PARIS EUROPLACE

The Legal Environment of the Paris Financial Marketplace: Recent Developments

2006-2007

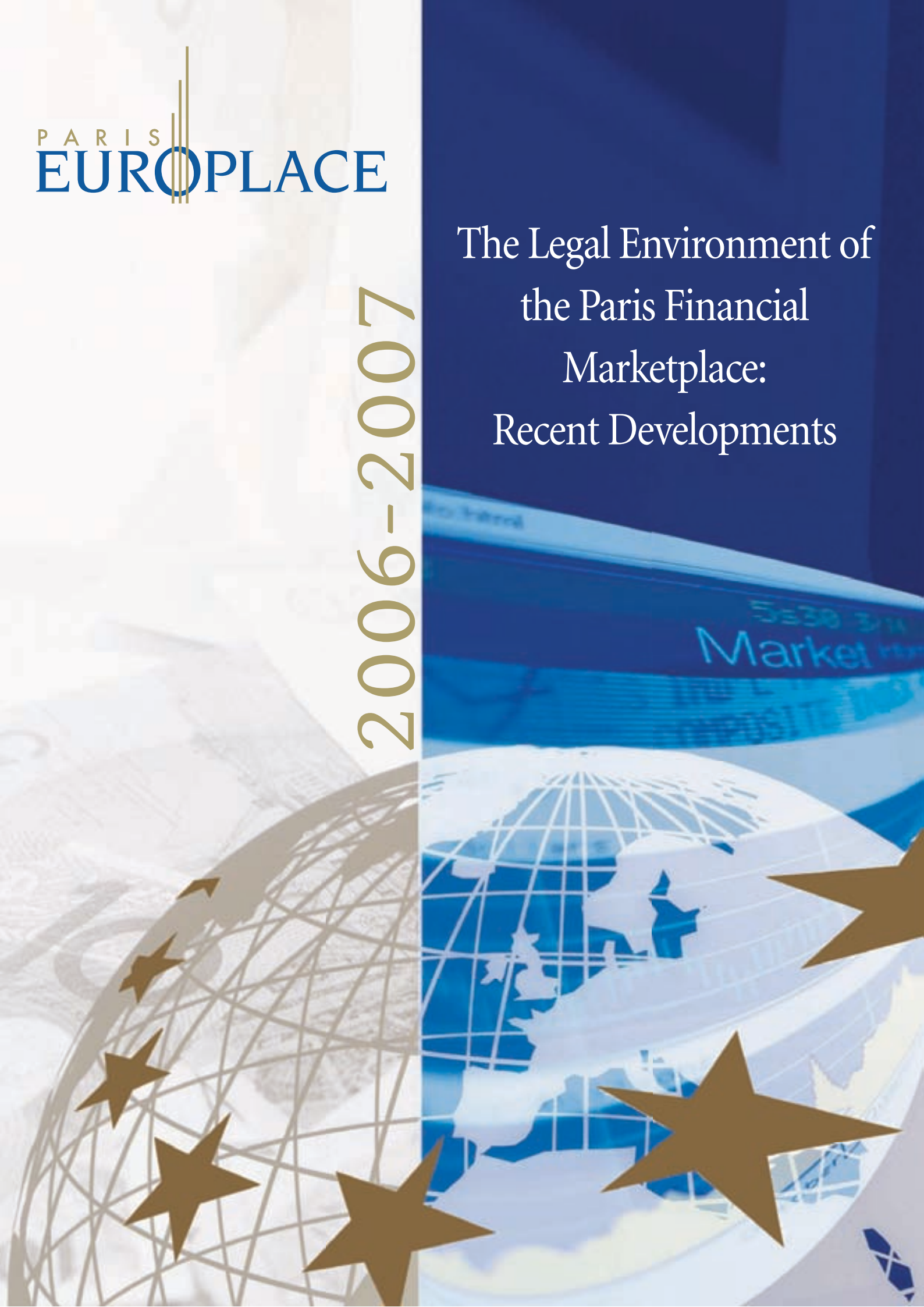

TABLE OF CONTENTS

PREFACE (p.3)

ACKNOWLEDGEMENTS (p.4)

INTRODUCTION (p.5)

1. Capital Markets, Corporate and Investment Banking (p.7)

   1.1. Capital Markets Access (p.7)

      1.1.1. A Large Diversity of Financial Instruments (p.7)
      1.1.2. The Law on Public Trading of Securities and IPO's - French POS Law (p.8)
      1.1.3. Takeover Bids: New Rules Adapted to Market Needs (p.9)
      1.1.4. The French Bond Market (p.11)
      1.1.5. The Short-Term Commercial Paper Market under French Law (p.14)

   1.2. Bank Financing (p.15)

      1.2.1. Bank Loans (p.15)
      1.2.2. The Reform of French Law on Security Interest (p.16)
      1.2.3. Securitization: the Potential Offered by the New Regulations (p.18)
      1.2.4. The Introduction of a Financiary Mecanism into French Law in 2007 (p.20)

   1.3. Public Asset Investment: New Framework for Public Private Partnerships (p.22)

   1.4. Derivative Products (p.24)

      1.4.1. Documentation: Master Agreements (p.24)
      1.4.2. A Legal Framework Favourable to Taking Security (p.25)

   1.5. Cash Management: Paris, a Competitive Centre for International Cash Pooling (p.26)

2. The Asset Management and Investment Industry (p.27)

   2.1. Alternative Investing (p.27)

      2.1.1. Mutual Funds with Flexible Investment Rules (ARIAs) (p.27)
      2.1.2. Contractual Funds (p.27)
      2.1.3. Interest of these Funds (p.27)

   2.2. SRI: Socially Responsible Investing (p.28)

   2.3. Real Estate Investment Vehicles (p.28)

   2.4. Real Estate Mutual Funds (OPCIs) (p.29)

3. Market Organizations and Systems (p.33)

   3.1. Market Regulators and Market Operators (p.33)

      3.1.1. The Financial Authorities and Regulatory Bodies (p.33)
      3.1.2. Professional Codes of Ethics (p.37)
      3.1.3. Paris, a Center for Arbitration (p.38)
      3.1.4. Exchanges (p.38)
      3.1.5. New Regulations Issued by the Financial Markets Authority (AMF)(p.41)

   3.2. Dematerialization and Post-Market Operations (p.45)

      3.2.1. Dematerialization (p.45)
      3.2.2. Post-Market Operations (p.46)
      3.2.3. Dematerialized EMTNs under French Law (p.47)

3.3. Compliance with International Accounting Standards (IFRS) (p.47)

3.4. The French Corporate Insolvency Law of July 26, 2005: Judicial Proceedings and Rights of Creditors (p.48)

4. A Brief Overview of French Legislation on Working Hours (p.49)

4.1. Legal Working Hours in France (p.49)

4.2. Overtime (p.49)

4.2.1. Annualization of Working Hours (p.51)
4.2.2. Conventions by the Job (p.51)

4.3. Management Executives (p.52)

4.4 Suppression of the Delalande contribution (in French: contribution Delalande) (p.52)

5. The Status of «Foreign Expatriates» (Impatriates) in French Law (p53)

5.1. Recap of Allowances likely to be involved (p.53)

5.1.1. Allowance and Reimbursement of «Professionnal Expenses» (p.53)
5.1.2. Differential Housing Allowance and of Tax-Equalization (p.54)
5.1.3. Other Allowances (p.54)

5.2. Compared Fiscal Regime (p.54)

6. Setting up in Paris (p.55)

6.1. Establisment Procedure for a Foreign Company (p.55)

6.1.1. A Representative Office (p.55)
6.1.2. Branch (p.56)
6.1.3. Subsidiary (p.56)

6.2. Establisment Procedure for a Bank (p.56)

6.2.1. The Relevant Activities (p.56)
6.2.2. Operating Conditions for Banking Activities (p.57)
6.2.3. Operating Conditions for Related Activities (p.58)

6.3 Establisment Procedure for an Investment Company (p.58)

6.3.1. The Relevant Activities (p.58)
6.3.2. Operating Conditions for Investment Services (p.59)
6.3.3. Operating Conditions for Related Services (p.59)
6.3.4. Operating Conditions for Assimilated Services and other Regulated Services (p.60)

6.4. Establisment Procedure for an Insurance Company (p.60)

6.4.1. The Relevant Activities (p.60)
6.4.2. Operating Conditions (p.60)

6.5. Establisment Procedure for Fund (p.61)

6.5.1. Management of Mutual Debt Fund (FCC) (p.61)
6.5.2. Custodians of FCCs (p.61)

6.6. Establisment Procedure for a Portfolio Management Company (p.61)

7. Civil Law Foundation: an Answer to Corporate Legal Needs (p.65)

Paris EUROPLACE Presentation (p.66)

ENGLISH GLOSSARY OF ACRONYMS (p.67)

Preface

In support of its activity of promoting Paris as a financial centre, Paris EUROPLACE set up a working group concerning the role and place of financial law in the operation of the Paris financial markets. This Committee, which includes leading experts in financial law of the Paris financial markets, currently includes three Working Groups:

- the working group on dematerialization, which aims to clarify the legal rules applicable to financial instruments and securities;

- the working group on security interests, whose work largely contributed to the modernization of the legal framework applicable to security interests;

- the securitization working group, created following the introduction of this financial technique into French law, which aims at broadening the scope of securitization.

The document, that we have the pleasure of releasing today, is the fruit of the efforts of a working group within the Paris EUROPLACE Financial Law Committee.

The implementation into French law of the principal European directives arising from the Financial Services Action Plan (FSAP) has been marked by many changes to legislation and regulations last few years.

The Paris EUROPLACE Financial Law Committee played an important part in the development and implementation of the principal legislative and regulatory provisions which were recently adopted.

In this respect, the Law of July 20, 2005 concerning the implementation of EU law in the field of financial markets, the Law of July 26, 2005 for the promotion of confidence in and modernization of the economy, the Law of August 2, 2005 in favour of small and medium-sized companies, the Law of March 31, 2006 concerning rules applicable to public offerings, have all contributed to enhance the status of Paris as a major financial centre.

The future implementation of the Markets in Financial Instruments Directive (MIFID), which will bring significant changes to market infrastructures and back offices, as well as to the marketing of future investment products, will also involve intensive work on the part of the Paris EUROPLACE Financial Law Committee.

As the reflection of the increasing importance of the international and European dimensions of its activities, the Committee is regularly consulted by the European authorities and endeavours to promote effective co-operation between regulators and market participants of the European financial markets.

The quality of its legal system is one of the elements which makes a country an attractive business and financial centre. It has a significant influence on decisions by market participants on where they will locate.

In this context, the document prepared by the Paris EUROPLACE Financial Law Committee, which is aimed at both specialists and non-specialists, should help to demonstrate that the Paris financial market operates in a modern, secure and competitive legal environment appropriate to a major international centre.

Pierre BEZARD
Chairman of the Paris EUROPLACE Financial Law Committee.

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Introduction

Paris is currently one of the best business hubs for accessing Eurozone financial markets. Its attractions are evident from the significant numbers of international investors, who now hold over 40% of total capitalization on the Paris Stock Exchange and 62% of all French Government debt.

This is mainly due to the fact that Paris offers a legal environment which is favourable to international investors: it is transparent and reliable.

The existence of a secure legal and tax system is one of the key factors in any country's growth and influence. Since French law has a long tradition of written codes, the legal rules governing financial transactions are set out clearly, which facilitates trading activity.

Nearly 70% of the world's population today lives under a system of civil law (South America, Asia, Continental Europe); this means French law can more readily be exported.

Moreover, the Paris financial markets operate in a legal environment which fully meets international and European standards, and is organized with investor protection in mind.

French law has often drawn inspiration from other legal systems in order to make it more accessible, while still retaining its special features.

Several major legislative initiatives were taken, including the adoption of Law n°2003-706 of August 2003, known as the "Financial Markets Security Act", which prescribes fuller information for investors and greater responsibilities for directors and managers in drawing up financial statements.

Today, some 70% of all legislation passed in France is directly implemented from European directives. In 2005 and 2006, for instance, were implemented the Prospectus Directive which defines public offers of securities (POS) and introduces new rules for the prospectus which must be published when securities are issued, the Collateral Directive on financial guarantee contracts, the Market Abuse Directive to tackle market defects, the Takeovers Directive...

French financial law is innovative. For instance, with a view to simplifying and rationalizing the law on financial markets regulation, the Financial Markets Security Act of August 1, 2003[1] set up a unique regulatory body, the Financial Markets Authority (Autorité des Marchés Financiers - AMF), merging the former COB - Commission des Opérations de Bourse- and CMF - Conseil des Marchés Financiers. The role of the Financial Markets Authority, which benefits from wide investigative power, is to provide investor protection and ensure orderly transactions in financial markets.

