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[2003]

MANAGEMENT REPORT

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# [contents]

## Editorial

In the name of the law... 3

## 1) The FBF and Europe

The need for a Pan-European model for the banking industry 5

The draft ISD agreement is satisfactory 6

Still some concerns over International Accounting Standards 7

Consumer credit directive challenged 8

E-15 Agreement on the Savings Taxation Directive 9

## 2) Relations between banking institutions and their customers

Over four million account agreements signed 11

Belorgey Agreement is improved 12

Informing consumers, a top priority 13

New rules to protect consumers from distance marketing 13

New "Economic Initiative" Act encourages financing of small businesses 14

A mixed bag of new savings taxation measures 14

A new retirement savings product 15

Over-indebtedness – new personal bankruptcy procedure 16

2003 opinion survey 17

## 3) The Payments Industry

Building the European payments area 21

A new legal framework for payments in Europe 23

TARGET 2 – a single platform for the transfer of large sums in Europe 24

New security initiatives in France 24

Cheque security is steadily improving 25

## 4) Banking Industry Highlights

Towards a new solvency ratio 27

La Poste will grant housing loans with no prior savings requirement 28

Transporting funds – using new technologies and unmarked vehicles 29

Banks are hiring and training 30

Increasing number of women in banking 31

AFB – a forum for social dialogue 32

Key figures for the banking industry in 2003 33

## 5) The French Banking Federation

Overview, role and tasks 35

FBF's regional activities and committees 36

2003 Executive Committee 38

FBF Commissions and committees 38

Organisational chart 40



**Philippe Dupont**  
*Chairman 2003*



**Ariane Obolensky**  
*Managing director\**

\* succeeded Gilles Guitton in November 2003



No fewer than ten new laws regulating the banking and financial services sector were enacted in 2003, dealing with such issues as consumer credit, over-indebtedness, small business financing, marketing, equity savings plans, retirement savings plans, etc. Few areas escaped the close scrutiny of French lawmakers and there seems to be a trend towards ever-increasing regulation...

According to the French philosopher and writer, Montesquieu, "The law is generally based on reason". However, when this is not the case it is often because the law goes beyond the scope of "the fundamental principles" specified in Article 34 of the French Constitution, and begins to deal with the subtle details of implementation. That is when the law may quickly become "unreasonable".

French Banks, which for many years were nationalised and managed like government agencies, have gradually freed themselves from the authority of the State and have made the transition from being a public service to serving the public. Banks are now full-fledged commercial enterprises engaged in intense competition in France, Europe and throughout the world. Banks play an active role in society and are well aware of the special nature of their business – and hence of the need for specific supervision and rules, as well as such specialized bodies as the

Consultative Committee – and they are ready to fully assume their social responsibility. This is why they are seeking to develop a contractual relationship with their customers, based on mutual trust and commitment.

## [ IN THE NAME OF THE LAW...

The restructuring efforts that French banks have been making over the past few years are now bearing fruit, as illustrated by 2003 earnings figures. To continue to grow and prosper, banks need a business environment that is both stable and harmonious in terms of laws, taxes, regulations, etc. However, the endless growth in legislation and regulation can disorient and confuse both banks and consumers, such that the essential purpose of reform and the quest for efficiency and results may be lost. Although observing, assessing and comparing performance are an almost obsessive part of the daily routine of commercial enterprises, the current legislative and regulatory environment seems to function on another level. New laws may be passed as knee-jerk responses to current circumstances and issues, with little regard paid to the practical implications or even potential conflicts with other laws or regulations.

Although Europe's bureaucratic institutions may often be justifiably criticised, there are also some encouraging signs. In late 2003, the European Commission closely involved the banking and related industries in both an assessment of the economic impact of its Financial Services Action Plan (FSAP) and an appraisal of how the lessons learned could be applied in the future. This approach, of rule makers both consulting and working with those to whom the rules apply, could certainly serve as a model for us all.



**THE FBF  
AND  
EUROPE**

Most of the legislation concerning the banking and financial services industries is now being prepared in Brussels. The choices that Europe is making thus have a direct impact on the activity of banks, on the credit granted to both consumers and businesses and, as a result, on broader economic development.

This is why French banks are increasingly involved in the preparation of European laws and are working together to promote their vision of Europe's future banking and financial services industry.

## THE NEED FOR A COMMON EUROPEAN BANKING MODEL

The chairmen of the eight largest French banks that make up the French Banking Federation's Executive Committee met in Brussels on 10 June 2003. There, they met with various European commissioners and presented the European Commission's President Romano Prodi with a paper entitled Five Principles for a Unified European Banking and Financial Services Market. These principles are as follows:

### 1. An ambition

Europe must develop its own model, based on its own values. These values seek in particular to strike a lasting balance between the interests of their shareholders, employees, customers and suppliers, rather than meeting the short-term needs of financial trading. This is why French banks believe that the IAS 39 Standard should not be applied to certain aspects of banking business, such as customer deposits and loans.

### 2. Equality

Europe must ensure that everyone has equal and transparent access to markets. This is the underlying principle of the FBF's position with regard to the Investment Services Directive (ISD). French bankers want this Directive to include explicit measures to ensure that the price of transactions are set in a completely transparent manner, which is the only way of protecting investors, whether individuals or large companies.

## THE KEY ROLE OF THE EUROPEAN PARLIAMENT

With the European Parliamentary elections coming in June 2004, Philippe Dupont, the FBF's chairman, made the following statement intended for the various political party leaders. "France, he explained, is still far behind some of its larger neighbours in shaping European policy, particularly with respect to the European Parliament, which now plays a decisive role as a result of the co-decision process. It is therefore essential that the

Parliament members who will be elected in June 2004 are able to devote themselves fully to their mission". They will have to be particularly motivated considering that there will be, proportionally, fewer French Members of the European Parliament (MEPs). Following EU enlargement, there will be only 72 French MEPs out of a total of 732, compared to the current 87 out of a total 626.

### 3. Harmonisation

Europe must be harmonised, not standardised. When common rules are necessary, they must be the same for everyone, without exception. This is the foundation of fair competition. Harmonised rules are also essential for effectively dealing with cross-border issues, such as money laundering and terrorism.

#### 4. Consensus-building

Europe must encourage consultation with industry professionals at the earliest possible stage before decisions are taken. This is essential to ensure legislation that is realistic, effective and applicable. This is why French bankers are in favour of extending the Lamfalussy process to the regulation of the banking industry, provided that some inadequacies are corrected.

#### 5. Accountability

Setting a new regulation or standard is a political act. Even so-called "technical" legislation cannot be prepared without public debate. It is up to Europe's political bodies – the Commission, the Council and the Parliament – to assume ultimate responsibility for the decisions that will determine the future success of Europe, its companies and economy.



*Michel Pébereau, the FBF's current Chairman, with Philippe Dupont (foreground), first Vice-Chairman and Gilles Guitton, Managing director (centre), at a press conference in Brussels on 10 June 2003.*

## THE DRAFT ISD AGREEMENT IS SATISFACTORY

**As at the end of 2003 there were some 10,000 companies listed on European stock exchanges, with a combined market capitalisation of about EUR 6,000 billion.**

Following several months of intense negotiation, the E-15 finance ministers approved the Investment Services Directive (ISD) in October 2003. It is expected that the Directive will be adopted by the European Parliament early in 2004. Overall, the FBF supports

this Directive, since it takes into consideration the principles that the FBF has defended since the initial draft directive was released, notably price transparency.

The new ISD will ensure orderly competition between the various securities trading systems, which is essential to protecting investors and to ensuring efficient market operation and optimum financing of European enterprises. Increasing transparency will benefit all market participants, small or large, whether investors, issuers of securities, or intermediaries.

#### Significant progress has been made

##### Greater transparency and freedom of access

■ Transparency obligations have been set for "internalisers", i.e. intermediaries that execute their customers' orders in-house without going through a regulated market or a multilateral trading facility (MTF);

■ For pre-trade operations, "internalisers" must quote firm bid and/or ask price spreads for all types of customers and transactions of normal size;

■ These price spreads are freely accessible to all market participants.

##### Best execution obligation clarified

There may now be several different prices for a given transaction on the various trading systems. The FBF believes that, in order to ensure high-quality service to customers, intermediaries should be obliged to execute an order at the best possible price, cost, speed and probability of execution. This is why the draft ISD provides that the terms of order execution must be specified in a contract.

##### To be implemented in late 2006

The European Parliament may make additional improvements in order to guarantee even greater transparency for both investors and issuers. French banks would like to see various modifications, such as stricter rules concerning "price improvement", which enables an "internaliser" to offer better terms to certain customers on a discretionary basis. The new Investment Services Directive is expected to be integrated into the national law of the Member States before the end of 2006.

## Post-trade activities: the FBF supports a European Directive

The unification of Europe's financial services market will make decisive progress with the Investment Services Directive (ISD), which will harmonise securities trading practices. Nevertheless, full market integration is impossible without a harmonised framework for the post-trade finalisation of a transaction, that is clearing and settlement. The FBF therefore supports a European directive that would provide an essential complement to the

ISD and set forth the basic principles of these post-trade activities, to organise an orderly, fair and secure competitive environment in the mutual interest of issuers and investors. French banks feel that the Directive must be based on a European model with a clear separation between the role of central securities depositories and custodians. Only this approach can ensure the efficient operation of Pan-European markets and effective regulation.

**Custodian:** an agent, generally a bank, that keeps securities for its customers and may also provide other services such as settlement, cash management and currency transactions.

**Central securities depository:** keeps securities in custody and enables trade execution through a book-entry system. The national depository in France is Euroclear France.

## STILL SOME CONCERNS OVER INTERNATIONAL ACCOUNTING STANDARDS

On 17 December 2003, the International Accounting Standards Board (IASB) published new versions of IAS 32 and 39, on financial instruments and their recognition and valuation. However, this new draft of IAS 39 does not deal with the issues of macro-hedging and sight deposits, which are still the subject of negotiation between the IASB and European banks. The fact that an incomplete standard has been issued shows the profound disagreement that prevails.

