well organised in order to gain investors' confidence and ensure transaction transparency and security. The prudential requirements applicable to banks mean that more businesses will turn to the markets for financing (lending currently accounts for 80% of financing for the economy in Europe). French banks are therefore paying close attention to the outcome of talks on the review of the Markets in Financial Instruments Directive (MiFID) and the Market Abuse Directive on insider trading and market manipulation.

## ENHANCING MARKET TRANSPARENCY AND INTEGRITY

■ The reform of the MiFID, expected to be approved in 2013, notably aims to extend its reach to all financial instruments traded on organised and over-the-counter markets - equities and bonds, but also derivatives and commodities. It strives to enhance market transparency and resolve certain issues that arose from the introduction of competition into trading platforms under the MiFID in 2007. The review also takes into account advances in technology and extends the scope of the MiFID to high-frequency trading.

■ In July 2012, the European Commission published a proposal to tighten market abuse regulations by extending their scope to interbank rates. These measures should improve market integrity and shore up the credibility of these rates.

## DERIVATIVES CLEARING FOR GREATER SECURITY

■ The European Market Infrastructure Regulation (EMIR) of 4 July 2012 brought progress in terms of the effective functioning of over-the-counter derivatives transactions. The clearing obligation for standardised derivatives contracts increases the security of these markets by reducing systemic risk. The risk weighing on banks' balance sheets is also reduced.

■ Moreover, the compulsory recording of all derivatives transactions in an approved trade repository accessible to all national supervisors improves transparency on these trades.

## REGULATING SECURITIES SETTLEMENT AND DELIVERY

■ The draft regulation of 7 March 2012 on central securities depositories, which hold securities and execute transactions, aims to bring more security and efficiency to securities settlement and delivery in Europe. This regulation reduces the settlement period to two days and harmonises penalties in the event of non-delivery.

■ French banks believe that central securities depositories' banking activities should also be regulated so as to guarantee the security of the whole system.

**SECURITIES SETTLEMENT AND DELIVERY**  
*involves delivering securities to the buyer and paying the corresponding funds to the seller.*

## NEW PROPOSALS TO PROTECT CONSUMERS

*French banks note the new proposals to improve consumer protection. They already offer their customers transparency and comprehensive access to banking services.*

- On 3 July 2012 the European Commission published draft legislation to improve consumer protection in financial services. The proposals cover key information disclosure requirements for packaged retail investment products and rules governing the sale of insurance products. Work is also in progress on providing consumers across the European Union with access to basic payment accounts, improving fee transparency and making it easier to switch banks.

### A GLOBAL FRAMEWORK GOVERNING THE SALE OF ALL PRODUCTS

- French banks call for a harmonised set of rules governing the sale of packaged retail investment products (PRIPs), such as unit-linked life insurance policies, structured term deposits, etc., to be applied to all investment service providers.
- In this respect, the European Commission's proposals require that customers be given a key information document for each PRIP sold. French

banks believe that this document should be consistent with the requirements of the MiFID and the provisions applicable to mutual funds so as to ensure transparency and facilitate comparison between products.

### BANK ACCOUNTS FOR NON-RESIDENTS: AN UNJUSTIFIED MEASURE

- In 2013 the European Commission is envisaging new legislation on access to bank accounts and banking services. Requiring banks to guarantee non-residents access to a basic payment account goes against the principles applied by French banks, which observe strict know-your-customer rules. Moreover, the Single European Payments Area (SEPA) is already intended to enable customers to carry out transactions from any account within the European Union. It is more important for customers to be able to open an account in their country of residence.
- French banks are ahead of their peers in terms of fee transparency and comparability. European legislation on these issues could have the effect of standardising the range of products and services available and stifling innovation, without meeting the specific requirements of consumers in different countries.