Lastly, securitization is one of the techniques that have very thoroughly and rapidly developped in order to meet market requirements.

France therefore possesses a modern, efficient legislative and regulatory framework which is now codified in the Monetary and Financial Code[2] and which this document aims to present.

Paris EUROPLACE welcomes the recently created Civil Law Initiative Foundation bringing together law practitioners, businesses, the academic world and the public authorities with a view to promote civil law on the international scene. It aims to strengthen the competitiveness of civil law systems through practical partnerships with sister institutions in other countries which belong to the same legal tradition.

[1] The Financial Markets Security Act: one year after; Senate Finance Committee Report N° 431, Philippe MARINI, presented July 27, 2004.
[2] The Monetary and Financial Code 2006, with notes by A. PEZARD, Editions LITEC; the Monetary and Financial Code (without notes) is also available on the LEGIFRANCE website in French, English and Spanish.

1. Capital Markets, Corporate and Investment Banking

1.1 Capital Markets Access.

1.1.1. A Large Diversity of Financial Instruments.

While French company law originally set rather narrow limits to the diversity of permitted financial instruments, legislation has since 1985 been moving steadily towards greater freedom to create securities, as Order n°2004-604 of June 24, 2004 clearly illustrates. This new measure radically liberalizes and simplifies the law concerning financial instruments.

1) Greater freedom.

a) The changes made by Order N° 2004-604 of June 24, 2004.

Order n°2004-604 of June 24, 2004 has brought significant changes. It gives freedom to issuers to create "securities in any form".

It introduces into French law the concept of "preference shares", a powerful method of diversifying financial instruments. The "preference" involved may concern financial or non-financial rights attached to the share. This means it is simple to create shares with enhanced or preferential dividends or with cumulative, progressive or regressive dividends. Nevertheless, the grant of double voting rights remains subject to strict regulation, out of concern for the protection of shareholders.

This measure further establishes opportunities for issuers of securities to issue all kinds of composite instruments, the only restriction being that equity instruments may not be convertible into debt instruments. The most varied combinations have already been created by legal and market practice: ABSAs (shares with share warrants), OCEANEs (bonds convertible into and/or exchangeable for new or existing shares), and ORCIs (bonds repayable in investment certificates).

b) Greater diversity in mutual fund categories (UCITS - OPCVM).

At the same time, French legislation has refined the categories of mutual funds so that investors' expectations can be more specifically catered for. This has produced – for those investors who qualify – the mutual fund with flexible investment rules (ARIA), as well as contractual mutual funds.

c) The multiplication of Negotiable Debt Instruments.

The growth of the Negotiable Debt Instruments (TCNs) market has been impressive, and their development has made Paris a leading market for commercial paper. This category of financial instrument, created in 1985, is designed primarily for financial market professionals: it includes certificates of deposit, commercial paper, and negotiable medium term notes (BMTNs). The "Banque de France" monitors TCN issuers' compliance with the conditions of issue prescribed by the Monetary and Financial Code [3].

d) Sophisticated derivatives.

Derivatives have now come of age with the creation of ever more sophisticated instruments like exotic options on credit risks, digital credit options, barrier or double barrier options, and so on.

2) Making things simpler.

French legislation has simplified the law on financial instruments by eliminating many special regimes and placing the principal legal categories under a standard legal regime.

As a result, special arrangements for investment certificates, voting rights certificates, non-voting preferred shares, bonds convertible into shares, bonds exchangeable for shares, bonds with share warrants, and so on, have disappeared as specific categories of instruments. These various instruments and their manifold variations are

[3] Commercial Paper (billets de trésorerie) must have a fixed due date, an initial duration of at least one day, and a unit denomination of at least €150,000, or the equivalent. Their initial duration must not exceed one year. BMTNs must have a fixed due date, an initial duration of more than one year and a unit denomination at least equal to €150, 000 or the equivalent. Certificates of deposit must have a fixed due date, an initial duration of at least one day and a unit denomination at least equal to €150, 000 or the equivalent. Their initial duration must not exceed one year.

now grouped into two major categories: preference shares, and securities giving access to equity capital. This has made French law more readily understandable, as well as more secure.

1.1.2. The Law on Public Trading of Securities and IPO's – French POS Law.

Law n°2005-845 of July 26, 2005 implementing EU Directive n°2003/71/EC of November 4, 2003 amends the definition of a Public Offer of Securities (POS), introducing a new regime for the prospectus.

1) Change in the field of application of public offers of securities: a defined set of situations is now exempt from the normal POS rules (restricted group of investors and qualified investors).

Certain categories of offers are now excluded from the application of POS rules.

a) Offers addressed to fewer than 100 persons.

Until now, French law[4] defined a "restricted group" of investors as one composed of people connected with the management of the issuer by personal relationships - professional or family ones.

French law now no longer requires the existence of personal (professional or family) links. Any placement offer addressed to fewer than 100 persons (acting on their own behalf) will be regarded as falling outside the definition of a public offer of securities (POS).

With this shift from a qualitative criterion that is necessarily subjective to a quantitative and purely objective one, French law has opted for greater transparency and security, which is very much to the investor's benefit.

b) Offers addressed to qualified investors only.

Such investors were defined by law as "corporations with the required capabilities and resources for assessing the risks involved in transactions concerning financial instruments".

The list of qualifying criteria was laid down in Decree n° 98-880 of October 1, 1998[5], now amended by Decree n° 2006-557 of May 16, 2006[6]. Until now, only the following were regarded as qualified investors:

- automatically: mutual funds and, when acting on their own behalf, banks, financial companies, investment firms, insurance and reinsurance companies and pensions institutions governed by the Social Security Code (but not pension funds, nor personal asset managers), and so on.

- optionally by declaration: when acting on their own behalf, mainly commercial companies with assets of over €150m. Such declarations were very rare in practice.

Decree n° 2006-557 of May 16, 2006[7] now provides a list of qualified investors.

The new law has extended this status to those providing collective or personal portfolio management services.

Moreover, all commercial companies that exceed at least two of the following three thresholds are now regarded as qualified investors:

- staff of 250 or more;
- assets over €43m; and/or
- a net annual turnover exceeding €50m.

Certain individuals will also be able to opt for the status of qualified investor.

This extension of the status of qualified investor, and the broadening of the concept of a "restricted group" should make it easier to find investors and place shares privately.

c) The creation of new criteria for exclusion from the definition of a POS.

From now on, certain operations are regarded as falling outside the definition of a public offer of securities (POS), because of their size. This applies when:

- the total amount of the offer, over 12 months, is under €100, 000;

- the total amount of the offer (over 12 months) is between €100,000 and €250,000, and the offer concerns less than 50% of the issuing company's capital;

[4] Monetary and Financial Code Article L. 411-2.
[5] JO N° 228 of October 2, 1998.
[6] JO N° 115 of May 18, 2006.
[7] Decree N° 2006-557 has now been codified as Articles D.411-1 to D.411-4 of the Monetary and Financial Code.

- the offer is addressed to investors prepared to buy no less than €50,000 worth of the financial instruments in question per investor per individual transaction; or

- the offer concerns financial instruments of at least €50,000 nominal value.

2) New rules for the prospectus.

a) The "European passport" principle.

An issuer with a European passport can raise capital anywhere in the European Union (EU) on the basis of a single prospectus. This means that, once a prospectus has been approved by the appropriate authority of any member state, it will be valid in France without having to obtain the additional approval of the French Financial Markets Authority. On the other hand, an issuer whose prospectus has been approved by the French Financial Markets Authority can conduct a public offer of securities anywhere in the European Union without having to apply to other national authorities for approval.

The only formality required (subject to language constraints) for using the passport is that the appropriate national authority that first approved the prospectus needs to notify the French Financial Markets Authority, certify its approval and send it one copy of the prospectus.

(i) The Financial Markets Authority's jurisdiction for approving a prospectus.

In line with the "Prospectus" directive, the Financial Markets Authority is automatically competent to approve a prospectus for a public offer of securities involving:

- equity securities, or instruments giving access to the issuer's share capital or that of a company in the same group, or credit instruments of less than €1,000 nominal value, where the issuing company has its registered office in France or where the issuing company is incorporated outside the European Economic Area (EEA) and the first offer or listing (after December 31, 2003) was in France; and

- instruments giving access to the share capital of a company not belonging to the same group as the issuing company, or debt instruments of a nominal value above €1,000, where the issuer has its registered office in France or the operation is conducted in France.

(ii) Language rules for the prospectus.

The prospectus must be in French if the offer concerns equity, securities or instruments giving access to the share capital of a company in the issuer's group and the offer takes place in France.

The prospectus may be in French or English (at the issuer's discretion) if the offer concerns financial instruments listed under Paragraph II of Article L 621-8 of the Monetary and Financial Code. If the issuer choses English, then only a summary of the operation needs being translated into French.

The same applies in the case of a simple stock market listing. On the other hand, when the Financial Markets Authority has jurisdiction but the offer or listing is intended for one or more member states other than France, no such translated summary is required.

(iii) Cases where a prospectus is not required.

Even when the transaction comes under the definition of a public offer of securities (POS), the Financial Markets Authority's General Rules provide some exemptions from the obligation to draw up a prospectus: these include complementary scrip issues to shareholders, dividends paid in the form of shares, financial instruments issued to directors or employees, and so on.

1.1.3. Takeover Bids: New Rules Adapted to Market Needs.

French law on takeover bids is amongst the most complete and detailed of its kind in Europe, comprising:

- legislation, codified in Book 4 of the Monetary and Financial Code, adapted to the needs of the market[8] and now supplemented by the law n°2006-387 of March 31, 2006, which came into force on April 1;

- the rules and general principles laid down by the Financial Markets Authority and issued in the form of its General Regulation; and

- effective supervisory arrangements: decisions and sanctions imposed by the Financial Markets Authority may be appealed to Chamber One (Section H) of the Paris Court of Appeal, and thereafter to the Council of State.

[8] Monetary and Financial Code Articles L 433-1 to L 433-4.

Law n° 2006-387 of March 31, 2006 gives legal force to all rules promulgated by the Financial Markets Authority. Above all, it strengthens the means of defence against hostile takeover bids by allowing target companies to issue share warrants (BSAs).

Furthermore, the new law amended the Commercial Code and the Monetary and Financial Code to accommodate the Takeover Directive (2004/25/EC of April 21, 2004). However, it left the task of transposing the Directive's regulatory aspects to be dealt within the Financial Markets Authority's General Regulation.

1) Redefining the Financial Markets Authority's jurisdiction and powers concerning takeover bids.

The Financial Markets Authority plays a central part in the supervision and regulation of the takeover bid process.

a) Changes in the scope of the Financial Markets Authority's jurisdiction concerning rules for the admissibility and conduct of takeover bids. [9]

The Financial Markets Authority now has jurisdiction in the following cases:

- when the target company is incorporated in France and its securities are listed on a French regulated market;

- when the target company is incorporated in another EU member state and its securities are only listed on the French market;

- in the case of a target company listed on more than one exchange, but historically first listed in France;

Issues concerning the information to be provided to the staff of the target company and issues of company law are settled in accordance with the legislation of the member state where the target company has its head office (country of origin rules).

On the other hand, matters concerning the cash or other consideration offered in a bid, and issues involved in the bid procedure, are dealt with in accordance with the legislation of the appropriate authority designated as supervisor for the offer in question: this designation is done according to the rules of the market, i.e. depending on where it is listed (except in the case of companies simultaneously listed on more than one exchange).

b) Definition of the Financial Markets Authority's powers [10].

The new law:

- enshrines in the Monetary and Financial Code, the Financial Markets Authority's power to grant a derogation from the obligation to give official notice of a takeover bid; and

- sets out the rules for pricing a compulsory bid.

2) The definition of "concert party" in takeover bid situations [11].

The following are regarded as acting together:

- persons who have made an agreement with the originator of a takeover bid aimed at getting control of the target company;

- persons who have made an agreement with the target company to frustrate such a bid.

3) Changes in the rules for squeeze-outs following a takeover bid [12].

A squeeze-out may now be demanded by majority shareholders holding more than 95% of the share capital or voting rights, at any time within three months of the closing date of a takeover bid.

Moreover, in order to streamline the ordinary procedure, squeeze-outs following a takeover bid will not have to be preceded by a public buy-out offer. Revised compensation terms are also established in the new law.

4) Fuller information for shareholders and staff.