The FBF supports European standards that will enable a more accurate comparison of corporate balance sheets and income statements. Nevertheless, it feels that the economic realities of the banking industry must be taken more fully into account if the new accounting standards are to achieve their intended objectives, i.e. to provide investors with more reliable financial information.

### Union European supports French position

Talks on the IAS standards were conducted throughout the year.

■ In the first half of 2003, the European banks continued to alert the authorities of the various risks that European enterprises could face if IAS 32 and 39 were adopted unchanged. In its current version, IAS 39, which calls for

the valuation of financial instruments at their market value, would result in highly volatile valuations of capital and earnings, particularly in the retail banking sector.

■ In early July, President Jacques Chirac sent a letter to European Commission president, Romano Prodi, which pointed out that the two standards "might increase the influence of capital markets over the economy and lead to short-sighted management that focuses excessively on the near term".

■ It is for the above reasons that the E-15 countries have postponed the adoption of IAS 32 and 39. The Accounting Regulatory Committee (ARC), which is composed of representatives of the EU Member States, has adopted all the standards prepared by the IASB, except for IAS 32 and 39. The FBF is pleased with the EU's decision since it provides additional time to agree a financial instruments standard more in keeping with economic reality.

However, the IASB's draft proposal on macro-hedging, presented in the autumn of 2003, is not satisfactory as it does not accept what are generally considered to be Europe's best banking practices, as endorsed by the Basel Committee. This is the case of sight deposits, which the IASB feels should not be used for hedging purposes. IAS 32 also poses a major problem by classifying shares in cooperatives as liabilities rather than equity instruments.



## [ On the record...

*"Major decisions, especially those that have an impact on people's lives, are political decisions and must be made democratically. This explains why we have adopted the positions on accounting standards that we have."*

Gilles Guitton, Managing director FBF,  
*Radio Classique, 10 June 2003.*

*"We must be careful not to adopt accounting standards today that might prove to be catastrophic in a few years".*

Michel Pébureau, Chairman FBF,  
*Les Echos, 11 June 2003.*

### Very little time

The European Union will soon announce its opinion on IAS 32 and 39. The IASB has said that it would issue the macro-hedging provisions in the second quarter of 2004.

There remains very little time to come to an agreement, since all listed European companies must apply the new standards as of the 2005 financial year.

## CONSUMER CREDIT DIRECTIVE CHALLENGED

EUR 726 billion  
Outstanding consumer  
credit in Germany,  
Belgium, Spain, France,  
Great Britain, Greece, Italy  
and Portugal totalled some  
EUR 726 billion in 2002.

The proposed Consumer Credit Directive presented in late 2002 has proved to be the subject of much concern throughout the European Union. The principle contention, which has been voiced not only by the banking sector, but also by manufacturers and merchants, is that the

Commission's draft directive is in conflict with the stated objectives of creating a level playing field for all market participants and improving consumer protection. This is a somewhat serious issue, since a poorly thought-out directive may substantially reduce the amount of available consumer credit.

Provisions that are deemed unacceptable include: the so-called "responsible lending" provision (which, in effect, presumes that the lender alone is responsible); the joint liability of lenders and merchants (which would require banks to indemnify customers who are not satisfied with their financed purchases); and data processing procedures. Throughout 2003, the FBF and the European Banking Federation (FBE) worked together to explain their positions and make suggestions to the European Commission and MEPs.

In a quite unusual move, the Parliament's Legal Committee voted to send the draft directive back to the European Commission for revision. For procedural reasons no further action could be taken during the plenary session in November. The European Parliament is therefore expected to examine the directive and various proposed amendments in March 2004.

## E-15 AGREEMENT ON THE SAVINGS TAXATION DIRECTIVE

Following many years of negotiation, European finance ministers approved the Savings Taxation Directive in January 2003.

Member States will implement a system for automatically exchanging information on the payment of interest to non-residents. This will apply to all Member States, except Belgium, Luxembourg and Austria. These three are allowed to apply a withholding tax that will increase from 15% to 35% over a six-year transitional period. They will return 75% of this withholding tax to the investor's country of residence.

### Banks prepare for implementation

The Directive applies to interest income on all types of debt instruments.

It will enter into effect on 1 January 2005, provided that certain third countries (notably Switzerland, Andorra, Liechtenstein, Monaco, and San Marino) implement similar measures.

In France, the Directive will be adopted in the Remedial Finance Act for 2003. The banking industry was able to gain assurances that obligations concerning declarations to tax authorities would not enter effect until 1 January 2005. This is because the information exchange system requires that data-processing procedures be reorganised to prepare the universal tax form.

[ EUROPE ENLARGED			
On 1 May 2004, ten new countries will join the European Union, which will then cover over 450 million inhabitants.			
	USA	UE 15	UE 25
<b>Population</b> in millions, 2002 (source: UE)	281	376,4	451,5
<b>GDP</b> in billions of euros, 2002 (source: UE)	10 370	8 074	8 428,8
<b>Market capitalisation</b> in billions of euros, 2002 (source: FIBV)	10 613	5 306	



**RELATIONS  
BETWEEN  
BANKING  
INSTITUTIONS  
AND THEIR  
CUSTOMERS**



The relationship between banks and their customers was given fresh impetus in 2003, with French banks launching some major initiatives to promote a clear contractual relationship with their customers through "account agreements", and to provide enhanced price information and a mediation service. The new Economic Initiative Act has also made it easier for small companies to set up business and obtain financing.

## OVER FOUR MILLION CURRENT ACCOUNT AGREEMENTS SIGNED

With the Charter of 9 January 2003, banks have made a commitment to draft formal current account agreements with their individual customers, to increase price transparency, and to provide a free service for resolving disputes out of court.

In November 2003, the chairman of the Consultative Committee judged the results of these new measures to be "encouraging". With nearly four million agreements already signed, the overall number is increasing steadily as new accounts are opened and existing customers request contracts for their current accounts. 100% of new customers now benefit from a new account agreement, while existing customers are being made aware of the Charter and of their entitlement to a contract. The fact that, up till now, customers have shown limited interest in signing an account agreement is probably due to three factors:

- They already benefit from the Charter's general terms and conditions (which apply to everyone), notably with regard to enhanced price transparency and the free mediation service;
- About half of current customers already have a contractual relationship with their bank and are satisfied with the status quo;
- Some customers prefer to maintain an informal and flexible relationship with their banker.

### French banks are continuing their efforts

Throughout the year, the FBF has worked hard to promote account agreements and the new mediation service.

In January 2003, the FBF set up a Charter Supervisory Committee, composed of bank representatives and ombudsmen, to raise customer awareness and provide a forum for sharing experience.

Banks are continuing their efforts to inform their customers better. However, the public still needs to be made aware of the procedures for settling disputes out of court through mediation. According to most surveys, it is in the area of price information that the best results have been achieved. Six out of ten French people are aware of the efforts their banks have made to improve information, while three out of four consider that they can easily find out how much a specific transaction or service costs (source: IREQ survey of June 2003).

### Overall assessment planned for end 2004

The banking industry has agreed to provide the Consultative Committee with a progress report, in June and in December 2004, on the number of current account agreements signed. As for mediation services, the first annual ombudsmen's reports will be submitted in early 2004.

## OUT-OF-COURT SETTLEMENT OF DISPUTES: A YEAR OF MEDIATION

All French banks now offer their customers a free-of-charge mediation service for settling any disputes involving account agreements out of court. Banks may have their own ombudsman, or share an ombudsman with other banks. Whatever the case, ombudsmen are impartial and independent. This independence, which is absolutely essential for successful mediation, is guaranteed by law and overseen by the Bank Mediation Committee. It is also necessary to ensure mutual confidence, which is indispensable. Under the Murcef

Act, each ombudsman must send an annual report of his/her activity to the governor of the Bank of France and to the chairman of the Consultative Committee for the financial services sector.

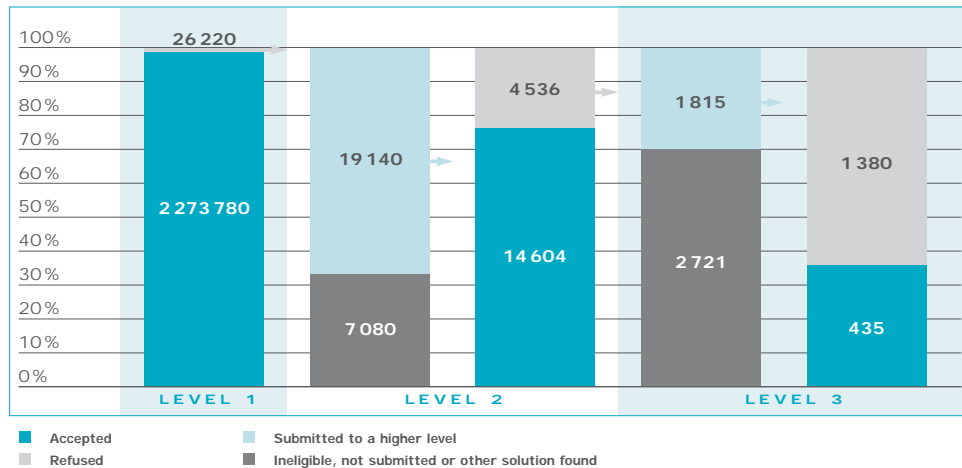
126 banks have entrusted their mediation to Benoit Jolivet, the ombudsman proposed by the FBF. Mr. Jolivet received over 1,000 letters in 2003, with an average 80 to 90 arriving each month — a figure that now appears to be the norm. The most frequent disputes concern prices and means of payment.

## BELORGEY AGREEMENT IS IMPROVED

The purpose of the Belorgey Agreement is to make it easier for people with serious health problems to obtain insurance and loans. The FBF was able to assess the effectiveness of the Belorgey Agreement for the first time in 2003. Working with the French Federation of Insurance Companies (FFSA), on 21 November the FBF proposed various modifications to the Committee responsible for monitoring this agreement. These suggestions include the following:

- extending the exemption from filling in a medical questionnaire for loan insurance to all dedicated consumer loans, that is loans to finance a specific item (subject to conditions), and not just to legally-linked dedicated loans,
  - improving the provision of information to loan applicants.
- On this basis, the Belorgey Agreement has been renewed for 2004.

