

Treasury Management in France

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France Overview

France is a large European country that serves as a headquarters for many multinational companies in the French speaking world.

The unit of currency is the euro (EUR) which is divisible into 100 cents. The French franc (FRF) became a denomination of the EUR on January 1, 1999 and will be eliminated as legal tender in 2002. The Franc is one of 11 currencies comprising the Euro (EUR) that is freely traded on the foreign exchange market. The locking rate of the EUR to the FRF is EUR 1= FRF 6.55957.

The Banque de France is the central bank and regulates all financial institutions in the country. With the advent of the Euro a key role of the Banque de France is coordination of the central monetary policy with the European Central Bank. Banque de France central bank reporting requirements have minimal impact on cash management activity and the regulatory environment is open.

There are four clearing systems in France that relate to cash and treasury management.

1. There are two high value systems, Transfert Banque de France (TBF) a Real Time Gross Settlement system (RTGS) operated by the Banque de France and Paris Net Settlement (PNS) a Real Time Net Settlement system (RTNS) operated by the Centrale des Reglements Interbancaires (CRI). Both use the SWIFT network to transmit instructions to move money between member accounts with the Banque de France. While there is no minimum or maximum amount which may be transferred through either system, the average transfer is approximately FRF 23.2 million.
2. Check clearing is handled through nine regional clearing houses operated by the Banque de France and supported by 103 subsidiary clearing houses located throughout the country. Clearing float ranges from 2 to 5 days.
3. The Systeme Interbancaire Telecompensation (SIT) is functionally equivalent to an ACH and handles credit transfers, direct debits, and electronic bills of exchange.
4. The Banque de France is a member of the Trans-European Automated Real-Time Gross Settlement Express Transfer system (TARGET) which settles Euro transactions throughout the European Union.

Companies registered in France are considered to be French, regardless of shareholder nationality or the location of management and control. They are not taxed on non French-source income. Foreign companies carrying on activity in France are subject to French corporate tax on French-source profits. Foreign companies generally may not deduct royalties and interest paid to their head office. The current rate of corporate tax is 33.33%

Weblinks

Background information from the [US CIA](#) and the [US State Department](#)

Country profile information from [Ernst & Young](#)

Summary tax information from [DTT World Tax](#)

Central Bank sites of the [European Central Bank](#) and the [Banque de France](#)

Treasury association website [AFTE](#)

Commercial banking websites of [BNP Paribas](#), [Credit Lyonnais](#), [Credit Mutuel](#), and [Societe Generale](#)

Online edition of the [International Herald Tribune](#)



[International Treasurer](#)
The Journal of Cash, Treasury and Finance Management

Treasury Management

France is not a traditional financial center and accordingly the global cash and treasury activities of the many indigenous multinational companies are often centralized nearby in Brussels. France's position in the French speaking world and close political relationships with Africa make it an ideal center for controlling African treasury activity. Treasury management within France is a complex process resulting from its relatively large size and decentralized internal payment and clearing mechanisms

All common treasury management techniques are permitted in France including leading/lagging, re-invoicing, sweeping, and cash concentration. Multilateral netting is permitted without restriction. Pooling of French francs is permitted and the pooling of other currencies is not prohibited.

The Franc has never been a reserve currency but has had a major trade role through the CFA which was widely used in French speaking Africa. With the advent of the Euro, the CFA has been pegged to the EUR.

Multiple FRF accounts can be held to facilitate accounting objectives or as part of an overall treasury strategy. Sweeping (zero balancing) and concentration are permitted and are reasonably common treasury practice.

Accounts

The basic FRF operating account is referred to as a current account and may be held by resident or non-resident corporations. Banks are not permitted to pay interest on current accounts maintained by corporations. In lieu of interest on current accounts, corporations invest in mutual funds called sociétés d'investissement à capital variable (SICAVS).

Resident and non-resident corporations may hold accounts in France that are denominated in French franc, Euro, the US Dollar, and other currencies at their option.

In lieu of interest on current accounts, corporations in France invest in money funds called SICAVS. Other short term options include time deposits with a minimum tenor of one month or CDs with a minimum amount of FRF 5 million.

Overdrafts (découverts) are permitted and in common use, with the amount and rate determined by each bank. Advances, promissory notes, trade draft discounting, and commercial paper (BT or billet de trésorerie) round out the range of short term financing tools.

Payments and Receipts

Checks and cash are widely used in retail settlements but are diminishing in importance relative to the ACH's which can process debit and credit transactions to and from customer bank accounts. A particularly useful ACH application is the titre interbancaire de paiement (TIB) where the purchaser signs authorization to debit a bank account they identify on the form. This is effectively a "reverse" check and because it is provided by the seller and authorized by the payor substantially reduces payment fraud. Similar systems are available for postal accounts (RIP) and savings bank accounts (RICE). Bills of exchange known as LCR's are paper based forward valued

instruments which are used to settle commercial transactions. While the instrument is paper based, settlement is electronic. Because LCR's are often discounted by the issuer's bank, they are functionally similar to post dated checks. Larger settlements are also handled by check because of the tendency towards slow payment in France and the float/processing benefit despite the fact that same day payments may be made through TBF or PNS.

Lockbox type arrangements are permitted and available from the larger banks on special request. They are extremely useful in managing domestic receipts and some large companies have established private lockbox arrangements for their own use.

Controlled disbursement is not possible because the timing of cleared check presentment and PNS/TBF cutoffs do not permit coverage of check presentments. A functional alternative is to have a disbursement account that is covered by book transfer from a SICAV linked surplus account at the same bank.

Technology and Marketplace

France has a modern telecommunications system including fiber optic cable and digital switches. Bandwidth is expensive but readily available. France has an excellent infrastructure based in large part on proprietary standards not shared outside the country. Accordingly, there are sophisticated local applications that do not adhere to international custom.

France is a heavily banked country and home to major local, regional, and international banks. Political and labor difficulties associated with banking consolidation skew bank pricing and the high cost of operations forces a high degree of focus on privately supported commercial banks. The major local banks include Credit Lyonnais, Societe Generale, and BNP Paribas. Additional banking competition comes from financial institutions such as Credit Agricole (a mutual bank) and various savings banks known as Caisse d'Epargne. The advent of the Euro has increased cross border competition but local services are very much the province of local banks. Virtually all of the major international banks offering global cash management services have a branch presence in Paris including HSBC, Bank of America, Deutsche Bank, Citibank, and Chase.

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