The new law specifies the information which must be made public in the annual report and accounts of companies listed on a regulated market and therefore susceptible to takeover bids. In particular, this concerns details of the company's capital structure, restrictions on the exercise of voting rights and on share transfers, shareholder pacts and the powers of directors and senior management in connection with the issuing or redemption of securities [13].

[9] Monetary and Financial Code Article L 433-1.
[10] Monetary and Financial Code Article L 433-3.
[11] Monetary and Financial Code Article L 233-10-1.
[12] Monetary and Financial Code Article L 433-4.
[13] Commercial Code, New Article L 225-100-3.

Finally, it will now be necessary to provide information not only to the employees of the target firm, but also to the staff of the firm making the bid[14].

5) Ensuring equal treatment for companies.

The following measures ensure equality of treatment among companies:

- prior approval or confirmation by the General Meeting of shareholders, during the period of a takeover bid, of any frustrating action taken in defence[15]. The new arrangements now allow the target of a hostile takeover bid to take stronger defensive measures if the bidder is not subject to the same rules. Moreover, the target company's new opportunity to issue share warrants (in French: BSAs) in such situations strengthens its hand in negotiating with the bidder[16]. In redressing the balance of power between bid target and bidder in this way, the new legislative framework makes it easier for the two firms to reach takeover terms which are consistent with underlying business needs and objectives.

- introduction of a reciprocity clause[17];

The optional reciprocity principle is one of the key features of the new arrangements. Its aim is to provide a "level playing field" and protect target companies from a bidder or bidders which are not themselves subject to the same rules – for instance because they are not European companies.

- where a bid is successful, provision for voluntary suspension of restrictions contained in the articles of association or in shareholder pacts[18];

- provision for voluntary suspension of extraordinary rights for company directors or senior management in the event of a successful bid (golden parachutes)[19];

From now on, if a successful bidder holds more than a certain proportion of the capital or the voting rights at the target company's first general meeting following the bid, the "golden parachute" rights of the target company's management will be suspended.

The level set by the Financial Markets Authority will probably be somewhere between 50.01% and 66.66 %, i.e. between a simple majority and a two-thirds majority; the latter level is the same majority as required, for instance, for passing Extraordinary General Meeting (EGM) resolutions (subject to quorum requirements)[20].

- publication by the Financial Markets Authority of cases of voluntary suspension[21];

Where a company has voluntarily decided to set up automatic mechanisms for suspension during a bid period or following a successful bid, it must notify the Financial Markets Authority of such suspension which will publish its decision.

French legislation has demonstrated pragmatism in giving French firms a way of dealing on an equal footing with foreign legislation when it comes to hostile takeover bids. Thus the new arrangements under Law n° 2006-387 of March 31, 2006 provide better market regulation, while providing effective protection of the interests of businesses, shareholders and staff.

1.1.4 The French Bond Market.

1) "Conventional" bonds.

a) Definition.

Bonds are defined in Article L 213-5 of the Monetary and Financial Code as "negotiable instruments which, within a single issue, confer the same rights for the same par value". Bonds can be issued by:

- joint-stock companies, subject to the conditions provided for in Article L 228-39 of the Commercial Code;

- economic interest groups (in French: Groupement d'Intérêts Economiques - GIE) subject to the conditions provided for in Article L 251-7 of the Commercial Code;

- associations governed by the law of July 1, 1901 which have in fact been engaged, exclusively or otherwise, in an economic activity for at least two years.

[14] Labour Code Article L 432-1.
[15] Commercial Code Article L 233-32.
[16] Commercial Code Article L 233-32-II.
[17] Commercial Code Article L 233-33.
[18] Commercial Code Article L 233-38.
[19] Commercial Code Article L 233-39.
[20] Preliminary works to the Act n° 2006-387; Report N° 268 by M. Philippe MARINI presented in the name of the Senate Finance Committee (2005-2006).
[21] Monetary and Financial Code Article L 225-40.

b) Conditions of Issue.

(i) Conditions of issue: joint-stock companies.

Article L 228-40, Paragraph 1, of the Commercial Code, as amended by Order n°2004-604 of June 24, 2004, now expressly provides that: "the board of directors, the management board, may decide on or authorize the issue of bonds, unless the articles of association reserve this power to the general meeting or the latter decides to exercise it". It is therefore the governing bodies and not the general meeting, the senior management and not the shareholders, which decide on bond issues in joint-stock companies.

Nevertheless, the general meeting remains competent where the articles of association expressly reserve its power to issue bonds.

Lastly, the reduction of the general meeting's power to issue bonds is compensated for by an obligation on the board of directors to include in their annual report to shareholders an objective and exhaustive analysis of the evolution of the company's financial situation, including its debt position, by comparison with the turnover and complexity of its business[22].

Moreover, Article L 228-40 of the Commercial Code allows, and in Paragraphs 2 and 3 prescribes provisions for, the delegation of powers to issue bonds.

The law requires that, as in the case of an issue of shares, a notice must be placed in the Bulletin of Legal and Official Notices (in French: Bulletin des Annonces Légales Officielles - BALO) before any other form of advertisement appears; and that a prospectus must be drawn up and submitted to the Financial Markets Authority for approval if the firm wishes the bonds to be listed.

When assessing a prospectus submitted for the listing of bonds on a regulated market, the Financial Markets Authority may have recourse to a rating agency[23].

European directive n° 2003/125/EC of December 22, 2003 recommends that rating agencies should be organized in such a way as "to ensure that credit ratings published by them are fairly presented and that they appropriately disclose any significant interests or conflicts of interest concerning the financial instruments or the issuers to which their credit ratings relate"[24].

The rating obtained enables the borrowing to be classified in terms of issuer risk and in terms of features specific to the securities offered to the market. Organized markets may also require such ratings to be obtained and mentioned on any document concerning the issue.

(ii) Conditions of Issue: Economic Interest Groups.

Economic interest groups may only issue bonds if they are exclusively composed of companies that themselves meet the conditions for issuing bonds under the provisions of Articles L 228-39 to L 228-90 of the Commercial Code, which authorize the issue of securities by certain associations.

(iii) Conditions of Issue: Associations governed by the Law of July 1, 1901 (not for Profit Entities).

For issuing bonds, associations which have in fact been commited, exclusively or otherwise, in an economic activity for at least two years must:

- be registered with the Trade and Companies Registry (in French: Registre du Commerce - RCS), under the terms and in accordance with the arrangements prescribed by decree; and

- specify in their articles of association the arrangements for designating persons who are to have authority to manage and represent them and to enter into commitments with third parties on their behalf, as well as for establishing a collegiate body with the duty of supervising the actions of such persons.

Upon each bond issue, the association must give the subscribers notice of the terms of the issue, together with an information document. That document must, among other things, describe the organization, the association's net worth at the close of its latest financial year, its cashflow situation and recent developments in the association's activities. The details which must be given in these documents are prescribed by decree, and all quantitative information must be approved by an auditor chosen from the list provided for in Article L 225-219-I of the Commercial Code[25].

Associations covered by Article L 213-8 of the Monetary and Financial Code may issue bonds by means of a public offer of securities. They will then be subject to supervision by the Financial Markets Authority.

[22] Commercial Code Article L 225-100 paragraph 3.
[23] Article 212-35, I of the Financial Markets Authority's General Regulation.
[24] Preamble of European Directive N° 2003/125/EC of December 22, 2003, Para. 10.
[25] Monetary and Financial Code Article L 213-11.

c) Bondholders' rights.

The law gives bondholders the following rights:

- to take part in the corporate life of the issuing entity,

- to attend the issuing company's general meetings of shareholders,

- to receive all documents provided to shareholders, and under the same arrangements[26],

- to be consulted by the company's senior management whenever the company intends to carry out certain operations liable to affect their rights, such as:

• changes to the form or corporate objects of the company[27];

• merger or spin-off operations[28];

• any issue of new bonds carrying preferential rights by comparison with the generality of existing bonds[29].

2) Participating Securities.

Participating securities are open-ended debt instruments introduced by the Law n°83-1 of January 3, 1983. Their legal regime, which has been codified in Article 228-36 of Commercial Code, has not been modified by the Order of June 24, 2004.

According to Law n° 83-1 of January 3, 1983, only a few categories of corporate entities may issue participating securities: joint-stock companies belonging to the public sector and cooperative associations established in the form of public limited companies or limited liability companies, mutual saving banks, agricultural marketing cooperatives and unions of such cooperatives since the laws of July 11 & 12, 1985, insurance companies and unions of such company, mutual agricultural insurance and reinsurance funds subject to administrative authorization may issue participating securities.

The issuing legal entity looking to issue non-voting shares must first:

- prepare a prospectus, which has to be approved by the Financial Markets Authority;

- distribute the prospectus to the public;

- publish a notice in the Bulletin of Legal and Official Notices (BALO), stipulating the face value of the certificates to be issued, the rate and method for calculating interest, the period and terms for redemption, the guarantees given, the non-amortized amount of participating securities previously issued and the guarantees granted in respect of such shares.

3) Subordinated notes.

Subordinated notes are characterized by the presence of a so-called subordination clause.

Article L 228-97 of the Commercial Code defines subordination as a method of creating securities which represent claims against the issuing company whose status in respect of the terms for their redemption and, as the case may be, even the payment of interest thereon, is subject to the prior repayment of the issuer's other creditors.

Prior to the entry into force of the Law of August 1, 2003, known as the "Financial Security Law", subordinated notes could not be redeemed after participating loans and participating securities. This limitation has since disappeared, and there are no constraints with respect to the order of redemption of such securities.

The Law of August 1, 2003 has amended Article L 228-97 of the Commercial Code to allow for the creation of subordinated notes redeemable after full payment of loan creditors or participating security holders. In practice, these notes are called "super-subordinated".

Furthermore, the Financial Security Law has authorized the issue documentation to make provision for the possibility of converting subordinated notes into equity securities. These securities have been designed to improve the solvency ratio of companies, especially banks, by increasing the equity capital ratio, by reclassifying debt.

4) Perpetual Subordinated Notes (in French: Titres Subordonnés à Durée Indéterminée - TSDI).

TSDI or Perpetual Subordinated Notes are debt securities which continue to pay interest as long as the issuer remains solvent. Those notes can be redeemed upon winding up of the company, after

[26] Commercial Code Article L 228-55.
[27] Commercial Code Article L 228-65, I, 3.
[28] Commercial Code Article L 228-65, I, 3.
[29] Commercial Code Article L 228-65, 1, 4.

paying off all other creditors. The payment of interests is subordinated to the existence of distributable profits and the vote of the general sharehorders'meeting deciding on profit distribution.

Noteholders are in the same situation as shareholders from the point of view of the remuneration of their capital.

Rating agencies and financial analysts consider TSDI or Perpetual Subordinated Debt as equity capital by way of assimilation, TSDI being generally accounted for a quasi-equity because of their subordinated nature and interest deferral provision.

5) Redeemable Subordinated Notes (in French: Titres Subordonnés Remboursables- TSR)

Redeemable subordinated notes (TSR) are notes for which no interest subordination clause is specified and whose maturity is 10 years.

However, the issue documentation may stipulate a subordination clause for the principal and participation in losses, which is a common feature with equity instruments.

1.1.5 The Short-Term Commercial Paper Market under French Law.

1) A mature market.

With outstanding debt of nearly 420 billion euros by the end of May 2007, the market for short-term commercial paper under French law is the world's third largest market after the US commercial paper market (1500 billion dollars) and the Euro commercial paper market (ECP) (600 billion euros).

In terms of outstanding short-term commercial paper denominated in euros, the French market is in first place, with 50% of outstanding ECPs issued in euros and the Spanish, Belgian and German markets each reach around 20 billion euros[30].

The significance of the market for investors can mainly be attributed to:

- the market's absorption capacity for large sizes denominated in euros;

- the wide range of issuers: close to 400 active issuers are listed, 75% of which are credit institutions;

- the market's security and transparency;

- the existence of an effective settlement-delivery system permitting same-day issuing and processing up to 3 pm.

2) A safe, transparent market.

Several players act at different levels to guarantee the conditions for the smooth running of the market.

The "Banque de France" is responsible by law for ensuring that issuers comply with the stipulated terms of the issue. In this respect, it may suspend an issuer or prohibit it from issuing in the event of a violation of the statutory provisions.

In 2005, the Governor of the "Banque de France" specified the terms according to which the "Banque de France" was to perform its mission in the market for negotiable debt securities under French Law and, in particular, the sanctions procedure which provides for the publication on "the Banque de France" website of any decisions to suspend or ban an issue.

A financial presentation – comprising information on the programme for short-term commercial paper and the issuer's legal and financial situation – is drafted by the issuer and then updated at least once a year. Investors consequently have access to regularly revised information, by which the issuer is bound. The issuer must send its financial presentation to any party which requests it.