## OVER TWO MILLION LOAN APPLICATIONS ACCEPTED



Only 1,380 home loan seekers out of 2.3 million were unable to gain insurance cover (statistics as at the end of November 2003).

## INFORMING CUSTOMERS, A TOP PRIORITY

The Banking Information Centre (CIB) responded to over 3,500 questions from customers in 2003, comprising 80% by telephone, 15% by e-mail and 5% by postal mail. The CIB is therefore quite aware of the problems that bank customers may encounter. 40% of these questions concern various customer account issues, such as bounced cheques, overdrafts, etc. There is an increasing need for informa-

tion to be imparted, not only to consumers, but also to associations and especially welfare organisations that often provide the only link between a bank and the disadvantaged in the community, including those who need the most assistance.

The CIB has launched a major campaign to inform the public about banks and what they offer. In addition to an expanded range of "mini-guides", the CIB has set up a practical and educational website that provides a wealth of information about banking and personal money management. This website, which is written in plain language and features practical examples that are designed to be understood by all, is intended for all Internet users. It consists primarily of an encyclopaedia of over 400 pages that cover many basic topics on banking and personal finance, together with a glossary of over 700 financial terms. A variety of services and fun features make this site a genuinely useful learning tool for consumers and a valuable non-commercial source of banking information.



Everybody's banking website:  
[www.lesclesdelabanque.com](http://www.lesclesdelabanque.com)

## NEW RULES TO PROTECT CONSUMERS FROM DISTANCE MARKETING

The Financial Security Act of 1 August 2003 was designed to restore investor confidence and modernise the regulation of financial markets. Among other things, this Act specifies new rules for distance marketing by banking and financial services. These rules are of vital importance to the retail, investment and merchant banking sectors. The new Act defines this marketing to be "any contact, by any means whatsoever (including telephone or the Internet) with a natural or legal person, that has not been solicited by this person, for the purpose of obtaining this person's consent".

The following, however, are excluded from this definition: "qualified investors"; legal persons whose financial characteristics (total assets, sales, assets under management, etc.) exceed the limit specified by the decree; people who are already a customer of the soliciting company; and

dealings with customers in bank branch offices or professional premises.

This Act has also defined the status of the "financial investment advisor". This natural or legal person is authorised to solicit business and has a two-year renewable licence specifying the type of products and/or services that may be offered. Those involved in distance marketing must now be registered in a file available for public consultation. This obligation does not apply to the employees of banks and other financial institutions, except when they solicit business away from their place of employment. In addition, the Act specifies those financial products, such as short sales, that cannot be sold through distance marketing.

## NEW ECONOMIC INITIATIVE ACT ENCOURAGES FINANCING OF SMALL BUSINESSES

The Enterprise Creation Train  
The FBF and BDPME visited 13 French cities by special train to organise meetings between bankers and future business entrepreneurs, informing them of the new Economic Initiative measures. The FBF distributed over 10,000 information sheets.

The Economic Initiative Act of 1 August 2003 was designed to encourage enterprise by making it easier to create a company or go into business. The implementing decrees for this new Act have yet to be issued. Banks play a very active role in financing small and medium-sized enterprises (SME) and support initiatives that encourage people either to go into business for themselves

or to purchase a company. In particular, banks support the Act's initiatives to facilitate finance and access to credit.

These include:

- Creating Local Investment Funds that foster local business initiatives by investing mainly in local and regional SMEs;

- Easing the requirements for business loans, which makes it easier to finance a greater number of projects.

However, banks fear that the risk of additional constraints, particularly regarding the provision of guarantees and security interests, may make it more difficult to grant certain types of loan. The FBF believes that more must be done to support individual enterprise, since this creates many jobs. The government's priorities in developing self-employment in 2004 are a step in the right direction. This includes a special legal status for entrepreneurs who create their own business, fewer administrative formalities, and strong new measures that make it easier to purchase a small company.

## A MIXED BAG OF NEW SAVINGS TAXATION MEASURES

16,7%  
Some 16.7% of French household income is saved each year.

Over the past few months, there have been many new measures concerning the taxation of savings income. Although the FBF supports some of these, particularly those intended to

encourage saving for retirement, they fail, on the whole, to provide a clear, consistent and stable savings policy. This creates a climate of uncertainty for both investors and banks.

### Many new measures

Some of the changes made over the past few months include: the reform of the PEL (Housing Savings Plan), the increase in the maximum amount that can be invested in a PEA (Equity Savings Plan), the creation of FIP (local investment funds), the adjustment of interest paid on regulated savings products, the creation of new retirement savings products; the abolition of the PEP (Popular Savings Plan), and the modification of the tax credit on dividend income.

Although some of these measures address genuine needs, such as FIP funds and new retirement savings products, others are inconsistent with the government's stated objective to encourage the financing of business activity and productive investment. For example:

- Scrapping the PEP plan will reduce the amount of long-term resources available to banks and therefore their lending capacity;

- Eliminating the tax credit on dividends will directly reduce the savings income of small shareholders and holders of equity savings plans and will thus discourage investment in equities, which are already fiscally disadvantaged.

### New ideas

The French government has announced that it will open the debate on savings taxation. French banks hope that all relevant considerations will be taken into account to enable a stable policy to be implemented over the next few years.

## MIXED ASSESSMENT OF SAVINGS TAXATION MEASURES IMPLEMENTED IN 2003

—
<ul style="list-style-type: none"> <li>■ PEL plan reform</li> </ul>
<ul style="list-style-type: none"> <li>■ No new PEP plans may be opened</li> </ul>
<ul style="list-style-type: none"> <li>■ Tax credit on equity dividends abolished as of 1 January 2005</li> </ul>
<ul style="list-style-type: none"> <li>■ Withholding tax rate raised one percentage point to 16% as of 1 January 2004</li> </ul>
<ul style="list-style-type: none"> <li>■ Bill proposed in 1st quarter 2004 to levy 0.3% tax on savings income to finance care of elderly and dependent (effective as of 1 July 2004)</li> </ul>

+
<ul style="list-style-type: none"> <li>■ Fewer restrictions on PEA investments under 2002 Finance Act: maximum investment raised to 132,000 euros with more equities eligible</li> </ul>
<ul style="list-style-type: none"> <li>■ Maximum amount of securities that may be sold per year raised to EUR 15,000 (2002 Finance Act)</li> </ul>
<ul style="list-style-type: none"> <li>■ Losses on PEA investments may be deducted for income tax purposes, if such plans are held for at least five years</li> </ul>

## A NEW RETIREMENT SAVINGS PRODUCT

The Retirement Act voted in July 2003 makes it much easier for French people to save for retirement. France was one of the few countries in the world which did not have a minimum offering of retirement savings products. The following two products were therefore created:

- The PERP (Retirement Savings Plan), which is subscribed through an association. All payments into the plan are tax-exempt and a lifetime pension is paid upon retirement.
- The PERCO (Company Retirement Savings Plan), which allows employers to pay up to EUR 4,600 a year in matching contributions into the plan. When the plan-holder

reaches retirement, he or she may elect to receive a lump sum payment or a lifetime pension. Employees may also make voluntary contributions into the plan under Article 83 of the French Tax Code, if their company is entitled to this regime. Under the Finance Act of 2004, up to 10% of personal income from professional activity (or 10% of the annual Social Security limit if higher) invested into any retirement savings product will be tax exempt. The conditions for cashing in a PERCO retirement savings plan before retirement will be specified in a decree.



## OVER-INDEBTEDNESS: NEW PERSONAL BANKRUPTCY PROCEDURE

In July 2003, the French Parliament voted in a new personal bankruptcy law that enables people who are over-indebted to have their non-professional debts discharged. To be eligible for this procedure, an application must be filed with the Over-Indebtedness Committee, together with

a complete list of all debts, including those to tax and social security authorities. Only this Committee is empowered to implement the procedure to discharge personal debts. The Committee may decide to submit the application to a judge who would

summon the debtor and his/her creditors and then suspend any on-going debt recovery proceedings. Liquidation would be pronounced within 12 months and the debtor's property would be sold. If the value of the property was insufficient to cover the debts, the judge would terminate the bankruptcy procedure and discharge all the debtor's non-professional debts.

### Strict criteria are necessary

When the FBF was consulted concerning the draft bill, it had two objectives:

- to make the procedure more effective;
- to prevent the procedure from being abused, so that it will only benefit people in real difficulty.

Many of the FBF's proposals were implemented, including the following:

- the Over-Indebtedness Committee remains responsible for reviewing and processing applications and is alone empowered to submit an application before a judge, within a reasonable time (*six months*);
- individuals benefiting from bankruptcy proceedings must be listed in the FICP (*Fichier des incidents de remboursement de crédits, or national file of loan repayment incidents*) and the listing period has been extended to eight years;
- preventive measures have been strengthened and the debtor's situation enabling eligibility for the bankruptcy procedure has been more precisely defined;
- unlike the initial draft of the bill, if the debtor fails to respond to the Committee's summons he or she would automatically abandon the procedure by default;
- the methods for informing creditors must be stipulated by decree and should be equivalent to those normally used to make legal announcements.

However, two of the FBF's proposals to prevent the procedure from being abused were rejected, i.e. setting a limit to the amount of debts that may be discharged and only allowing people to benefit from personal bankruptcy proceedings on one occasion.

### Entry into effect

The implementation decrees that will bring this new procedure into effect will be published in early 2004. The Consultative Committee will monitor bankruptcy statistics.

### [ On the record...

*"To prevent people from taking unintended advantage of the Borloo bill, we want this new procedure to be subject to very strict criteria".*

Philippe Dupont, Chairman FBF,  
*Les Échos, 19 June 2003*

### [ Mini-guides to keep consumers well informed

Practical and easy-to-read "mini-guides" are part of the FBF's programme to increase the public's awareness of various banking-related issues.