*THE DIRECTIVE ON MORTGAGE LENDING is due to be adopted in the first half of 2013. French banks are closely monitoring progress on this legislation and question the need for an integrated European mortgage credit market, since mortgage lending essentially takes place locally and these markets vary considerably from one country to another.*



# FUTURE MEANS OF PAYMENT IN EUROPE

*The harmonisation of payment systems and instruments in Europe is a very important issue for French banks.*

## ENCOURAGING EFFECTIVE, OPEN AND COMPETITIVE BUSINESS MODELS

- Payment systems and instruments involve a number of stakeholders, including governments, merchants and consumer associations, against a backdrop of growing security requirements, innovations in technology and intense competition.
- The business model behind payment instruments needs to be clarified so it can ensure their modernisation and the development of new payment solutions, which require major investments over the long term. Payment systems in France are transparent and they satisfy the end customer. They are based on a fair, shared system of remuneration whereby multilateral interchange fees are charged on all transactions, regardless of the consumer's bank and the merchant's bank. These fees ensure the future of the interbank card payment system, which is safe, universal and constantly innovating.
- In this respect, the FBF asks the European authorities to recognise this business model based on interchange fees. Any developments in this area must safeguard the interbank nature of this system, which has proven itself and is supported by consumers.

## OTHER PROJECTS ARE UNDER WAY IN EUROPE

- In January 2012, the European Commission published a Green Paper on card, internet and mobile payments and organised a consultation to identify obstacles to the expansion of these payments in Europe. In its response to the consultation, the FBF emphasised the need for all players to have the same rights and the same obligations. In particular, it is essential to maintain a watertight separation of banks and non-banking institutions regarding the availability of personal information about customer accounts. Players without banking status would not be covered by current regulations governing payment services, banking secrecy, data protection, etc. These rules are crucial to maintaining French people's trust in the electronic payment solutions made available by their banks.
- In the second half of 2012, the European Commission carried out an impact assessment prior to the review of the Payment Services Directive (PSD) and the regulation on cross-border payments. In its response, the FBF underscored several important points: the different interpretations and practices within Member States must be limited, as these open the door to multiple processing anomalies within the internal market and facilitate the growth of unregulated activities that compete with those carried out by banks. Moreover, new market players must be subject to the same regulations as other payment service providers.

**16% OF IT SPENDING AROUND THE WORLD is by banks. Banking is the sector that invests the most in new information and communication technologies, spending nearly \$300 billion in 2012, an increase of 4.2% on 2011.**

*(Gartner Study)*

# THE FBF

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*“ The FBF defends  
the interests  
of French banks  
on an ever-increasing number  
of technical issues. ”*

*Ariane Obolensky*  
FBF Chief Executive

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# FBF'S PRESENTATION

- The French Banking Federation (FBF) is a non-profit organisation as defined by the French law of 1901. It represents all French banks and foreign banks with subsidiaries or branches in France.
- The FBF was set up in 2000 as a single body representing all banks - commercial banks that were members of the AFB (French banking association) and cooperative and mutual banks – in order to promote the industry's activity and interests in France, Europe and around the world.
- Its head office is in Paris, and it also has a network of 106 regional and departmental committees across France and an office in Brussels.
- **120 permanent staff** work for the FBF and the AFB<sup>(1)</sup>, alongside over **350 bankers** who meet in the FBF's commissions and committees.
- **Over 2,500 bankers** are involved in the 106 regional and departmental committees.
- **390 banks** are FBF members: universal banks, online banks, investment banks, private banks, local banks, etc. Credit institutions licensed as banks and branches of credit institutions from the European Economic Area can also join, in which case the FBF serves as their professional body. Other members include the central bodies of cooperative and mutual banking groups and the AFB.

(1) The AFB (French Banking Association) sits on the FBF's Executive Committee, where it mainly represents small and medium-sized banks and foreign banks. It is the professional body for commercial banks on employee issues.

## THE FBF'S MISSIONS

- to promote the banking and financial industry in France, Europe and around the world, in the interests of all its members
- to voice the positions, proposals and concerns of the banking sector vis-à-vis government bodies and economic and financial authorities
- to serve as the intermediary between the banking industry and all those with an interest in banking: politicians, institutions, media, consumers, professional associations, teachers, etc.
- to inform member banks of developments in the industry and regulatory changes, and to answer questions about their activities.