In order to increase the level of transparency in the market, the "Banque de France" has put the financial presentations of active issuers on its website since April 2005.

In addition, it regularly publishes statistics on the outstanding amounts and issues for all issuers.

The activity of negotiable debt securities is regulated and controlled by the "Banque de France".

[30] Source: Banque de France.

3) The attraction of short-term commercial paper for non-residents.

Ever since legislation (1998) allowed non-residents to issue negotiable debt securities under French law in accordance with the same conditions as residents, non-residents have formed a considerable proportion of the new issuers, especially over the past few quarters.

As a result, nearly a third of commercial paper and 10% of certificates of deposit are issued by non-residents.

This policy aimed at opening the market to non-residents is consequently reflected in the possibility offered to all issuers since 2004 of drafting their financial presentations in a language commonly used in financial circles other than in French (accompanied by a summary in French).

4) Priviledged access to French investors.

The UCITS Directive implemented by the decree of November 2003 provides that UCITS (OPCVM) under French law may invest 100% of their funds in securities issued on regulated markets or similar markets. Negotiable debt securities issued on the basis of French law meet the conditions stipulated by the decree for classification in the same category as assets admitted for negotiation on a regulated market.

French UCITS lead the way in the European market with an amount of 1.400 billion assets under management and more than 8,000 funds managed. Issuers of short-term commercial paper under French law therefore have access to a wide investor base.

1.2 Bank Financing.

The Paris market is working on making the legal framework for financing ever more flexible and competitive. This is the case for bank loans, where French Law is particularly well suited to the financial sector. This is also the case for security interests, where the legal system has recently been modernized. Finally, the new regulations governing securitization are modernizing its legal framework and increasing its security and flexibility.

1.2.1 Bank Loans.

The market for syndicated loans has undergone significant development in terms of both the companies and the market.

In the light of falling rates and the risks associated with financing by issuing securities, resorting to syndicated loans has become inescapable in France. Within 10 years, the amount of French borrowing increased by a factor of 15 to reach 90 billion euros in 2002, which represented approximately 5% of the world market [31].

Although the European market takes a growing share, with 33% of the volume of worldwide transactions, France in 2003, with 18% of the volume in the first half of the year, was Europe's second largest market behind the United Kingdom [32].

A study by the French Association of Corporate Treasurers (AFTE) reached the conclusion that 81% of French companies apply French Law for their financial operations, consequently emphasizing its appeal for this type of transaction. The codified nature of French law, the limited role of the courts, which are bound to apply the law and are not bound by any precedents [33], and the comprehensive, predictable characteristic of French law are particularly suited to the financial sector.

The relevance of French law is also highlighted by the possibility of chosing French law as the governing law in standard loan documents. For example, the Loan Market Association (LMA), created in December 1996 in London, proposed a version of its standard contract in 2002 adapted, though to a minimal extent, to French law.

The AFTE, in association with the «Cercle Gödel», presented a term sheet template for syndicated loan agreements at the beginning of 2006 [34]. This is the first time that associations representing companies have put forward an agreement template. This scheme accompanies a negotiation guide, explaining to future borrowers how best to tackle the negotiation phase and describing the concepts and issues in the clauses under examination. The term sheet is in English in order to simplify the distribution of the document on an international level, but the template is perfectly suited to French law, since it is based on best working practices in France.

The Paris market continues to work on making the legal framework for financing more flexible and competitive.

[31] The French Association of Company Treasurers: guide to negotiating syndicated loan agreements and other financing contracts», 2004, presentation by JL Rambaud and R. Eisenzimmer, Natexis Banque Populaire.
[32] As above, presentation by Valérie A'Mato, HSBC.
[33] Since 1789, «settlement decisions» are prohibited and judges may only refer to the law.
[34] Marc Favero and Louis de Longeaux: "The syndicated loan agreement: term sheet template" 2006, work published by the French Association of Company Treasurers.

1.2.2 The Reform of French Law on Security Interests.

Security interests are essential for the smooth running of the economy, since it is by offering creditors reliable repayment guarantees that debtors will have access to the financing required for both their personal needs and for developing their economic activity.

However, French law on security interests, to a great extent derived from the Civil Code of 1804 and supplemented by a few specific measures, was in need of overall reform aimed at providing consistent, modern and effective rules for the provision of security.

In July 2003, the French government set up a task force chaired by Professor Michel Grimaldi, entrusted with devising and drafting a reform bill aimed at unifying French law on security interests. The proposals put forward by the task force on March 28, 2005 partly inspired the reform implemented by Order n° 2006-346 of March 23, 2006.

1) Greater clarity given to the law on security interests.

The entire subject is contained within a single book of the French Civil Code, Book IV, subdivided into two titles.

The first, entitled "Personal collateral", contains the rules governing personal guarantees and suretyship (these rules are not amended) and sets out the rules for two personal sureties which have been established by practice, the independent guarantee indemnity and the letter of intent.

The second, entitled "security interests on assets", is concerned with to the granting of security over personal and real property.

2) Easier creation of security interests on personal property.

Parties are now allowed to create security interests with or without dispossession (previously, security without dispossession of the grantor was not possible under civil law) according to their wishes and their situation.

When the security is granted without dispossession, the property remains in the hands of the grantor and third parties are informed of the security by means of notice in a special register. Conversely, if the parties wish to preserve the anonymity of their transaction or they believe that notice is unnecessary, they may decide to hand the secured property over to the creditor or an agreed third party.

In either case, the security interest requires a written contract between the parties, and the security on fungible and future goods is specifically authorized.

A new provision of the Commercial Code regulates a company's pledge of its inventory without dispossession, which enables it to obtain funding while conserving the use of its inventory[35].

A pledge of inventory can only be granted in favour of credit institutions.

The security interest over inventory is evidenced in writing and must be recorded in a public register held at the Clerk's Office of the Commercial Court within whose jurisdiction the debtor resides or has its place of business.

3) Simplification in the enforcement of security interests.

The prohibition on the private enforcement clause (in French: Pacte Commissoire) has been abolished. During or after constituting the security interest, the parties may therefore make provision for the creditor to become the owner of the pledged or secured property should the debtor fail to repay the debt.

This greater flexibility offers the creditor a quick and easy way of enforcement and avoids the costs of a judicial sale.

However, to maintain the balance between opposing interests, two measures are stipulated in favour of the debtor.

First of all, should the parties fail to reach an agreement, the value of the collateral must be estimated on the day on which the property is transferred to the creditor, either by means of an expert valuation or by reference to its listed price of the collateral is listed on an organized market pursuant to the Monetary and Financial Code. If the value of the property exceeds the secured debt, the creditor must pay the debtor the difference.

The private enforcement clause continues to be prohibited in consumer credit transactions and commercial pledges of inventories in security for bank loans.

[35] Commercial Code, Articles L. 527-1 to L. 527-10.

Private enforcement clauses are also prohibited if the secured property represents the debtor's principal residence.

4) Preserving the right of retention where a security interest with dispossession is granted.

The right of retention allows the pledgee to oppose the sale or use of the secured property in the event of insolvency proceedings, until it obtains full payment of the guaranteed debt. However, the right of retention is not enforceable as against the holder of a security interest registered prior to the pledgee taking possession based on security with dispossession.

5) An amendment to the rules applicable to collateral in respect of a vehicle.

The pledge of vehicles is now subject to a single set of rules provided for in the Civil Code.

6) Simplification of the rules for granting security over receivables.

The pledge of a receivable must be entered into in writing, failing which it will be null and void, and it must identify the secured receivables. It may relate to future debts, provided that they can be individualised. If it relates to an account, it covers the provisional or final balance on the day of enforcement, subject to ongoing transactions at that time. Its enforceability as against third parties no longer requires notification by bailiff: the pledge is automatically enforceable as against third parties upon signature of the deed and its enforceability as against the receivable debtor is assured upon signature by any means or by it participating in the deed creating the security.

7) Modernization of mortgage law.

Mortgage costs have been reduced and the formalities for release and redemption of mortgages have been simplified. The development of mortgage financing requires a simplification of the rules on mortgages, which the Order has accomplished as follows:

a) Simplification of the release of mortgage registration the Notary.

Release can now be performed by a notarial deed certifying that the creditor has agreed, at the debtor's request, to the release of the mortgage. The parties concerned will no longer need to appear before the notary.

b) New ways of enforcing the mortgage.

In addition to the private enforcement clause, the Order acknowledges that the creditor has the right to ask the judge to award the pledged property to it, should the debtor be in default. As a result, the unpaid mortgagee is no longer obliged to carry out a seizure and judicial sale of the mortgaged property in order to enforce the security.

However, these new enforcement methods are not available if the mortgaged real estate represents the debtor's principal residence. Furthermore, the real estate must be valued by an expert.

c) Simplification of redemption of mortgages.

The mortgagee is entitled to seize the mortgaged property in the hands of any person in order to be paid. In the event of the sale of mortgaged real estate, the redemption procedure allows the third-party buyer to release the mortgage property acquired from the mortgage under certain conditions.

To enable the potential buyer to acquire a property that is already free from any mortgage, the Order provides for an amicable redemption procedure, by which the debtor transferring his/her property agrees with the creditors to allocate the proceeds of such transfer to repayment.

d) Creation of the top-up mortgage.

The top-up mortgage is one of the Order's main innovations. It allows debtors which have already created a mortgage to subsequently use the same mortgage to guarantee debts other than those stipulated in the initial deed. In particular, it enables the borrower to approach a bank other than the one initially granting the original loan. Furthermore, this mortgage allows subsequent creditors benefiting from a top up agreement to rank as of the date of the initial registration, as soon as they have published the agreement in the land registry.

Mortgages can only be topped up if such a provision has been stipulated by the debtor and the initial creditor in the initial mortgage deed and notified to third parties by inscription in the land registry.

8) Creation of the reverse mortgage.

The reverse mortgage enables a natural person owning property exclusively for residential purposes to obtain financing in the form of capital or an annuity in exchange for the mortgage of the property. The loan to which the mortgage relates is to be repaid upon the death of the borrower or the sale of the property. This product is inspired by the English model and its defining feature is that the debt may not exceed the value of the property as valued at the end of the term. The advantage is that it lets the borrower continue to live in the property throughout the term of the mortgage.

1.2.3 Securitization: the Potential Offered by the New Regulations [36].

In France, securitization comes within a specific legal framework since the Law n° 88-1201 of December 23, 1988, which drew inspiration from the US grantor trust model to create a specific securitization vehicle the so called FCC (in French:Fonds commun de Créances).

An FCC is a co-ownership that does not have a separate legal personality. It is established on the joint initiative of two entities: a management company specially approved for the purpose by the Financial Markets Authority and a credit institution playing the role of the custodian of the assets in the FCC.

Securitization was originally designed to satisfy the prudential constraints imposed on credit institutions and to meet deconsolidation objectives, and has become a financing instrument in its own right, to which business concerns also have access. The FCC was initially aimed at allowing banks to comply with the international solvency ratio (the Cooke ratio, which has become the McDonough ratio), and has been geared towards the market's requirements in successive stages.

The recent securitization reform in France, introduced by Law n°2003-706 of August 1, 2003, supplemented by Decree n° 2004-1255 of November 24, 2004 and then amended by Order n° 2005-429 of May 6, 2005 and Law n° 2005-842 of July 26, 2005 for the promotion of confidence in and modernization of the economy, offers the FCC a renewed legal framework, which is both more secure and flexible.

The General Regulation of the Financial Markets Authority, amended on September 1, 2005[37] defines the framework according to which management companies may operate, especially with respect to their organization, their resources and the conditions for delegating management and provides for specific provisions where the management company is managing derivative instruments to be entered into by an FCC or actively managing the assets of the FCC[38].

1) The FCC: a traditional vehicle for cash securitization.

a) Presentation of cash securitization.

In cash securitization, the originator obtains financing by transferring the legal ownership of one or more assets to an FCC and, if the conditions stipulated by the accounting regulations applicable to the entity are met, obtaining deconsolidation of the transfered assets. The FCC is entitled to specific exemption from the banking monopoly to acquire receivables that have not yet matured. To finance the acquisition of these assets, the FCC issues securities in the financial markets.

Given the current status of applicable rules, and as indicated by its name, the FCC can only acquire receivables. However, the list of "securitizable" assets is extremely wide-ranging: it covers all types of receivables (export debts, bank loans, consumer credits, and so on) governed by French or foreign law, be they current or future, immobilised, doubtful or contested, as well as debt securities (i.e. debentures), which means that the FCC can be used for so-called repackaging operations.

b) A simplified method of assignment of receivables [39].