These booklets are published each month and provide answers to the most frequent consumer questions.

Some recent titles:

- *Changing banks*
- *You and your chequebook*
- *How to make payments abroad?*



## 2003 OPINION SURVEY

Every year, the FBF commissions IREQ to conduct a survey of a representative selection of 1,000 French people over the age of 15, to determine what they think about banks. The survey aims to find out what sort of image banks have, what people expect from their bank and how they perceive some of the major issues affecting the banking industry. The 2003 survey focused on information.

### Information – banks are making progress

The preferred source of information is the client advisor, in which customers still willingly place their trust. Customers

also carefully read bank statements, which provide a regular link with their bank.

### CLIENT ADVISORS STILL MUCH APPRECIATED

Would you say that you are satisfied with your client advisor (at your main bank branch)?

	2001	2002	2003
<b>YES</b>	<b>87 %</b>	<b>85 %</b>	<b>85 %</b>
...very satisfied	33 %	33 %	36 %
...rather satisfied	54 %	52 %	49 %
<b>NO</b>	<b>13 %</b>	<b>15 %</b>	<b>15 %</b>
...rather unsatisfied	9 %	10 %	11 %
...not at all satisfied	4 %	5 %	4 %

### BANKS ARE CLEARLY TRYING HARDER

Do you feel that banks have recently made efforts to provide their customers with more information about the price of basic services?

	2003
<b>YES</b>	<b>56 %</b>
...absolutely	12 %
...somewhat	44 %
<b>NO</b>	<b>43 %</b>
...not really	28 %
...not at all	15 %
<b>NO OPINION</b>	<b>1 %</b>

### IT'S EASY TO KNOW THE PRICE OF A GIVEN SERVICE

Do you think that you can easily find out the price of a service if necessary?

2003

<b>YES</b>	<b>74 %</b>
...very easily	52 %
...rather easily	22 %

<b>NO</b>	<b>25 %</b>
...not very easily	19 %
...not easily at all	6 %

<b>NO OPINION</b>	<b>1 %</b>
-------------------	------------

### BANK STATEMENTS ARE READ CAREFULLY...

Do you read (or skim through) your bank statements?

2003

<b>YES</b>	<b>97 %</b>
...I read them carefully	68 %
...I skim through them	29 %

<b>NO</b>	<b>3 %</b>
-----------	------------

### ...AND EASY TO UNDERSTAND

Would you say that your bank statements are easy to understand?

2003

<b>YES</b>	<b>96 %</b>
...very easy	59 %
...rather easy	37 %

<b>NO</b>	<b>4 %</b>
...not very easy	3 %
...not easy at all	1 %

## Bank practices

### 2/3 DES FRANÇAIS ESTIMENT QU'IL EST FACILE DE CHANGER DE BANQUE


Would you say it's easy to change banks (not branch)?

	2002	2003
<b>YES</b>	<b>65 %</b>	<b>65 %</b>
...very easy	28 %	24 %
...rather easy	37 %	41 %
<b>NO</b>	<b>33 %</b>	<b>34 %</b>
...not very easy	22 %	24 %
...not easy at all	11 %	10 %
<b>NO OPINION</b>	<b>2 %</b>	<b>1 %</b>

### USERS ARE VERY SATISFIED WITH ONLINE BANKING SERVICES

Question for those who use their bank's website – Are you satisfied with the information and services provided on your bank's website?

	2001	2002	2003
<b>YES</b>	<b>76 %</b>	<b>88 %</b>	<b>94 %</b>
...very satisfied	29 %	57 %	48 %
...rather satisfied	47 %	31 %	46 %
<b>NO</b>	<b>13 %</b>	<b>5 %</b>	<b>5 %</b>
...rather unsatisfied	10 %	5 %	3 %
...not satisfied at all	3 %	0 %	2 %
<b>NO OPINION</b>	<b>11 %</b>	<b>7 %</b>	<b>1 %</b>



**THE  
PAYMENTS  
INDUSTRY**



2003 was an important year in the construction of the European payment area. French banks are making an active contribution towards this goal and many initiatives are already underway. With over 207 million electronic monetary transactions every working day in Europe, the quality, efficiency and security of payment services are critical issues for the achievement of the single European market.

## **BUILDING THE EUROPEAN PAYMENTS AREA**

Founded in June 2002 by the banks of the Member States and their European Credit Sector Associations, the European Payments Council (EPC) aims to define the future systems and means of payment in Europe. The European payments area will enable consumers to take advantage of the benefits of the single market and will facilitate trade in goods and services.

### **French banks make a strong contribution**

The initial benefits of the EPC's efforts, in which French banks and the FBF played an active part, were manifest in 2003. The FBF, which participates in the Council's plenary meetings, informs its members about the on-going work conducted in Brussels and ensures that decisions are implemented in France.

### **Facilitating cross-border payments**

The Interbank Convention on Payments (ICP) has defined the principles that banks must observe when applying the European regulation on tariff levels for cross-border credit transfers, which came into effect on 1 July 2003. European banks have exceeded the regulation's requirements by adopting the Credeuro Convention, which ensures that automated STP cross-border credit transfers up to EUR 12,500, for which the international IBAN and BIC codes are provided, are executed within three days.

### **Automating low-value payments**

In order to accelerate and reduce the cost of low-value cross-border credit transfers, European banks, working through the EPC, have set up an automated European payments infrastructure known as PEACH, (Pan-European Automatic Clearing House). Through a resolution passed by the EPC in June 2003, and effective from 31 December 2003, any European bank is able to receive and process PEACH transactions.

### **Developing tomorrow's means of payment**

The EPC is working to develop a pan-European direct debit scheme which will complete the range of cross-border payment instruments. The general guidelines for this new direct debit scheme were defined in 2003. Before each bank develops the necessary software, however, the specific features of the scheme, and the responsibilities of all parties involved, must now be further defined to prepare standards that can be fairly applied to all market participants.

**The EPC's members approved 16 resolutions in 2003, covering issues such as cash, cards, credit transfers, PEACH and cross-border cheques.**

#### Promoting the use of cards

The EPC is working to prevent fraud and to strengthen standards and cooperation between all market participants to ensure that Europe offers the tightest possible security for card payments.

Working with the ECB and the European Commission, the FBF hosted a forum in October 2003 entitled "Preventing Card Fraud in Europe" organised by the EPC. A Fraud Prevention Resolution, passed in late 2003, also calls for more cooperation between market participants.

#### More efficient cash handling

The EPC Cash working group is drafting guidelines for the Eurosystem with the aim of harmonising the various EU member state's regulations in such areas as the cross-border transportation and recycling of banknotes, the definition of mutilated banknotes, etc., and financial terms for the transfer of certain national central bank responsibilities to commercial banks.

#### Next steps for 2004

Efforts in 2004 will be dedicated to implementing the principles defined in 2003. This means that new European payment instruments, such as direct debits, will be developed. Initiatives to automate and increase the efficiency of cross-border payments will be continued, along with the streamlining of cash handling.

Helping the European Commission with its project to establish a new legal framework for payment instruments will be another priority. The EPC will participate in the current working groups.

A project as large as the construction of the Single Euro Payments Area (SEPA) will require close monitoring. The FBF will be responsible for preparing all relevant French data.

## FIVE PRINCIPLES FOR MAKING THE EUROPEAN PAYMENTS AREA A SUCCESS

In a document entitled *Five Principles for Making the Single European Payments Area a Success*, which was presented to EU authorities, the FBF described the principles upon which the creation of a single Euro payments area should be based.

**An ambition:** Europe must develop its own payments model; one that is designed to inspire confidence, provide exemplary service and be economically viable for the long term.

**Equality:** to effectively manage payment means, Europe must have a unified, non-fragmented legal status that applies to all providers of payment services. Without this equality between all industry professionals it will not be possible to ensure the legal and operating security of payment means and systems.

**Harmonisation:** a simple and consistent body of rules is necessary to avoid separate and fragmented initiatives or the accumulation of rules based on national practices.

**Consensus building:** an ongoing dialogue between industry professionals and the Authorities will be necessary to ensure the emergence of a balanced payments area.

**Accountability:** The European banking industry is responsible for the processing of payment transactions. It can only do this effectively within a harmonised and explicit legal framework.

## A NEW LEGAL FRAMEWORK FOR PAYMENTS IN EUROPE

In December 2003, the European Commission issued a consultation paper on the creation of "a new legal framework for payments in the internal market". This was followed by various responses to which the FBF contributed by defining the basic principles required to ensure the consistency and effectiveness of such a framework.

The objective of this new framework is to increase the effectiveness of both means and systems of payment for all Europeans, as well as ensuring an environment of fair competition with simple rules that are universally applicable.

The French banks support this new framework and would stress that certain rules are fundamental to the proper functioning of a single payment area. These include:

- the irrevocability of payment orders, without which the legal security of commercial transactions cannot be guaranteed;
- identical rules for all payment providers, to ensure the trust of consumers and enterprises. All payment provi-

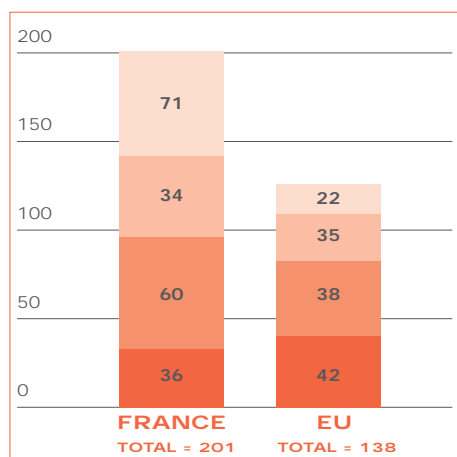
ders must be subject to a common legal status to ensure the security of all interested parties, and to prevent competitive distortions;

- the commercial relationship between customers and merchants must be kept separate from payment execution to avoid any confusion of liability in the event of a dispute concerning a product or service;

- regulation must ensure basic legal security and allow payment providers to handle the technical and organisational aspects themselves.