The FBF's latest news is available on various channels, including the website, Twitter and a mobile website (*mobile.fbf.fr*). Its educational website on banking and money matters is available at *lesclesdelabanque.com*.



[www.fbf.fr](http://www.fbf.fr)  
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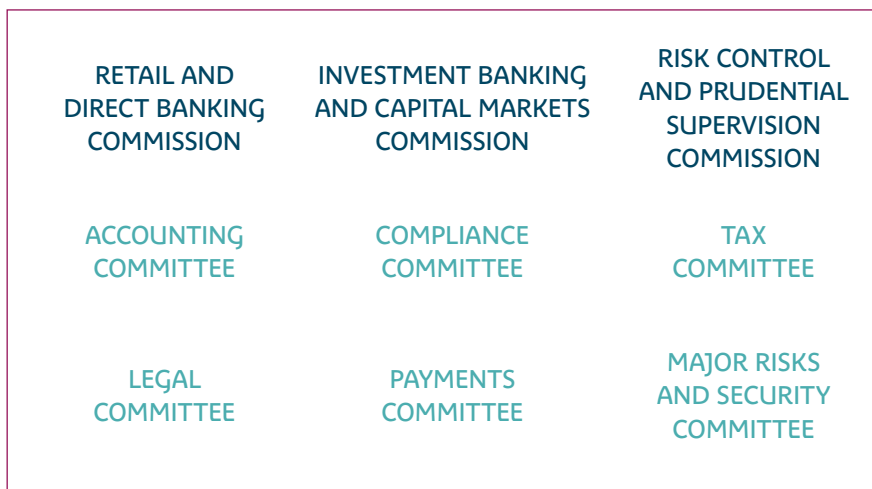
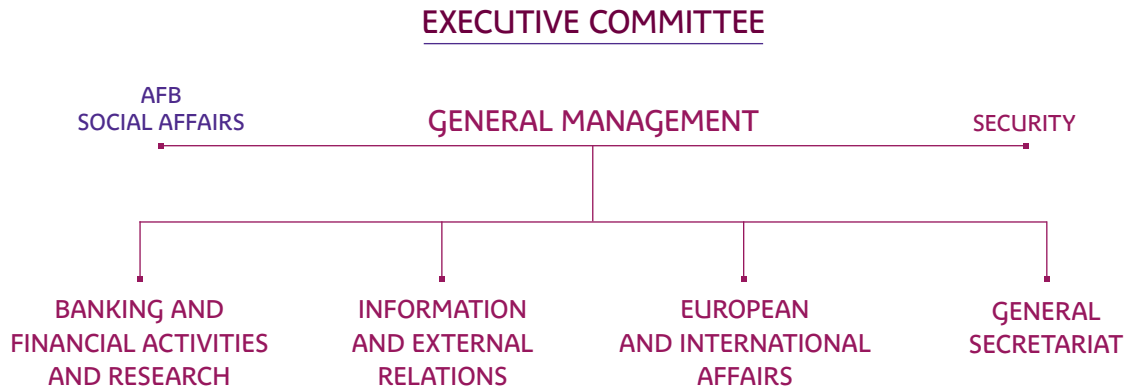


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# ORGANISATION CHART



21 REGIONAL COMMITTEES AND 85 DEPARTMENTAL COMMITTEES

390 BANKS

# STATUTORY BODIES

## THE EXECUTIVE COMMITTEE

The founding members of the FBF are ex-officio members of the Executive Committee. They are represented by either their Chairman or their Chief Executive Officer. Each year, the Executive Committee appoints one of its members as the FBF's Chairman.