The transfer of receivables to an FCC takes place, very simply, by the delivery by the originator to the FCC of a transfer deed identifying the assigned receivables. This type of receivables transfer is directly inspired by the legal rules which apply to the financing of commercial receivables by credit institutions, enacted through the so-called Dailly law.

[36] Monetary and Financial Code Articles L 214-43 to L 214-49.
[37] Decree of September 1, 2005, Official Journal of September 8,2005.
[38] Book 3, Title 3, Chapter 1, Section 1 of the AMF's General Regulation.
[39] Monetary and Financial Code Article L 214-43.

The transfer is enforceable as against third parties from the date indicated on the transfer deed, without the need for any other formalities.

For so long as the originator acts as servicer of the assigned receivables on behalf of the FCC, the assigned debtors do not need to be notified and the commercial relationship which the originator has with its clients remains unaltered.

Notwithstanding the commencement of bankruptcy proceedings involving the originator[40], the effects of the transfer remain effective after the bankruptcy opening judgement, except when the receivables arise from contracts of successive execution where the total amount is undetermined.

Finally, the conflict of laws rules are today very simple in the case of transfer by a French seller of receivables against debtors located outside France. The sole fact that the formalities provided by the FCC law were complied with is sufficient to render the transfer enforceable as against third parties, without it being necessary to fulfill the enforceability formalities required by each jurisdiction where the assigned debtors may be located (by applying the general French conflict of law rule designating the law of the domicile of the assigned debtor).

c) Fiscal Transparency and bankruptcy remoteness of the FCC.

Whilst not having a separate legal personality, the FCC is tax-transparent and thus exempt from company tax and from all indirect taxation, such as VAT (value added tax) on the fees paid to the management company, to the custodian or to the credit institution in charge of the servicing of the receivables. For the same reasons, an FCC cannot be subject to collective insolvency proceedings in France (ie, the FCC is «bankruptcy remote»).

2) The FCC: a new vehicle as synthetic securitization.

a) Presentation of synthetic securitization.

One of the principal advantages of the recent legal reform lies in the possibility offered to FCCs to act as synthetic securitisation vehicles. The FCC is a real alternative to an SPV (special purpose vehicle) established off-shore to carry out CDOs (collateralized debt obligations). When credit derivatives (such as credit default swaps or total return swaps) are created, synthetic securitization allows for the transfer to FCCs of only the risk related to the underlying receivables without transferring the receivables themselves, contrary to cash securitizations.

In practise, the objective pursued in a synthetic transaction is neither to obtain financing nor to deconsolidate, but to allow regulated entities, such as credit institutions, to release regulatory equity capital.

b) The conditions for use of credit derivatives by FCCs.

Nowadays, the FCC can use all types of derivatives for the purpose of hedging but also for exposure to a given risk. Nevertheless, the FCC can only make such contracts with a regulated entity (credit institution, investment company, insurance or reinsurance company established in the OECD or the European Economic Area (EEA) or a legal entity guaranteed by one of these entities) and within the framework of its "management strategy" defined in its constitutive documents.

The entering into derivatives contracts by the FCC must, in addition, be accompanied by the establishment of appropriate control procedures and cannot serve to create a "financial leverage" for the FCC, since the maximum net loss cannot exceed the value of the FCCs assets.

3) Promoting the dynamic management of securitized assets.

a) Presentation of the dynamic management of assets.

The new regulation also provides for three other bodies of rules, which aim at allowing and at better organizing the dynamic management of the receivables transferred to the FCC, along the lines of the dynamic management already familiar in the field of managed CDOs.

The new possibilities offered to the FCC to make contracts for the temporary transfer of securities, to transfer receivables which have not matured or been accelerated and to more easily invest its liquid assets, aim at enabling the FCC to renew its assets and to manage them with greater flexibility.

b) Conditions for the dynamic management of assets.

The FCC can make repurchase agreements or agreements for securities lending on conditions similar to those for derivatives. The

[40] Book VI of the Commercial Code.

eligible counterparties are limited to certain regulated entities and repurchase or securities lending transactions must not lead the FCC to deviate from its "management strategy" or allow it to create financial leverage for its advantage (transactions limited to 100 % of its assets).

The new legal regime also provides for a greater number of exceptions to the prohibition on transfers by the FCC of receivables that have not yet matured or been accelerated. So, it is now possible for an FCC to transfer receivables before their maturity, in particular in order to make payment of derivatives, or to take into account "a favourable or unfavourable evolution of the risks which the fund bears within the framework of the implementation of its management strategy".

Finally, an FCC has the possibility of investing its available cash in a broader spectrum of assets, particularly bonds listed on a market in the European Economic Area, negotiable debt instruments or shares of UCITS.

The legal rules applicable to FCCs provided for under Articles L 214-43 to L 214-49 of the Monetary and Financial Code are completed by the Financial Markets Authority's General Regulation [41].

4) The issue of debt securities by the FCC: increased refinancing potential.

Under the previous rules, the FCC could only finance itself through the issue of units representing a co-ownership right in the portfolio of receivables. Placing the FCC units, which are legally neither equity nor debt instruments, with certain investors, including US investors subject to "Rule 144A" and insurance companies in the European Economic Area (EEA), proved difficult because of their hybrid nature.

Now, the FCC has the possibility of issuing debt instruments, in addition to the required two 150 Euro units which must appear among its liabilities. These debt instruments, which include TCNs and bonds issued on the basis of French or foreign law, can be issued to contribute to the establishment of the FCC's assets or to repay or remunerate units, notes or borrowings of the FCCs.

5) Securing cashflows and servicing.

The previous legislation on FCCs already provided that security interests and ancillary rights relating to the transferred receivables were automatically transferred to the FCC, on the date indicated on the transfer deed, and without the need for any other formalities. One of the big innovations introduced by the last reform of the FCC is the introduction of the third-party beneficiary bank account, which is the equivalent to the Anglo-Saxon trust account or of the lock-up account.

This type of account, which distinguishes the nominal holder and the real holder (or third party beneficiary), aims at reducing the commingling risk, that is the risk of confusion of amounts collected under the receivables by the originator for its own account with the amounts which it collects for the FCCs, in its capacity as servicer. In fact, the creditors of the originator/servicer, even in case of insolvency or judicial liquidation of the latter, cannot pursue the payment of their claims from the sums held in the third party beneficiary bank account because these do not form part of the originator/servicer's estate.

2) Point 1.2.4: The Introduction of a Fiduciary Mechanism into French Law (pages 21 et 22)

Law N°2007-211 of 19 February, 2007 introduces fiduciary arrangements, (fiducie), into French Law. Following 20 years of unsuccessful attempts to legislate on a trust type mechanism, the new statute, which stems from the government's support for the bill presented in 2006 by Senator Marini and government amendments to that bill constitutes an important step towards a civil law regime competing with trusts.

Originating in Roman law, the fiduciary relationship has for many centuries been particularly popular in Anglo-Saxon law (in the form of the trust).

The trust is based on dividing ownership between "legal ownership" (held by the trustee) and a beneficial ownership (held by the beneficiary). The trustee in fact has the authority from the settlor to manage the assets placed in trust and to dispose of them freely, within the limits established by the trust contract.

The beneficiary alone is entitled to the profit and the use of the assets which have been placed in trust.

Until now French law had refused to introduce a fiduciary regime, as it conflicted with the traditional French legal concept

[41] Article 421-1 and following Articles of the General Regulation of the AMF.

of unity of patrimony, a protective principle for creditors. Furthermore, successive governments hesitated to allow a mechanism, which, they suspected, could be used as an instrument for tax evasion and money laundering. Although France signed the Hague Convention 1985 on the Law Applicable to Trusts and to their recognition, France made it known that it would not ratify the convention as long as the French legal system had not implemented an instrument equivalent to trusts, in order not to place French financial entities in a less favorable competitive position.

Nevertheless, a certain number of specific fiduciary regimes were created to mitigate the absence of a general fiduciary structure; academics call these regimes "innominate trusts". Examples include: leasing contracts, securities repurchase agreements and certain statutory securities savings plans (share savings plans and pension savings plans).

In the context of globalization and competition between legal systems, it has become increasingly necessary to introduce a general fiduciary regime to prevent the relocation of legal transactions and assets offshore to foreign countries whose legislation allows trust arrangements.

The new law defines fiducie as:

An operation by which one or more settlors transfer property, rights or security interests, or a group of properties, rights or security interests, present or future, to one or more fiduciaries who, maintaining them separately from their own patrimony, act for a specific purpose and for the benefit of one or several beneficiaries.

Fiducie involves a full transfer of title of the assets from the patrimony of the settlor to the fiduciary. However, the transfer of title is not absolute, as the assets may not be used by the fiduciary other than in accordance with the fiduciary contract. They furthermore constitute a separate patrimony of the fiduciary separate from the general patrimony of the fiduciary and may not be seized by personal creditors of the fiduciary.

Fiduciary arrangements will fulfill the traditional functions of trusts: management of assets, transmission of assets to a third party and provision of collateral. The new law also includes a specific regime for security agents in syndicated loan transactions.

The prerogatives conferred on the fiduciary can be freely stipulated in the agreement, provided however they do not infringe public order and mandatory rules. The fiduciary is personally liable in case of breach of its fiduciary obligations.

The statute prohibits the creation of a fiducie without consideration. Accordingly, any arrangement providing for a free transfer of assets is void. The text provides that this nullity is of public order, as the fiducie may not be used to circumvent the rules applicable to the gifts and successions.

When the fiducie is created in the context of providing a security interest, the settlor is normally the fiduciary's debtor; the assets entrusted to the fiduciary will return to the settlor if the latter pays its debt and will remain in the fiduciary's personal patrimony in case of default.

The Fiducie can only be created by entities which are liable to corporation tax. Following the government position, the French Parliament did not maintain the possibility included in Senator Marini's initial bill for private persons to resort to fiduciary arrangements, for example allowing the fiducie to serve as a mechanism for managing the assets of vulnerable individuals.

Only credit institutions, investment companies and insurance companies, i.e. institutions all subject to strict control rules, can exercise the fiduciary function.

The law aims to avoid the traditional objections to trusts: lack of transparency and abuse of trust status. The fiduciary agreement or any amendment thereto must, under pain of nullity, be made in writing and registered within one month with the tax authorities. The agreement must include the following obligatory references:

- the identification of the rights, assets or collateral transferred (if they are future, they must be determinable),
- the term of the agreement, which must not exceed 33 years from the date on which the agreement is made,
- the identity of the settlor and the fiduciary,
- the identity of the beneficiary or the rules allowing their identification,
- the mission of the fiduciary and the scope of its management and disposal powers.

Concerning taxes, the law forbids fiducie agreements for the purpose of donation. Not only are fiduciary arrangements entered into for such purpose are null and void, but furthermore, the transferred assets and their revenues are liable to transfer tax as at the transfer date, at a 60% rate. Furthermore, the law provides for a form of tax transparency, systematically disregarding the legal transfer of assets from the patrimony of the settlor to that of the fiduciary. The settlor is regarded as the owner of the assets under the fiduciary arrangement and is therefore liable for any taxes due (e.g. wealth tax (ISF) and stamp duties). Exceptions to the fiscal principle of transparency are limited to cases where taxes bear on an independent activity (e.g. business rates would be payable by the fiduciary). Also, the fiduciary is considered as a service provider and is liable for VAT and professional tax on its services.

Lastly, the law imposes strict obligations on fiduciaries to keep proper accounts in order to ensure a degree of traceability; it also imposes anti-money laundering obligations on newly opened accounts.

The introduction of fiducie into French law has important implications for financial transactions.

- It provides a simple and flexible legal framework for assignments by way of security. Assignments are generally considered as superior to liens as they avoid the effects of a stay and the priority rights of secured creditors in bankruptcy proceedings.

- The law which introduced the fiducie also facilitates the taking of security in syndicated loans: It provides that any security interest can be registered, managed and enforced on behalf of the creditors of the guaranteed obligation, by a person designated by them for such purpose, in the act providing for such obligation.

- The fiduciary arrangement might be used for defeasance, where a debtor surrenders a debt and an asset to an entity which will then provide debt servicing, for debt transfer whereby the fiduciary may be an appropriate vehicle to group debts transferred together and it may be also used as an effective and reliable way to organize debt payment mechanisms.

Where creditors suspect that a debtor is transferring assets to a fiducie for the purpose of sheltering them from his creditors, they can, under ordinary rules, exercise the so called "paulian action" which allows them to obtain the return to the debtor's patrimony of such assets, in order to avoid a fraudulent reduction in the patrimony of the debtor.