In its reply to the Commission in early 2004, the FBF will indicate its priorities for the creation of a single European payment area, with emphasis on the expectations of users, money-laundering regulations, and the amount of time required to complete the various actions.

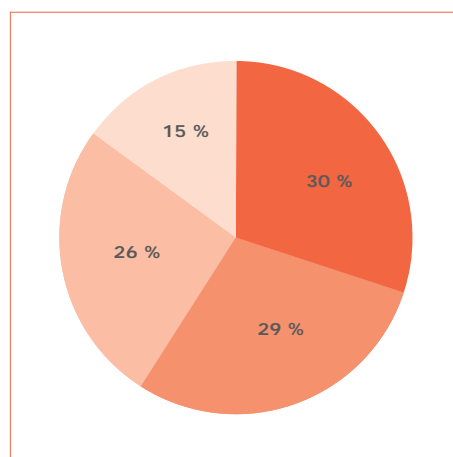
### NUMBER OF TRANSACTIONS PER CAPITA IN 2001



Source: ECB Blue Book, published in September 2003

■ cheques  
■ direct debits  
■ cards  
■ credit transfers

### PAYMENT MEANS IN EUROPE IN 2001 (BY VOLUME)



Source: ECB Blue Book, published in September 2003

■ cheques  
■ direct debits  
■ cards  
■ credit transfers



## TARGET 2 - A SINGLE GROSS SETTLEMENT PLATFORM FOR LARGE-VALUE PAYMENTS IN EUROPE

The TARGET system processed a daily average of EUR 1,552 billion in payments in 2002, exceeding France's GDP that year (EUR 1,521 billion).

At the end of 2002, the European Central Bank launched a consultation on the long-term development of the TARGET Eurosystem<sup>(1)</sup> for large-value cross-border payments<sup>(2)</sup>. The objective is to modify TARGET's current structure to harmonise its service in preparation for future challenges, notably European enlargement. TARGET

is currently a decentralised system that provides real-time connection between the gross settlement systems of the 15 EU Member States. It enables fast and secure cross-border payments in euros.

In its response to the consultation paper, the FBF presented the outline for an ambitious project calling for the

design of a single centralised platform directly, with no transitional phase. European authorities were receptive to this idea and current work on the TARGET 2 system is based on the French proposals. The FBF believes that this new platform must ensure political, geographic and commercial neutrality between Europe's various financial centres.

French banks also pointed out the need to incorporate the most advanced functions of the national systems into TARGET 2, notably solutions which enable them to adjust their liquidity through the cross-border mobilisation of assets as collateral. Other European banks also supported the FBF's approach. The new system is expected to be operational in the second half of the decade.

(1) TARGET: Trans-european Automated Real-time Gross settlement Express Transfer System  
 (2) In France, these sums are generally considered to be above EUR 800,000.

## NEW SECURITY INITIATIVES IN FRANCE

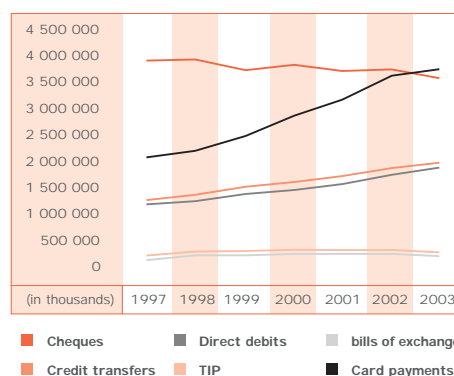
### A new legal framework for recycling banknotes and coins

The French government is putting the final touches to a decree that will define the legal framework for recycling banknotes and coins in France. It will enable banks and cash-in-transit companies to recycle notes and coins, as they are currently allowed to do in most European countries. In France, only the Banque de France has so far been permitted to do so. Depending on the final criteria adopted for this new framework, it could lower the number of physical transfers between French banks and the Banque de France and thus reduce the risk of attacks on cash-in-transit vehicles.

This recycling authorisation carries with it various obligations with regard to verification and sorting, and the FBF hopes that these obligations will be clearly specified to ensure optimum legal security. To prepare the draft decree, the CFONB formed a working group to define the basic rules that banks must observe when removing counterfeit or suspicious banknotes from circulation and submitting them to the Banque de France.

The FBF feels that it is also necessary to take the European dimension fully into account when approving recycling equipment, to enable market participants to rely on harmonious provisions throughout the euro zone. Furthermore, any recognition of alternative systems will require the definition of common rules for mutilated banknotes.

### INTERBANK TRANSACTIONS FROM 1997 TO 2003



## Card security, the challenge of Europe

Fraud involving bankcards alone totalled EUR 69 million in 2003 (0.034% of the total payments made using the bankcard system), compared to EUR 75 million in 2002 (0.041%), according to an estimate made by the Groupement des Cartes Bancaires (French bank card association).

However, there has been a strong increase in the incidence of fraudulent card use outside France, where magnetic strip information is copied from bankcards and then used on counterfeit cards abroad. The value of this type of fraud rose from EUR 45 million in 2002 to EUR 79 million in 2003.

The challenge over the next few years will therefore be to prevent fraud within Europe and the EPC has made this a priority. The adoption by all EU countries of smart cards, as per the EMV international Standard, will enhance security. Banks are actively participating in this major project, which will involve over 642 million cards. The migration to these new cards is expected to be complete by 2006.

The EMV standard will enable card-holders to enjoy the same security abroad as they do in France, while foreign EMV cards will offer merchants the same level of security as French cards.

## CHEQUE SECURITY IS STEADILY IMPROVING

### New agreement strengthens cooperation

To improve cheque security for their customers, French banks signed the Cheque Image Exchange agreement with the Banque de France in July 2003. This agreement specifies the cheque clearing provisions of the CRBF's 2001 regulations and reinforces security.

### Informing the public

The FBF publishes a mini-guide that provides practical tips to help consumers and merchants to improve cheque security at the earliest possible moment, i.e. when they receive, or pay by, a cheque.

**350 electronic payments are made each second in France**



### When paying with a cheque

- keep your cheque book separate from personal identification documents;
- do not sign a cheque in advance without indicating the amount;
- make sure your account has sufficient funds;
- leave no blank space before or after the amount indicated;
- if the cheque is filled out by a machine, check the amount before signing;
- stop payment as soon as possible in the event of theft, loss or fraudulent use.

### When receiving a cheque

- ask for ID when you do not know the person;
- endorse the cheque as soon as possible;
- for large payments, a bank transfer is more secure than a cheque. If this is not possible request a cashier's cheque.



**BANKING  
INDUSTRY  
HIGHLIGHTS**

Banks must continuously adapt in myriad ways to meet new challenges. They are managing their risks more effectively and investing substantially to increase the security of cash-in-transit operations, and they are doing so in an increasingly competitive framework (which includes the entry of La Poste, France's national postal service, into the mortgage loan market). To meet these challenges, banks have significantly increased recruitment across all departments.

## TOWARDS A NEW SOLVENCY RATIO

In 2003, the Basel committee issued its third and last worldwide consultation document on reforming the solvency ratio, a move which is intended to bring about improved risk management and thus enhanced financial security for the banking system. This reform will change the way that banks allocate capital to their various activities and therefore has significant potential to affect the economy. In their response to the Basel Committee's consultation in the summer of 2003, French banks pointed out the importance of making sure that this regulatory constraint does not result in any undesirable effects.

### The FBF would like more flexibility

- An easing of the application criteria for the various approaches; banks would thus be more inclined to adopt more sophisticated risk calculation methods. This implies, for example, reducing the volume of historical data required in internal models;
- A reduction in the pro-cyclical effects of the ratio, i.e. ensuring that it does not amplify the effects of the economic cycle. In this respect, it is necessary to ease the risk calculation methods, and in particular the stress tests, which should not be based on a purely systematic method.

### THE EUROPEAN DIRECTIVE MUST BE CONSISTENT WITH THE BASEL REFORM

The FBF believes that the Basel Committee recommendations and the European directive on the future solvency ratio should be consistent in terms of both content and implementation timeframe, so as not to create any competitive distortion between European and other banks. The European Capital Adequacy Directive (CAD III), which is to be based on Basel Committee recommendations, will apply to all European Union banks. As the FBF advised the European

Commission in October, it is essential that the European directive does not result in any additional constraints. This means that the scope of application must be identical to that provided for in the Basel II recommendations. To have any significant impact, the solvency ratio needs to be monitored for the banking group as a whole. It does not therefore seem appropriate to introduce individual monitoring, as provided for in the draft directive.

## [ On the record...

*"It will cost French banks about one billion euros to implement the new solvency ratio."*

Philippe Dupont, Chairman FBF, *L'Agefi*, september 2003

More prudential provisioning (booking of general provisions on non-incurred losses) could also help resolve these difficulties. This point is currently being discussed by the Basel Committee and the International Accounting Standards Board (IASB).

■ Refining of the treatment of risks linked to particular businesses such as asset securitisation, factoring, lease activities and venture capital;

■ ensuring that all banks are subject to identical requirements from the national regulators and ensuring transparency in national and international rules for supervision;

■ ensuring that the disclosure required by the Basel Committee is consistent with that required by the IASB, for comparable types of information.

## Publication of the agreement on the new ratio in 2004

In order to examine the various modifications requested by many banks and associations, the Basel Committee decided in October to postpone the publication of its recommendations until the first half of 2004. The new ratio is still scheduled to enter effect in late 2006..

## LA POSTE WILL GRANT HOUSING LOANS WITH NO PRIOR SAVINGS REQUIREMENT

A DECISION OF ARGUABLE ECONOMIC VALUE THAT PENALISES FRENCH BANKS AND FINANCIAL INSTITUTIONS

## [ FBF REGIONAL COMMITTEES CHALLENGE NEW LA POSTE LOAN AUTHORISATION

The chairmen of the FBF regional committees sent over 400 standard letters to regional and local elected officials to present the FBF's case against this new measure. 70% of these letters were addressed to members of Parliament, 20% to chairmen of regional and general councils, and 10% to local elected officials and various organisations (such as the employers' association

MEDEF, consular bodies, local town-hall associations, etc.) Some 150 Parliament members and local officials replied to these letters and 40 meetings were arranged between the FBF committee chairmen and French deputies and senators. Ten members of Parliament sent written questions to the relevant ministry to present the FBF's case.