**Jean-Paul Chifflet**  
FBF Chairman  
Chief Executive Officer,  
Crédit Agricole S.A.



**Jean-Laurent Bonnafé**  
FBF Vice-Chairman  
Director and Executive,  
BNP Paribas



**Michel Lucas**  
FBF Treasurer  
Chairman,  
Confédération nationale  
du Crédit Mutuel



**Frédéric Oudéa**  
Chairman and  
Chief Executive,  
Société Générale



**François Pérol**  
Chairman,  
Groupe BPCE



**Philippe Wahl**  
Vice-Chairman of the  
AFB,  
Chairman,  
La Banque Postale



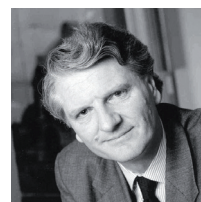
**Ariane Obolensky**  
FBF Chief Executive

## COMMISSIONS AND COMMITTEES

The Executive Committee has formed three commissions and six committees, and appoints their chairmen. Their role is to review various technical issues that affect the banking industry and make proposals. When these proposals concern the banking industry as a whole, they are submitted to the Executive Committee for approval. The commissions and committees are made up of about twenty members from different banks.



**Retail Banking  
and Direct Banking  
Commission**  
Chairman:  
**Frédéric Oudéa**  
Chairman and  
Chief Executive,  
Société Générale



**Investment Banking  
and Capital Markets  
Commission**  
Chairman:  
**Baudouin Prot**  
Chairman,  
BNP Paribas



**Risk Control and  
Prudential Supervision  
Commission**  
Chairman:  
**François Pérol**  
Chairman,  
Groupe BPCE



**Accounting  
Committee**  
Chairman:  
**Gérard Gil**  
Chief Accounting  
Officer,  
BNP Paribas



**Legal Committee**  
Chairman:  
**Jean-Louis Guillot**  
Off-Counsel to  
General Management,  
BNP Paribas



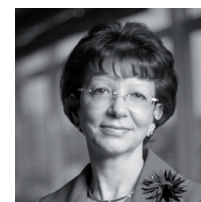
**Compliance  
Committee**  
Chairman:  
**Patrick Suet**  
Corporate Secretary,  
Société Générale



**Tax Committee**  
Chairman:  
**Patrick Suet**  
Corporate Secretary,  
Société Générale



**Payments Committee**  
Chairman:  
**Jean Clamon**  
Managing Director,  
BNP Paribas



**Major Risks and  
Security Committee**  
Chairman:  
**Aline Bec**  
Deputy CEO-Operations,  
BPCE

# 120 EMPLOYEES AT THE FBF AND THE AFB

## AFB

Jean-Claude Guéry  
Social Affairs



Gérard Girel  
Security Adviser

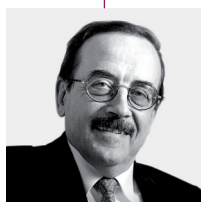
Ariane Obolensky  
Chief Executive

Assistants :

Patricia Barraud

Valérie Bréard

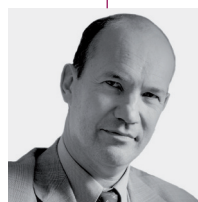
Céline Houehunpe



Pierre de Lauzun  
Director General  
Delegate



Valérie Ohannessian  
Deputy Director  
General



Jean-François Pons  
Executive Director, European  
and International Affairs



Philippe Gendillou  
General Secretary

Assistants : Sophie Bertomeu

Michelyne Didin

Marie-France Gerber-Guzniczak

Elise Binet

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**Taxation:** Pierre Reynier, Delphine Laconde, Tania Saulnier  
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**Systems and Means of Payment:** Willy Dubost, Sylvie Auré, Catherine Bertrand, Brigitte Hoffmann, Françoise Laclau, Olivia Laplane, Odile Mamane, Xavier Mendiboure, Jérôme Raguénès, Danièle Rineau  
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**IT and organisation:** Frédéric Guinet, Cédric Cefber, Fabienne Fontaine, Bruno Vandewalle  
**Human Resources:** Véronique Béal, Christine Leduc  
**General services:** Michel Bonnet, Katia Bartek, Fabrice Boronat, Frédéric Ducamp, Raphaël Garcia, Francis Gravet, Adrien Lerouge, Léonie Magdeleine, Miguel Monteiro, Hugues Stupnicki, Mario Van Doorn

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