The creditors could take an action to cancel a fiduciary arrangement which was made during the so-called "suspect period" i.e. while the settlor was insolvent, butbefore it became subject to bankruptcy proceedings.

The fiduciary arrangement is supposed to be a simple and flexible instrument which is largely based on the principle of contractual freedom. The formalities are limited, but the agreement must nevertheless be made in writing and must include some obligatory references, such as identification of the transferred assets, the purpose of the fiduciary arrangement, the rules for determination of the beneficiaries, the fate of the assets at the end of the agreement and the duration of the agreement.

1.3 Public Asset Investment: New Framework for Public Private Partnerships.

France pioneered the involvement of private participation in public projects.

As early as the 17th century, the paving of the Paris streets and removal of household waste were entrusted to private operators by contract. Commissioning private contractors to finance, execute, maintain and even police public works continued through the Revolution and the Empire, and even grew, with the development of rail and metro concessions in the later part of the 19th century.

This has resulted in the creation of the two legal pillars of the involvment of the private sector in public projects in France: first, the public tendering process ruled by public procurement regulations through which a firm provides a service, carries out work or delivers an asset for a fee; and second, the commissioning of a public service where the risks of construction are transferred to the private operator, who recoups his outlay from the operating profits.

Nowadays, the two main ways of commissioning public services are leasing ("affermage") in which the infrastructure or facility is built by the public authority, and concessions (included in the broader category of delegations of public services) where the concession-holder builds the infrastructure as well as taking responsibility for its operation.

There were many reasons for overhauling and improving these instruments in the form of contractual arrangements based on private finance and enabling as complete a job as possible to be contracted for: the essential driving concern, as already demonstrated in many countries, is to obtain the best value for money.

Three sets of major steps in this direction have been taken by the

French government: the first two concern individual sectors only; the third is of general scope, and constitutes the principal innovation concerning public-private partnerships.

The first is the mechanism of leasing with an option to purchase coupled with a temporary permit to occupy public land, provided for in the National Domestic Security Act (Law n°2002-1094 of August 29, 2002) and the Military Planning Act (Law n°2003-73 of January 27, 2003). These arrangements enable the State and those with title to government land permits to negotiate leases on buildings to be built by the lessee for use by the courts, the national police, the national gendarmerie, the armed services or Ministry of Defence departments, and giving the State an option to buy the facilities constructed.

The second is the hospital emphyteutic lease instituted by Order n°2003-850 dated September 4, 2003 effectively authorizing a long term lease of a building that belongs to a health institution or an office of Sanitary Cooperation. Within the framework of the tenancy, it is provided that a project, entitled « Hospital 2007», will be carried out to build, expand or renovate the facilities of the hospital from private funding, and as the case may be, involving the upkeep and maintenance of the facilities so built and rented.

1) The creation of an overall contract as an alternative to government procurement and the outsourcing of public services.

As authorized by Parliament in the Legal Simplification Law of July 2, 2003 (Article 6), the government created "partnership contracts" through an Order ("Ordonnance") of June 17, 2004.

These agreements necessarily involve the following three elements: the funding of physical investments for infrastructures or facilities required for a public service: an infrastructure or facilities construction or transformation project or other investments, and, finally, upkeep and/or maintenance and/or use and/or management of such infrastructure (or facilities). Optionally, the agreement could concern the provision of services as part of a public service mission as well as the whole or a part of the design of infrastructures.

Besides its long term nature, the partnership contract is characterized by the fact that remuneration is guaranteed by the public entity and is spread across the duration of the contract, such remuneration being linked to performance goals and possibly involving additional income. Unlike government procurements in which the payment of the investments is made only after completion, partnership agreements enable payment.

Unlike the outsourcing of public services for which remuneration must be «substantially linked to the results of the operation», the partnership contract is a public payment mechanism which is similar to the payment of rentals.

Finally, the partnership agreement is markedly different from government procurement in that a private partner takes charge of the project management.

2) A new form of agreement that encourages investments and financial innovation.

The creation of a new form of agreement fulfils the need to increase public investments and improve services. Some have criticized the very rigid and unnecessarily complicated nature of government procurement which makes it difficult to entrust combined missions to the same working group. In the same vein, the transfer of virtually all the risks to an outsourced public services contractor is becoming less compatible with the financial and accounting constraints (especially in terms of deconsolidation) which are assumed by private companies. That is why the partnership agreement relies on a mechanism for distributing risks with each of the contracting parties taking responsability for the risk it can best assume.

Several aspects of its legal regime indicate that it will provide the opportunity for the diversification of funding techniques. In fact, some provisions of the Order of June 17, 2004 tend to favour the private funding of projects with the goal of securing the commitments made by the public entity and reinforcing the guarantees given to creditors.

Firstly, the prior evaluation to making the contract must show that the project is complex (or is urgent). The public entity must thus justify that it is not by itself able beforehand to define the technical, legal and financial aspects of structuring the project.

Besides the technical nature of the project (complex information networks, heavy infrastructures, and so on), its financial complexity will be a determinant factor. Difficulties could arise such as the inability of the public entity to deconsolidate the operation because of budget deficit reduction constraints. That is why in a decision rendered in February 2004, EUROSTAT delineated the deconsolidation rules which should be followed. The rules require the public entity and its partner to maintain total transparency on project funding. The agreement would have to provide, in an obligatory clause, the exact «conditions in which for calculation of the project cost, the investment, operational and funding costs, and so on, are taken into account and differentiated».

Secondly, the "competitive dialogue" to define the final offer of the private partner should create a favourable framework for technical and financial innovation.

Thirdly, the duration of the agreement permits relative flexibility for evolving the terms of the contract.

That is why, if the contract is amended, the conditions of funding may be modified. The agreement framework also provides for genuine adaptability when it is compared to the rules of government procurement. Significant changes can, as the case may be, be made for the benefit of the territorial administrative body following the improvement of the financial environment.

Moreover, the objective of the reform is also to reinforce the guarantees given to lendors to private partners. The agreement must thus stipulate «the consequences of the early or regular termination of the agreement especially with regards to the ownership of the infrastructures or facilities». It is equally provided that «where the agreement involves the occupation of the public domain, it implies an authorization for the occupation of that domain for the duration of the agreement and giving the contractor, in principle, real rights over the infrastructures and facilities it constructs».

Finally, the Order provides for the transfer of receivables held against the public partner by modifying the provisions of Article L.313-29 of the Monetary and Financial Code.

The agreement must provide "that the portion of the receivable assigned is, after recognition by the contracting public entity that the investments have been carried out, definitively acquired by the assignee and is not subject to, by any set-off".

More generally, and in spite of the administrative nature of these agreements, the text explicitly provides for the possibility of recourse to arbitration.

1.4 Derivative Products.

The Paris financial market has a significant edge in securities management because of its regulations, in particular those concerning derivative financial instruments. French professional associations were among the first in Europe to set out standard financial instruments (master agreements) for over-the-counter (OTC) transactions in order to be better protected from the risks associated with the variations of derivative instruments and their underlying assets.

In addition, French law, by implementing European Directive n°2002/47/EC on financial guarantee agreements, provides a legal framework which is favourable to taking security as it offers operators a totally secure environment for collateralization, assignments and transfers of their transactions concerning financial instruments dealt with French entities.

1.4.1 Documentation: Master Agreements.

The competitiveness of Paris as a financial centre does not need to be proven when it comes to over-the-counter trading markets, given its longstanding master agreements, the dynamic manner in which they have evolved and, especially, French legislation on netting and collateralization.

This mechanism benefits the Paris financial market, which is thus shielded from systemic risk, as well as market participants, which can minimize their counterparty risks and reduce their equity requirements.

1) Tested, simple and efficient Master Agreement.

In 1987, even before the first ISDA documents, Paris was the first financial centre in the world to publish[42] standard agreements and lexicons for the over-the-counter financial markets, especially, with regard to derivate instruments.

Even though the recent Order of February 25, 2005 enables the implementation of netting for derivative transactions in the absence of master agreement, those agreements still play a major role in that they contain a number of provisions which cover situations not mentioned in the Order.

In addition, master agreements for the most part retain their preeminence as the standard documentation of the financial community.

As the negotiated provisions are not established by law but through commonly negotiated provisions, each master agreement can freely set out the general rules it follows, with regard to the applicable law, jurisdiction and contractual language.

In an area where negotiation and complexity are increasing, the AFB Master Agreement issued in 1994, completed by the FBF Master Agreement issued in 2001 on derivatives[43] and securities lending and the AFTB Master Agreement issued in 2003[44] on repurchase transactions (repos), provide, competitive advantages

[42] International Swaps and Derivatives Association.
[43] The Association of French Banks was renamed in 2001 French Banking Federation.
[44] AFTB, Association of Forex and Bank Treasurers.

for documenting in a secure manner OTC transactions dealt with French of foreign entities.

These agreements, which are well tested in practice and whose effectiveness has been proven during major bankruptcies, whether or not in the banking sector, are familiar to operators, and are short and easy to negotiate.

They are widely used on the Paris financial market;

They provide the same credit protection as the standard international documentation.

They are subject to French law and to the relevant courts under the jurisdiction of the Paris Court of Appeal which ensures execution in speedy and efficient conditions [45].

The professional associations are very attentive to keeping these agreements up to date.

Thus, the FBF updated the 1994 agreement in 2001 and published a standard agreement for the implementation of global netting as French Master Agreement for repos.

In Europe, The European Banking Federation has launched the European Master Agreement (EMA) in 1999.

The EMA aims to consolidate in a single set within of harmonized documents various master agreements used within the euro zone particularly for repurchase transactions and securities lending.

It is a multi-jurisdictional and multi-product agreement and has been drafted in German, English French, Spanish and Italian with specific legal opinions. The scope of the agreement permits to include other financial instruments such as FX, swaps and options.

2) Transparent and efficient legislation on netting.

Since 1993, Paris has progressively benefited from very advanced and very secure legislation on the netting of financial transactions, especially by implementing the Collateral directive into French law by the Order of February 24, 2005 which modifies Article L. 431-7 et seq. of the Monetary and Financial Code. The legal basis of these rules and the text adopted by the French legislator make them exceptional given that in the majority of financial markets (including London and New York) there is no similar text or its application is limited.

French legislation now provides a secure environment by completely removing from the law related to bankruptcy, all debts and claims arising from financial transactions recognized by the law related as being obligations related to financial instruments as defined by Article L.211-1 of the Financial and Monetary Code and covering derivatives related to all negotiable instruments, securities, indexes or currencies, derivatives, swaps, purchase or sales options for financial instruments, all other derivatives, temporary transfers of ownership of financial instruments (lending of securities, repos) as well as credit transactions and deposits among finance professionals.

Since February 2004, the conditions required to benefit from the favourable rules on netting have been simplified. In fact, debts and claims arising from any transaction involving delivery of financial instruments or a cash payment made by two regulated parties can now be fully set-off. Other debts and claims can only be set-off if they have arisen within the framework of a transaction concerning financial instruments made with a regulated entity.

3) Global netting.

In May 2001, the introduction of global netting completed the French legislation concerning respect to interbank and interprofessional market transactions. In fact, the law on new economic regulations (NRE) of May 15, 2001 provides banking or professional counterparties, including foreign entities, dealing with French entities of the same type with the possibility of setting off the overall balance calculated on termination in conformity with several master agreements, even where such set off occurs on bankruptcy.

1.4.2 A Legal Framework Favourable to Taking Securities.

French law offers businesses and investors a thoroughly secure environment in which to sell, transfer or use as collateral their financial instruments negotiated with French firms.

The legal regime governing financial guarantees has been thoroughly overhauled by Order n°2005-171 of February 24, 2005 which implements the Collateral Directive into French law.

In particular, this reform makes it easier to make financial guarantee arrangements between two regulated organizations.

[45] This is mainly so in the case of the rapid deterioration of the counterpart's credit, and it becomes critical to obtain an enforceable instrument before the other creditors in order to confiscate any of his assets or take any provisional measure with respect to the rights he has over his estate.

The reform has had an impact on direct alternative management, in that mutual funds (OPCVMs) can give guarantees (leveraged finance for personal portfolio management and ARIA, or flexible regulation mutual funds) under the terms of Article R 214-12 of the Monetary and Financial Code and Article 411-33-1 of the AMF General Regulation. They may also use a prime broker.

This means there are two types of financial guarantee contract that parties can use: either full and binding transfers of title (without any special formality) of shares and other securities, bills of exchange, receivables or sums of money or the pledging of securities, bills of exchange, receivables or sums of money as collateral.