Under a new agreement between the French government and La Poste, France's national postal service, the latter will be allowed to engage in the totally new business of providing home loans with no prior deposit requirement. This is far more than a mere diversification of La Poste's range of products and services. Rather, it is the creation of a substantial new player in the banking industry, with over 17,000 branches (which is more than the combined total of France's four largest banking groups). This decision will have major implications for the French banking and financial services sector at a time when it is facing European-level competition. This decision poses three serious problems:

■ it creates a new player in the banking industry that will continue to benefit from the enormous privileges of its status as a public service and will be free from the financial and prudential constraints to which competitive, private-sector French banks and financial institutions are subject;

■ it allows a public-service entity to appropriate the value and jobs created by the private sector and will not in any way alleviate La Poste's employment and profitability problems since job requirements will not be met by employing post office personnel, but through transfers from the private sector;

■ It will handicap French banks and financial institutions that are now facing intense competition in Europe and which – thanks to the considerable competitive efforts they have made – currently form one of the strongest pillars of the French economy. Moreover, consumers will not benefit from this in any significant way since there is already an abundant and competitive supply of lenders,

with some 28,000 bank branch offices throughout France. The La Poste post office network would have been more effectively preserved by enhancing local service. The FBF has therefore made it known that it will be very vigilant in making sure that La Poste's activities are fully compliant with French and European regulations.

## [ On the record...

*"There are other solutions for maintaining the post office network."*

Philippe Dupont,  
Chairman FBF,  
*Méto*, October 2003

## TRANSPORTING FUNDS: USING NEW TECHNOLOGIES AND UNMARKED VEHICLES

In spring 2003, the inter-ministerial task force set up by the Minister of the Interior the previous fall made public its report on the transport of cash, after examining the entire security chain in detail and consulting all interested parties.

Draft decrees based on some of the task-force's findings were issued in autumn 2003 and these proposed amendments to the Decrees of 28 April and 18 December 2000. At a given level of security, banks will now have a choice between various means of transport. The new regulatory framework recognises the use of systems based on alternative technologies that automatically destroy banknotes in the event of an incident. These systems will no longer be considered experimental, since it is now known that, when used in unmarked vehicles with unarmed personnel, such technology is effective in preventing violent attacks. Therefore, this enhances security for cash-in-transit personnel, bank staff and the public.

### Meeting new requirements

Wherever materially possible, meaning at practically all 28,000 branch office outlets, French banks have brought their branch offices and automatic teller machines into compliance with the requirements of the Act of 10 July 2000 and its implementing decrees. They have succeeded in meeting the Act's 31 December 2003 deadline. Nevertheless, particularly in Paris and the Paris area, a few hundred distribution points were still not up to standard as at the end of 2003. This is either because local municipalities and government offices have not yet issued the necessary permits, or because particular sites do not enable the necessary work to be carried out. In these cases, each bank has taken the requisite action, in some cases even temporarily suspending cash distribution.

### NUMBER OF THEFT ATTEMPTS IN FRENCH BANKS

	1999	2000	2001	2002	2003
Number	741	973	937	759	600
% Change		31,3	- 3,7	- 19,0	- 20,9

## BANKS ARE HIRING AND TRAINING

Banks are boosting their recruitment substantially to meet two major challenges, i.e. an ageing population and advances in technology. The hiring rate reached almost 10% in 2002, with top-level skills in high demand in all segments of the banking industry, including the following:

- retail banking – customer service, telephone banking, customer account managers and branch managers...
- wholesale banking – financial analysts, managers, financial and international trade experts, middle and back-office specialists, mergers & acquisitions advisors and traders...
- staff functions – marketing, legal affairs and taxation, information technology, human resources and communication...

### Supporting education and work-study programmes

French banks work with many schools and universities to develop educational programmes that meet the needs of the banking industry. These include certain BTS and DUT vocational diplomas, 3-year banking degrees (a programme that the banking industry helped set up in 2000), IUP master's degrees in banking, finance and insurance, and DESS and DEA post-graduate degrees in management, accounting and finance.

French banks are also actively involved in apprentice training and work-study programmes via OPCA Banques, a joint body accredited by the French Banking Association,

which handles the financing of continuing vocational training schemes, and via a network of 13 Apprentice Training Centres. They work in partnership with the CFPB, a vocational training centre for the banking industry, and numerous business schools and universities. These apprentice training centres prepare their students for BTS banking diplomas, 3-year banking degrees, IUP master's degrees and DESS post-graduate degrees in banking, finance and insurance. In 2003, banks took on over 2,000 young people under work-study programmes, including 62% under training contracts.

### A strong commitment to continuous education

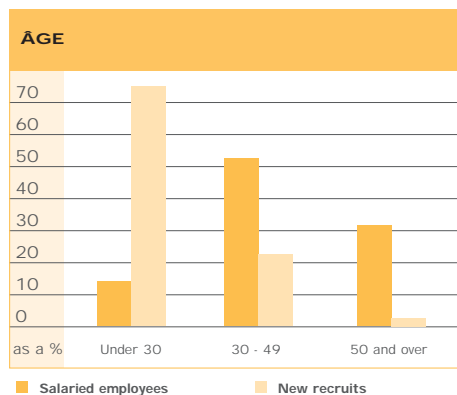
French banks allocate about 4% of their payroll to continuous education each year. Bank employees can earn a variety of diplomas on the job, including BP and BTS vocational diplomas, as well as those of the ITB or Technical Banking Institute and the Centre d'Etudes Supérieures de Banque. In June 2003, an amendment to the collective training agreement of 2000 was signed with trade unions in order to update the operation of the ITB.

Continuous education and training is provided at seminars or through online multimedia educational programmes. Courses in banking and finance, organisation, management, marketing, law, taxes and foreign languages are provided.

## WORKFORCE AND RECRUITMENT

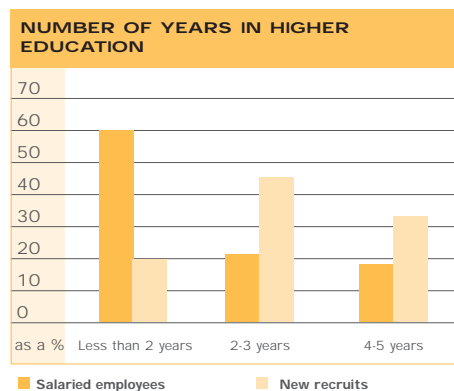
### Recruitment of young people...

Almost three-quarters of those recruited are under 30



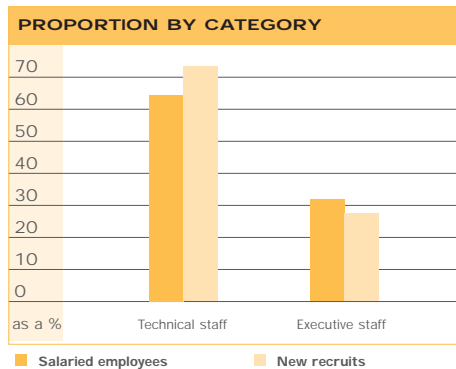
### ...with higher qualifications...

Among new staff, the proportion of those recruited with less than 2 years' higher education is falling sharply in favour of those with 4-5 years and, in particular, 2-3 years of higher education. Furthermore, 38% of salaried employees also have a banking diploma, including 51% of those with two years' higher education or less.



**...more executive staff...**

even though, contrary to previous years, 2003 saw a slight decline in the proportion of executive staff among new recruits, in favour of technical staff.



**...more retail banking employees.**

The retail banking activity accounts for nearly two-thirds of total employees.



## INCREASING NUMBER OF WOMEN IN BANKING

For several years now, the majority of bank employees have been female and the current proportion stands at 53.4% of the total workforce. Over 60.5% of new recruits in 2002 were female.

### More responsibility

The proportion of females among managers and executives is also increasing, with women now accounting for one-third of this employee category, compared to 28% five years ago. The number of female executives has been rising at an annual rate of 10% for the past two years, while the number of senior female executives has increased by more than 15%.

### A younger workforce

Female employees are younger than their male co-workers, with an average age of 42 compared to 44 for the latter. Over 80% of female recruits are under 30, as are 65% of recently hired female managers and executives.

### Better educated

Some 78% of new female recruits and 94% of managers and executives have at least two years' higher education and over 26% (83.5% of executives) have at least four years' higher education.

PROPORTION OF WOMEN BY OCCUPATION		
	CURRENT STAFF	NEW HIRES
Risk analysts	47,5%	50,0%
Customer account managers	61,0%	63,5%
Financial advisors	42,0%	45,5%
Legal and tax experts	59,0%	70,0%
Accountants	56,5%	52,0%
Human resources management	44,7%	77,0%



## AFB - A FORUM FOR SOCIAL DIALOGUE

AFB, the French Banking Association, represents commercial banks and those of the Groupe Banque Populaire, i.e. some 300 banking institutions employing about 254,000 people<sup>(1)</sup>. These banks and enterprises are subject to the requirements of the collective bargaining agreement of 10 January 2000, which replaced the agreement of 1952 and profoundly modified the working conditions and benefits of bank employees. The relationship between banks and their employees is also governed by many other agreements that deal with such aspects as vocational training, working time, safety, etc.

Banks and their employees negotiate respectively through the AFB and trade unions, which include the CFDT, SNB-CGC, FO, CGT and CFTC. These negotiations resulted in the following collective bargaining agreements in 2003:

- The implementation of the ISIN bank identification code, signed on 5 February 2003. This agreement enabled more

flexibility in work organisation in exchange for financial compensation, with the switchover from the SICOVAM to the ISIN code on 30 June 2003;

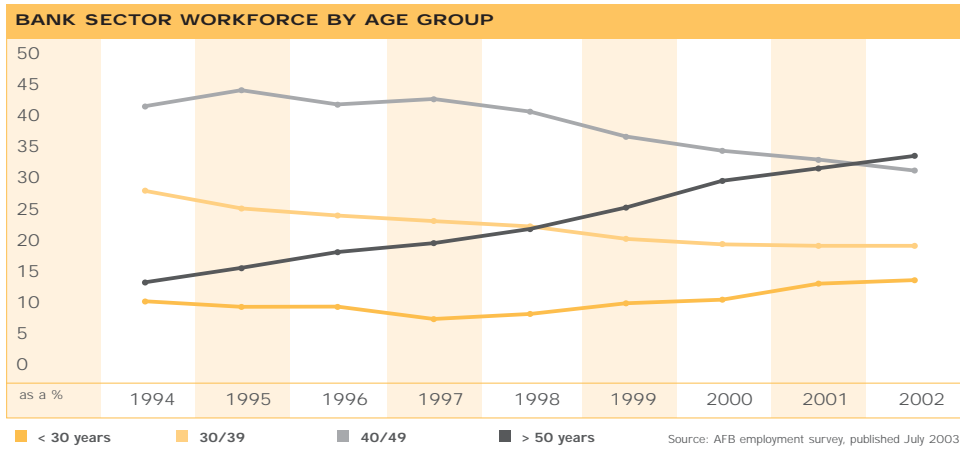
- an agreement, signed on 30 June 2003, to modify the academic requirements for admission into the ITB bank diploma programme;

- the inter-company employee savings plan agreement, signed on 7 July 2003, which enables all bank employees to invest in a company savings plan;

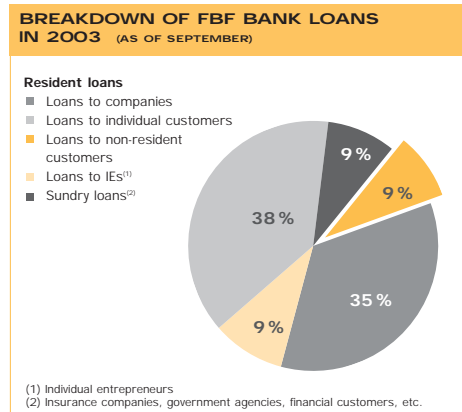
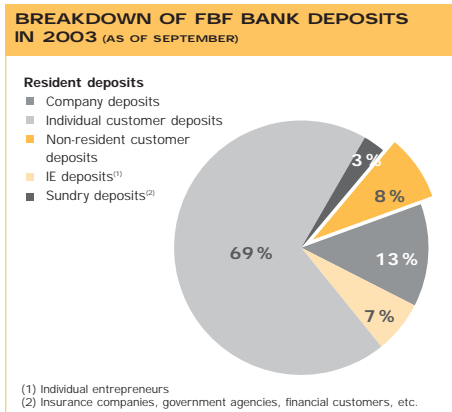
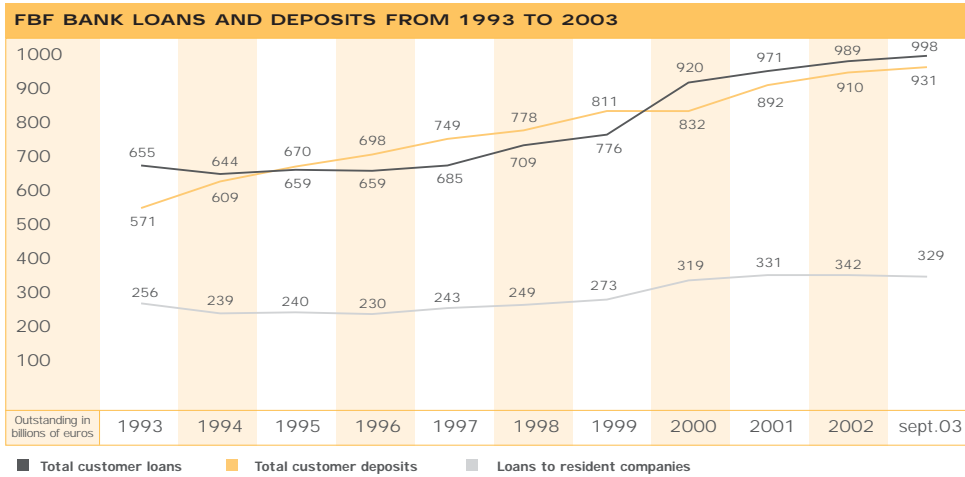
- the salary agreement of 20 October 2003, which raises the minimum salary for each qualification level by 3%.

More negotiations are planned for 2004, notably in the area of vocational training, under the Inter-professional agreement signed in September 2003.

(1) The mutual banks (Crédit Agricole, Caisses d'Épargne and Crédit Mutuel) are not subject to these agreements.



## KEY FIGURES FOR THE BANKING INDUSTRY IN 2003





THE  
FRENCH  
BANKING  
FEDERATION

The FBF extranet:  
6,000 unique visitors  
and 65,000 pages viewed  
each month

## OVERVIEW, ROLE AND TASKS

The French Banking Federation (FBF) is the professional body that represents all banks operating in France. This includes more than 500 French and foreign, commercial, cooperative and mutual banks.

The FBF has four key tasks, which are reflected in its organisation:

III *Member's information service*, which involves transmitting information to banks, notably on the work of commissions and newly applicable or draft regulations. It draws on tools that are exclusively dedicated to members (extranet, documentation centre, etc.);

Some of the tools available to our members:



### Executive summaries

These publications provide an overview of key issues and initiatives in the banking industry.



### FBF Info

Monthly online newsletter for the banking industry



### Websites

A monthly online publication presenting a brief description of websites, with a different theme each month

III *Banking business and research*, which groups together the full range of professional expertise – retail banking and direct banking, investment banking and capital markets, risk control and prudential banking, payment systems and means of payment, legal and tax affairs – co-ordinates the FBF's committees and commissions, and manages relations with public bodies in these various areas;

III *Communication and external relations*, which covers all forms of external communication: relations with governments, the media and consumers via the Banking Information Centre, and with young people, the teaching profession and other professions, as well as all regional activities. Indeed, the FBF is represented across the country thanks to a network of some 108 regional banking committees;

III *European and international affairs*, which is now partly based in Brussels.

In 2003, 3,570 bank employees attended 23 conferences-debates organised by the FBF to discuss a variety of issues with leading experts concerning such themes as: Improving relationships between banks and their

customers; marketable securities: international challenges and financial security; Preventing bank card fraud in Europe; The prevention of money-laundering and The European housing loan market.



[www.fbf.fr](http://www.fbf.fr)  
The Federation's new website, launched in December 2003, receives 25,000 hits a month.

In 2003, the FBF's regional activities generated 140 press articles in 90 different media, covering 52 regional committees.

## FBF'S REGIONAL ACTIVITIES AND COMMITTEES

The French Banking Federation is represented throughout France by 21 regional committees and 119 local or depart-

mental committees, which represent the banks of a particular region or French administrative department.

### These committees have four roles:

- III represent the banking profession in relations with the various regional or local institutions (MEDEF, Chambers of Commerce and Industry, consular bodies, etc.);
- III inform the relevant public of the region, department or city and act as a spokesperson of the FBF, particularly in relations with the media and elected officials;

- III organise or support all communication and public relations activities at a regional and local level, notably with regard to schools and universities;
- III co-ordinate the banking community and promote exchange within the profession on all subjects of common interest (security, creation of new businesses, etc.).

## SUBJECTS EXPLORED ON A REGIONAL LEVEL IN 2003

### Creation of new businesses

- III **"The New Business Train"**: the train stopped in **13 French cities** over the year to set up an information stand for people interested in setting up their own business. At each stop, the stand was manned by members of that area's regional committee, who met and advised a total of 15,000 people;

- III **"Enterprise Awards"**: Ten regional committees participated in this event, which was organised by BDPME (the Small-Business Development Bank) to reward the most promising entrepreneur projects;

- III **Business creation and purchase seminars**: several seminars on this theme were held, including one at Bourgen-Bresse, sponsored by the Ain departmental committee and MEDEF...

### Improving relations with students and educators

- III **"Banks, Education and Employment"**: Some 600 people attended this seminar in **Nancy**, organised to present some of the banking-related diplomas and programs available at local schools and universities and show how effective cooperation between banks and educators can be;

- III **The "Bank Job Fair"** was the first of its type held in **Lyon**. This event – which was organised by the Lyon FBF committee, the three local universities, the CFPB and Lyon Place Financière – was attended by some 500 high-school seniors, university students, teachers and human resources managers;

- III **The "Banks, my bank and me..."** campaign will be launched in February 2004 by FBF's Bas-Rhin departmental committee with the support of the local Board of Education. A presentation showing what banks do, and the job opportunities they can offer, will be made to 3,500 high-school juniors in 108 classes.

In 2003, the presentation was given a trial run and the various materials (teacher's manual, student brochure and CD-ROM) were prepared. The themes selected were: "What do banks do?, What can a bank do for me?, How can I use my bank?, What do banks employees do?, What jobs are available?"

### Improving relations with customers

- III **The "Account Agreement" Charter**: IFBF committees conducted various activities to increase awareness and provide information. These were initiated for the press, consumer associations, consumer protection and fraud prevention authorities and Departmental Consumer Affairs Committees;

- III **Radio information campaign**: several FBF committees regularly presented various aspects of the relationship between banks and their customers in a short question-and-answer format on the France Bleu and Le Républicain Lorrain radio stations;

- III **Mini-guides** – FBF committees managed a targeted distribution of 6,000 copies of the informative "mini-guides" to local prefectures, consumer protection and fraud prevention authorities, the media and various consumer organisations...

### Security

- III FBF committees organised meetings, presentations and a "security watch" programme between local bankers, police and gendarmes.

- III These committees informed the FBF of any problems or incidents observed, particularly dealing with cash-in-transit security.



The presentation kit, including a CD-ROM, teacher's manual and student brochure.