Under transfer of title arrangements, ownership passes to the beneficiary, who can therefore lend or sell the assets in the market provided that it is in a position to deliver funds or securities of the same kind on expiry of the contract (if the other party has not defaulted) or indeed earlier, if market conditions reverse in such a way as to require delivery. Furthermore, the law allows such transfers of title to be tax-neutral in the same way as loans of securities, because of the absence of any speculative intent on the part of those concerned.

A creditor with pledged collateral, on the other hand, possesses but does not own the collateral: ownership remains with the debtor. The creditor is therefore under an obligation to restore the asset on receiving payment. He must preserve the asset, and is liable for its loss or impairment. Unless otherwise specified he has no right to enjoy or use it. His guarantee gives him the right to retain the collateral, and a right of first refusal that enables him to realize the collateral if need be. Both transfers of title and pledges of collateral may be realized, and be compensated against the balance on termination of the agreement they guarantee, even where one of the parties becomes bankrupt.

Neither the pledge nor the transfer of collateral may (unless fraud is proved) be challenged on the basis that they are void because of circumstances at the time when the pledge or transfer was made (i.e. on the grounds that they were pledged or transferred at a time when the debtor had already become insolvent).

These mechanisms are expressly provided for in the Monetary and Financial Code[46] and cannot therefore be set aside by a court. The consequence is that there is no danger of encountering the situation where such a pledge or guarantee is voided retrospectively [47].

French law also provides a streamlined method for factoring receivables under financial transactions governed by a framework agreement. Since 2005, such transfers are binding on third parties merely on giving notice to the original debtor.

1.5 Cash Management: Paris, a competitive centre for international cash pooling.

In view of the growth in international centralization of liquidity or cash pooling, the Paris financial market realized that it needed to foster the choice of France as a location for cash pooling by French and foreign industrial and commercial groups.

Over the last three years, Paris has taken steps to become more attractive as a centre for international cash pooling in three ways:

- the tax regime for cash pooling, which exempts interest payments by French affiliated companies to foreign affiliated companies on available liquidity lent to them (including interest on current accounts) from withholding tax compliant : over fifty French and multinational groups take advantage of this regime. The European Commission has recognized this regime as compliant with EU law. The Directorate-General of Taxes has issued two circulars spelling out the prerequisites for benefiting from this regime[48] which simply needs to be declared to the tax authorities;

- Directive n°2003/49/EC approved by the Council of Ministers on June 3, 2003 concerning tax rules to be applied to interest and royalty payments between companies of the same group incorporated in different member states[49] was implemented into French law by Law n°2003-1312 dated December 30, 2003[50]. This measure removes a number of hurdles in the way of lending to and from EU subsidiaries under a cash pooling arrangement;

The abrogation in March 2005 of the rules prohibiting interest on demand deposits[51] makes it easier to manage spare liquidity, bringing Paris into line with international standards. It also facilitates the management of notional cash pooling.

France has modified the thin capitalization ratio which is in line with international practices and compliant with European regulation (General Tax Code, article 212).

[46] Monetary and Financial Code Articles L 431-7.
[47] Cf. the uncertainties - today resolved - raised in 1986 in the UK case Charge Card Services Limited concerning the validity of pledges of money in English law.
[48] Circulars 4 C-1-99 N° 72 of 16 April 1999 and 4 C-2-03 N° 39 of February 28, 2003.
[49] Council of Ministers Directive 2003/49/EC, June 3, 2003 (Article 27).
[50] Law N° 2003-1312 of December 30, 2003 (article 27).
[51] Order of March 8, 2005 abrogating regulatory provisions prohibiting interest on demand deposit accounts.

2. The Asset Management and Investment Industry.

Paris offers a favourable environment for the development of the asset management and investment industry. To enable investors' expectations to be met more readily, French legislation has now refined its classification of mutual funds (UCITS), and has created the ARIA funds (mutual funds with flexible investment rules) and contractual funds, for the benefit of qualifying investors. The profession has helped to draft a Code of transparency for SRI Funds (socially responsible investment) and to create a regime for real estate investment firms which will allow greater stock market capitalization in Paris as well as improving the transparency of the real estate markets.

2.1. Alternative Investing.

The arrival of these new products is a major step forward for Paris in terms of innovation, the promotion of asset management, and general competitive attractiveness. In particular, the rules governing their operation and those concerning investment solicitation have now been laid down in 2005.

2.1.1 Mutual Funds with Flexible Investment Rules (ARIAs).

There are three kinds of ARIA mutual fund:

- funds of hedge funds, investing in hedge funds (a minimum of 16 underlying funds, and a 5/10/40 rule that no more than 4 funds may each account for 10% of the total assets, and no more than 12 funds may each account for more than 5% each);

- plain non-leveraged ARIA funds, which are essentially exempt from the requirements on risk spreading and concentration ratios;

- leveraged ARIA funds (exemptions on risk spreading and concentration ratios, up to 4 times leverage, no counterparty risk constraints).

2.1.2 Contractual Funds.

This type of product is extremely similar to a personal asset management contract, but is nevertheless subject to the mutual fund type of asset structure.

2.1.3 Interest of these Funds.

These products should give investors[52] access to hedge funds within a secure framework:

- management companies must file a specific business plan with the AMF (except for plain ARIAs);

- all the parties involved (auditors, depositaries, management companies) must be regulated;

- the conditions of access vary with the kind of investor (qualifying and non-qualifying investors) and the potential risk of the fund;

- disclosure rules depend on the specific kind of fund, its strategy and the sophistication of the investor (degree of knowledge and grasp of underlying financial concepts); and

- the liquidity of products must be suited to the type of strategy and the type of investor.

They will foster the competitiveness of French markets, so far as hedge funds are concerned, in the following ways:

- more flexible investment rules;

- a framework for recourse to leverage; and

- contractual funds are an asset management vehicle where no ratios at all are prescribed by the regulator.

[52] It should be noted that a third of the 26 Contractual Funds declared to the AMF in 2005 were operating as hedge funds.

2.2. SRI: Socially Responsible Investing.

SRI is a fast-growing sector, and the profession has helped drafting a code of transparency for SRI Funds within the EUROSIF framework (European Sustainable and Responsible Investment Forum). In 2004, the total NAV (Net Asset Value) of funds managed under SRI principles rose by 67%, reaching €8.8 bn in 2005.

2.3. Real Estate Investment Vehicles.

Rules for listed real estate investment firms (Sociétés d'Investissement Immobilier Cotées – SIICs) have been established, on the initiative of the French Federation of Property and Real Estate Companies (FSIF), by the Finance Act for 2003. In terms of accounting, two opinions were obtained from the National Accountancy Council, one recommending a set of rules and advising on the accounting consequences likely to result from the application of this new tax regime both to SIICs' individual company accounts and to group consolidated accounts, and the other on the treatment of revaluation ajustments in such accounts.

This tax regime has now been supplemented by various schemes set out in Articles 26 and 27 of the Finance Act for 2005 and in Article 28 of the Finance Adjustment Act for 2005.

The SIIC status is in fact a fax-driven vehicule based on some successful foreign examples now decades old, especially the US Real Estate Investment Trust or REIT, the Belgian Fixed Capital Real Estate Investment Company (SICAFI) and the Dutch Beleggging Instelling (BI).

It provides transparency for real estate companies listed on a French regulated market. This transparency eliminates double taxation. The investment vehicle (the SIIC) is not subject to tax, but, in return, it is obliged to distribute virtually all its profits – which are then taxed in the shareholder's hands.

The SIIC is intended to provide a number of benefits to the economy generally:

- increasing market capitalization in Paris in an area of activity, so far under represented by comparison, with its importance in the French economy;

- lightening the burdens on a particularly useful class of long-term investor, and hence helping to enhance the transparency and reduce the volatility of real estate markets;

- making available to individual investors or mutual funds a counter-cyclical class of shares which are particularly suitable for long-term investments such as, for instance, preparation for retirement; and

- providing a steady stream of finance for property assets and so giving the construction and building industries a firmer business base generally.

The status has been available for three years, and the SIIC section on the Paris stock exchange now consists of some thirty companies with a total capitalization of €25bn, almost 2% of the total capitalization of the Paris stock exchange.

1) Scope of application of the SIIC.

This status is available, on an optional basis, to joint-stock companies listed on a French regulated market whose share capital is €15m or more, and having French or foreign shareholders. It is also open to foreign companies which satisfy the conditions negotiated, case by case, with the French tax authorities. The shareholders need not be French. The SIIC's company objects must primarily be the acquisition or construction of buildings with a view to letting them, and/or the direct or indirect holding of shares in companies with the same objects.

The status is also optionally available to subsidiaries of SIICs which would otherwise be subject to corporation tax, provided at least 95% of their stock is held directly or indirectly by the SIIC and their company objects are the same as those of the SIIC.

SIICs' property assets are almost entirely concentrated (90%) in business and commercial property (offices, enterprise parks, warehouses, logistics facilities, shopping centres, and so on). Their construction projects mainly consist of new types of property asset such as hotels, retirement homes or clinics (buildings only, not including operations).

The status is automatically available to subsidiaries of SIICs, which are exempt from corporation tax on that portion of their net income which is attributable to the SIIC or those of its subsidiaries that have opted to be subject to corporation tax, provided the subsidiary's main activity is the same as that of the SIIC.

2) Advantages of the regime.

Opting for SIIC status triggers all the consequences normally attendant on ceasing to trade, with the payment of an exit tax (a tax payable on cessation of the company's former status – or an entry tax on its new SIIC status).

This exit tax is 16,5% of the latent capital gains on buildings owned directly or indirectly by the SIIC and/or any subsidiaries subject to corporation tax that opt for the status ("tax-transparent subsidiaries"), and on the partnership shares owned by the SIIC and/or any tax-transparent subsidiaries.

Profits of the SIIC and its tax-transparent subsidiaries obtained from leasing of real state are exempt from corporation tax provided no less than 85% of those profits are distributed before the end of the financial year following that in which they were made.

Capital gains from the sale of property assets to unrelated enterprises (or of shares in tax-transparent companies or partnerships held by the SIIC and/or any tax-transparent subsidiaries) are exempt from corporation tax provided no less than 50% of those gains are distributed before the end of the second financial year following that in which they were realized.

Industrial and financial firms may contribute or transfer their real property assets to a property investment company which raises capital from the public (meaning, primarily, a SIIC) and benefit from the reduced 16.5% rate (the exit tax rate) on their latent capital gains on the buildings contributed or transferred. In such cases, the recipient firm must continue to hold the buildings for five years. This mechanism is available until December 31, 2007.

2.4 Real Estate Mutual Funds (OPCIs) [53].

The Ordinance of October 15, 2005 created a new type of fund devoted to real estate investments and called organismes de placement collectif immobilier (OPCI).

This new investment product for real estate investment was created to encourage domestic investment in the French real estate market – currently dominated by foreign investors – and to create an attractive investments vehicle for French people. OPCI assets essentially consist of privately held funds invested in real property, shares of real estate companies and liquid investments.

The OPCI completes the range of financial instruments invested in the real estate sector, which comprise both listed real estate investment companies, which are for institutional investors, (sociétés d'investissements immobiliers cotées - SIIC) and real estate investment civil partnerships, which are for individual investors (sociétés civiles de placements immobiliers - SCPI). OPCI particularly enhance the competitiveness of the French marketplace for institutional investors by providing them with a real estate investment fund which competes with foreign real estate investment funds, in particular from Germany, Luxembourg and the Netherlands.

There are two kinds of OPCI: standard OPCI or simplified OPCI. The qualification depends on the type of investors. A standard OPCI, available for all types of investors, must comply at all times with strict indebtedness, risks division and dispersion ratios.

The simplified OPCI, available for French qualified investors and for foreign investors, considered as qualified under the law of the country in which the investors' registered offices are located, benefits from less stringent obligations than those of the standard OPCI. In both cases, the AMF must authorize the OPCI's creation.

[53] "The OPCI: a new property fund for the French market" by Jean-François Adelle, Partner, JeantAssociés, Echanges mai 2006, n°232.

The OPCI may take the form of either a fonds de placement immobilier (FPI), which is a jointly held investment without legal personnality, or a *"société de placement à prépondérance immobilière à capital variable"* (SPPICV), which is a company with a variable capital. Different asset structures and tax regimes characterize each form. Whereas an FPI's assets may consist of only real property (offices, shops, shopping centers, warehouses, residential blocks or listed companies with real estate assets) and shares of real estate civil companies (SCI and SCPI), the SPPICV's assets may also include shares in a listed real estate company (SIIC or equivalent foreign companies).

Income received by FPI, considered as rental income, is subject to the tax rules on income real estate regardless of whether distribution occurs. However, variable capital company distributions are subject to tax rules on dividends.