## [ THE REGIONAL LETTER

In November 2003, the French Banking Federation published the first issue of the Regional Letter, which is sent to the chairmen of the various FBF local, departmental and regional committees. This publication is intended to strengthen the link between the FBF and its committees and, above all, serve as a means for exchanging ideas and sharing experiences to enable committees to implement best practice within their jurisdictions. The Regional Letter may be downloaded from [www.extranet.fbf.fr](http://www.extranet.fbf.fr)

### **FBF COMMITTEE NETWORK IS STREAMLINED AND NOW HAS ASSOCIATION STATUS**

In keeping with the FBF Executive Committee's decision of 11 March 2003, all departmental and regional committees are now associations governed by the 1901 law. Each held its constitutive assembly between April and December 2003.

In conjunction with this, the committee network was streamlined, as some local committees were dissolved or merged to form departmental committees.

This new association status and reorganisation makes the committees more representative of their constituencies and thus enhances their legitimacy. It also enables them to operate more professionally and efficiently, in the collective interests of the banks in their department or region.

## [ ENTITIES ASSOCIATED WITH THE FBF

### *Le Comité Français d'Organisation et de Normalisation Bancaires (CFONB)*

**(French Banking Organisation and Standardisation Committee)**

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 the standardisation of means of payment, the organisation of exchange systems, the standardisation of "bank/customer" exchanges, and standardisation in the areas of marketable securities, security, certification, etc.

### **Revue Banque Group**

This group is structured around three major poles of activity: magazines and periodicals (Banque magazine, Banque & Stratégie, Banque & Droit, Banque & Marchés); seminars and conferences; and publishing, with a broad range of publications aimed at banking professionals or broader categories such as students, teachers, researchers, businesses, etc.

### **OPCA-Banques**

A joint fund raising body accredited by the French Banking Association, OPCA-Banques fulfils two tasks: it handles the financing of continuing vocational training schemes and provides banks with advice and support in organisation these courses.

## [ FRENCH BANKING ASSOCIATION (AFB)

Before the arrival of the FBF, the AFB fulfilled a dual role as the professional body for commercial banks and a professional banking association. It now coexists with the FBF, but focuses solely on its social role (management of the collective labour agreement relating to AFB and Groupe Banques Populaires banks).

Moreover, the AFB is a full founding member of the FBF, and represents, in particular, small and medium-sized banks, as well as foreign banks with operations in France.

## 2003 EXECUTIVE COMMITTEE

The founding members of the French Banking Federation 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 Chief Executive Officer.



Philippe DUPONT  
Chairman of the FBF <sup>(1)</sup>  
Chairman of Banque Populaire Group



Charles de CROISSET  
Chairman of CCF



Daniel BOUTON  
1<sup>st</sup> Vice-chairman of the FBF <sup>(2)</sup>  
Chairman and Chief Executive Officer of Société Générale



Jean LAURENT  
Chief Executive Officer of Crédit Agricole SA



Etienne PFLIMLIN  
2<sup>nd</sup> Vice-chairman of the FBF <sup>(3)</sup>  
Chairman of Confédération Nationale du Crédit Mutuel



Baudouin PROT  
Chief Executive Officer BNP Paribas <sup>(4)</sup>



Charles MILHAUD  
Treasurer of the FBF  
Chairman of the Executive Board of Caisse Nationale des Caisses d'Épargne et de Prévoyance  
(French savings and social welfare fund)



Ariane OBOLENSKY  
Managing Director <sup>(5)</sup> of the FBF

## FBF COMMISSIONS AND COMMITTEES

Four Commissions and four Technical Committees were set up by the FBF's Executive Committee, which appointed their corresponding chairmen and specified their organisational rules.

The role of the Commissions is to look into technical banking issues and draft proposals, which are then submitted to the Executive Committee for deliberation when input from the banking profession is required. The role of the Committees is to give an opinion on technical issues that fall within their area of expertise.



**Retail Banking and Direct Banking Commission**  
Chairman: Jean LAURENT <sup>(6)</sup>  
Chief Executive Officer of Crédit Agricole SA



**Investment Banking and Capital Markets Commission**  
Chairman: Michel Pébereau <sup>(7)</sup>  
Chairman of BNP Paribas



**Risk Control and Prudential Banking Commission**  
Chairman: Daniel BOUTON  
Chairman and Chief Executive Officer of Société Générale



**Payment Systems and Means of Payment Commission**  
Chairman: Michel LUCAS  
Chief Executive Officer of Confédération Nationale du Crédit Mutuel  
Chairman of the Executive Board of CIC

(1) replaced Michel Pébereau as of June 2003

(2) replaced Philippe Dupont as of June 2003

(3) replaced Jean Peyrelevade, Chairman of Crédit Lyonnais, as of June 2003

(4) replaced Michel Pébereau, Chairman of BNP Paribas, as of November 2003

(5) replaced Gilles Guillon as of November 2003

(6) replaced Philippe Dupont as of June 2003

(7) replaced Jean Peyrelevade, Chairman Crédit Lyonnais, as of June 2003





#### Accounting Committee

Chairman: Gérard GIL  
Chief Accounting Officer  
of BNP Paribas



#### Legal Committee

Chairman: Gérard GARDELLA  
Head of Legal Affairs  
for Société Générale



#### Tax Committee

Chairman: Patrick SUET  
Deputy Corporate Secretary  
of Société Générale



#### Payment Management Committee

Chairman: Philippe CITERNE  
Chief Executive Officer  
of Société Générale

## [ SOME FIGURES ON THE FBF...

- iii 500 member banks
- iii 26,000 permanent branches
- iii 500,000 employees, i.e.
  - 1.6% of the active population
  - the third largest private-sector employer in France
- iii 48 million customers
- iii 60 million current accounts
- iii EUR 1.051 billion in loans \*
- iii EUR 914 billion in deposits \*
- iii 12 billion payment transactions processed each year
- iii 35,000 ATM machines
- iii 3% of France's GDP

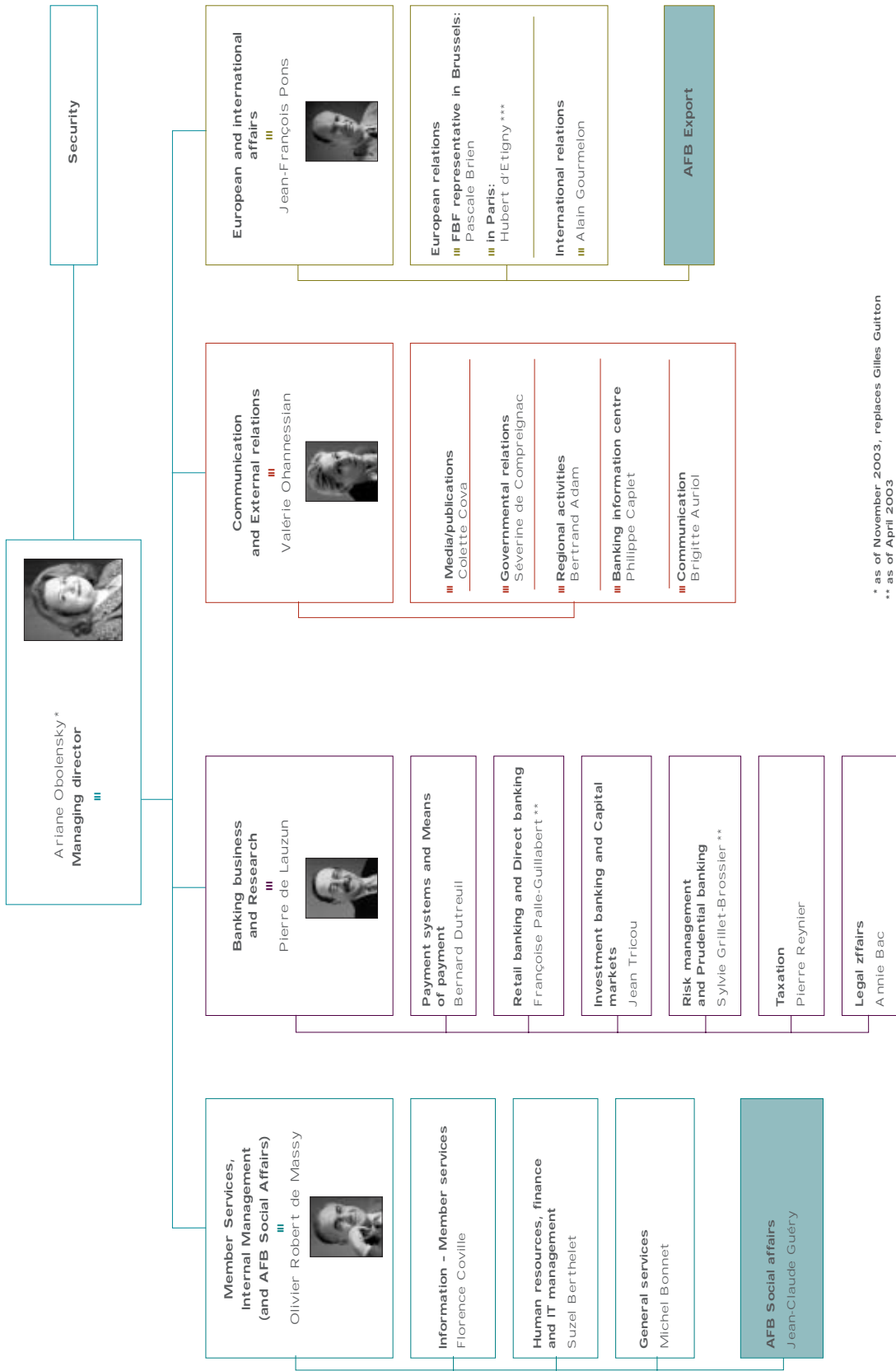
\* Source: Commission bancaire





FEDERATION  
BANCAIRE  
FRANCAISE

# Organisation chart



\* as of November 2003, replaces Gilles Guitton  
 \*\* as of April 2003  
 \*\*\* as of November 2003