The purpose of the OPCI is defined as investment in real estate, which is rented out or built exclusively for rental, held directly or indirectly, including for future completion, buildings for transactions necessary for their operation use and sale, building, and renovation. They are also authorized to hold and manage financial instruments and deposits.

1) Mechanisms to ensure readily liquid products.

Although they borrow many of their rules from OPCVM, OPCIs differ from OPCVMs in that the OPCI's assets have to include between 60% and 95% of real property, whereas OPCVMs cannot hold real property directly. An OPCI maintains a liquidity reserve representing between 5% and 40% of its assets to ensure that subscription redemption transactions can be carried out. Another 20 to 35% of the assets may be invested in SIIC shares, financial instruments traded on a regulated market and other OPCIs shares or units. These ratios allow OPCIs to avoid the lack of liquidity inherent in SCPIs, which must hold at least 95% of their assets in real property.

To further guarantee liquidity, OPCIs must have a minimum amount of assets. OPCIs may continuously increase their capital by the issuance of shares. To avoid a liquidity crunch and destabilization of the value of OPCI shares to the detriment of the other shareholders following a request for redemption by shareholders holding between 20% and 99% of the shares or units of an OPCI, such redemption may be temporarily suspended.

The fund is authorized to enter into loans to facilitate redemptions. These rules should render OPCIs more attractive than SCPIs specifically for the purpose of acting as underlying assets for life insurance contracts, and it may also cause the insurance industry authority, the Autorité de Contrôle des Assurances et des mutuelles (ACAM), to revisit its requirements on insurance companies which use SCPIs as underlying assets for the purpose of hedging against liquidity risk.

2) Flexible management.

OPCI rules address the lack of flexibility in the SCPI. SCPIs cannot increase their share capital unless all share sale offers have been satisfied, and transactions do not occur at market value but at advised prices set by the management company based on the reconstitution and the realization price of sales. OPCI subscriptions and redemptions can occur at the net asset value of the OPCI, which is calculated according to updated real estate appraisals. Thanks to flexible investment rules, OPCI managers may reduce their exposure to real property when real property values appear to be those of a mature market. Indeed, the percentage of property held may be reduced to as little as 51% of the OPCI's assets when it is a variable capital company. To mitigate the risk from domestic market exposure, OPCIs are also allowed to purchase shares in foreign real estate investment entities.

3) The principal participants involved in an OPCI.

Like OPCVMs, OPCIs are managed by portfolio management or investment companies (SGP) approved by the AMF, upon filing of an activity disclosure for management of OPCI and as, an ancillary activity, provide real estate investment consulting services.

An independant custodian will be appointed. Its principal role is to have custody of the OPCI's financial assets and to ensure that decisions made by the management company are properly made.

Each OPCI must appoint two property appraisers, independent of each other, to conduct regular appraisals of the property which, and this, in term, determines the liquidation value of the OPCI which serves as the basis for the determination of the net asset value of the OPCI. One appraiser will be respon-

sible for appraising property while the other will be responsible for ensuring the coherence of the evaluation carried out. They jointly establish, under their responsibility, a report addressed to the OPCI, the custodian, the auditor or any shareholder who requests it.

An auditor will be appointed by the management company for a limited period. His main task will consist of auditing the company's accounts and certifying its annual accounts.

OPCIs create new opportunities for collective investment through non-listed vehicules. They are destined to replace the SCPI, which may elect to transform into an OPCI during a five-year transition period. No new SCPIs may be created and existing SCPIs will not be able to increase their capital from January 1, 2010.

3. Market Organizations and Systems.

3.1. Market Regulators and Market Operators.

3.1.1. The Financial Authorities and Regulatory Bodies.

General supervision of French financial markets is provided by the Minister of the Economy, Finance, and Industry.

1) Adoption of banking and financial regulations.

Since the Financial Markets Security law of August 1, 2003, the Minister of Finance has been in charge of regulating the banking and insurance industries, on the advice of the Advisory Committee on Financial Legislation and Regulation (CCLRF), which was substituted for the Banking and Financial Regulation Committee (CRBF) and the Regulatory Committee of the National Insurance Council (CNA).

The Advisory Committee on Financial Legislation and Regulation (CCLRF) is chaired by the Minister of Finance and has 14 other members. Its task is to give its opinion on all draft laws and regulations referred to it by the Minister of Finance covering general issues relating to the insurance industry, the banking industry or investment firms (laws, ordinances, decrees, and orders, as well as European regulations and directives), with the exception of texts concerning the Financial Markets Authority or coming within the exclusive areas of competence of that entity.

When presented with an unfavourable opinion expressed by the CCLRF on draft decrees and orders (other than measures in individual cases), the Minister is obliged to request another opinion if he or she is not minded to accept the first.

2) The regulatory authority: the Financial Markets Authority (AMF).

The Financial Markets Security Act of August 1, 2003 merged the COB, CMF and CDGF into a new body, the Financial Markets Authority (AMF). This consolidation was designed to enhance the effectiveness and raise the profile of French financial markets regulation.

a) Duties and mission of the AMF.

The mission of the AMF is to protect investment in financial instruments, ensure proper disclosure to investors and see to the proper functioning of financial markets. In addition to these three specific duties, it participates in the regulation of financial markets at European and international level.

b) Powers of the AMF.

The AMF regulates and monitors all financial transactions concerning listed companies (flotation, capital increases, mergers and takeovers and so on) and oversees the proper conduct of public takeover bids. It checks that companies promptly publish full and accurate information, and make it available to all parties concerned in a fair way.

It also authorizes the setting up of UCITS and FCPs (unincorporated mutual funds) and checks the information appearing in each product's simplified prospectus which must be provided to the customer before an investment is made.

In the case of complex products (tracker funds with guarantees, for instance) it ensures that the specific features of each product and its economic arrangements are clearly presented to investors.

In particular, as well as monitoring compliance with the rules on the structuring of these funds (presence of an external guarantor, rules concerning risk spreading, ...), the AMF has drawn management companies' attention to the need to take special care over the conditions of disclosure to subscribers of such products. On this, it has reminded them of the following points:

- the simplified prospectus must, in accordance with Article 411-45 of the AMF General Regulation, "provide all essential details necessary for the investor to make a decision [...], [be] structured and written in such a way as to be readily understood by investors, and give full, transparent and clear information enabling investors to take investment decisions in full possession of the facts".

In the case of tracker funds with guarantees, the "Fund Terms" section in the management plan must enable the investor to understand:

• the nature of the implicit bet on the markets' performance being made by subscribing to the guaranteed tracker fund;

• the target index of the particular tracking formula;

• all advertising concerning a fund must, in accordance with Article 411-50 of the AMF General Regulation, "be consistent with the investment proposed, and disclose where appropriate the drawbacks and risks inherent in the choices made that are the corollary of the claimed advantages".

As well as setting out some of the same material in the professional documentation as in the simplified prospectus, special care must be taken to ensure a balanced presentation of the guarantee formula and to ensure consistency between the simplified prospectus and the commercial context.

Likewise, no sales claim can be made for exit opportunities during the lifetime of the investment since tracker funds with guarantees are specifically designed as an investment for the duration referred to in the guarantee, and a reminder to this effect must be displayed at the beginning of the simplified prospectus.

- certain structured funds which have similarities with guaranteed tracker funds (so called "cushion" funds – CPPIs –, where the management plan offer, over a specific period, capital protection and performance related to markets), must respect the same rules. When approving any new product, the AMF requires the same professional documentation as in the case of guaranteed tracker funds.

- where a fund is not in a position to present a management plan of a kind that investors can readily understand, the AMF will not approve it.

The AMF also prescribes ethical rules and obligations for professionals authorized to provide investment services or advice.

It also prescribes principles for the organization and operation of companies that run markets (such as Euronext) and settlement/delivery systems (such as Euroclear France).

Lastly, it has the task of approving the rules for clearing houses (such as Clearnet) and lays down their members' operating terms. It supervises the markets and all transactions that take place in them.

c) Composition of the AMF.

The Financial Markets Authority brings together a multidisciplinary range of skills: judges, government representatives, and experienced and/or qualified professionals.

With the exception of some ex officio members (a representative of the Governor of the Banque de France; the chairman of the National Accountancy Council), the members of its Board and its Enforcement Committee are designated by various authorities and serve for five years, half of them being replaced every thirty months. Each member may serve up to two terms of office.

The chairman of the Financial Markets Authority is appointed by order of the President of the Republic for a period of five years, renewable once.

The Minister of Finance appoints the Government Auditor who sits on every body of the Financial Markets Authority in a non voting capacity, and is not present when the enforcement of decisions is decided.

The chairman of the Financial Markets Authority appoints a Secretary General on the advice of its Board and with the approval of the Minister of Finance.

d) Extended mission for the AMF

Along with the creation of Euronext in 2000, the AMF and the other regulators of the Euronext zone signed a MOU in order to coordinate regulation and supervision of Euronext NV and of the regulated markets operated by the Euronext group.

Similarly, along with the combination of NYSE and Euronext, a MOU has been signed (Jan, 2007) between the College of regulators of Euronext and the SEC providing for consultation, cooperation and exchange of information concerning the supervision of the NYSE Euronext markets.

2) Supervisory authorities.

a) The Banking Commission.

This body is chaired by the Governor of the Banque de France and is composed of the Director General of the Treasury and Economic Policy section of the Ministry of Finance (in French-DGTPE), the General Director of the Insurance and Mutual Societies Regulators, and four other members.

Its responsibilities are:

- to exercise prudential oversight of investment service providers other than asset management companies; and

- to monitor compliance by credit institutions in France with the statutory and regulatory provisions that apply to them, and to monitor their financial situation.

It has specific powers to obtain any information it needs; it can recommend or impose remedial measures for improving the financial situation of a company; lastly, it has powers to sanction organizations coming within its scope which do not comply with its orders or which breach the relevant regulations.

It can propose and require recourse to the Deposits Guarantee Fund.

b) The Deposits Guarantee Fund (Fonds de Garantie des Dépôts).

The Deposits Guarantee Fund, a body incorporated under private law, is an essential safety component of the French banking and financial system. Its function is to compensate depositors (for cash deposits) and investors (for holders of financial securities) in the event that a bank or investment firm cannot meet its commitments.

The compensation payable in France (€70,000 per depositor for cash, and the same amount for securities) is one of the highest in the European Union.

The Deposits Guarantee Fund can also take preventive action and drastically restructure an institution in difficulties, where such difficulties could jeopardize the banking system.

It can intervene only at the request or on the suggestion of the Banking Commission.

All banks and investment firms approved in France must be members of the Deposits Guarantee Fund, whose sole source of finance is its members' contributions. It is managed by a management board and supervised by a supervisory board composed exclusively of senior executives of member firms. The Chairman of the management board is a member of the CECEI.

c) The Banking and Investment Firms Committee (Comité des Etablissements de Crédit et des Entreprises d'Investissement - CECEI).

The CECEI is the first port of call for any firm seeking to enter the French banking and financial industry. Its statutory duties are:

- to approve banks and investment firms other than portfolio management companies and, where appropriate, to withdraw such approval;

- to authorize significant changes in any of the details considered in giving approval. For instance, the authorization of the CECEI is required for changes in their activities or ownership;

- to verify that the senior managers responsible for these banks and firms meet the legal requirements concerning competence and experience.

The CECEI also plays a central part in the procedures for ensuring freedom to provide services and establish businesses within the European Economic Area (EEA). For this purpose, it:

- examines French banks' and investment firms' projects for setting up branches in other EEA member states;

- receives these banks'and firms'declarations made with a view to the provision of services in other EEA member states;

- ensures that banks and investment firms from elsewhere in the EEA that wish to exercise that freedom by conducting business in France can do so.

The CECEI is chaired by the Governor of the Banque de France, or his/her representative. It has three other ex officio members: the Director General of the Treasury and Economic Policy section of the Ministry of Finance or his/her representative, the chairman of the AMF or his/her representative, the chairman of the Management Board of the Deposits Guarantee Fund or

another member of that Board acting as his/her representative, and eight other members or their substitutes as appointed by Order of the Minister of Finance for a three-year term.

Its general secretariat is provided by the Banks and Investment Firms Division of the Banque de France.

d) The Insurance and Mutual Societies Regulators ("ACAM").

The CCAMP (Insurance, Mutual Societies and Pensions, Institutions Control Commission) was set up by the Act of August 1, 2003 combining two bodies, the Insurance Control Commission (CCA) and the Mutual Societies and Pensions Institutions Control Commission (CCMIP).

It was replaced by the Insurance and Mutual Societies regulators (ACAM) in 2005.

The "ACAM" is an independent statutory authority with its own management and decision-making powers.

Its mission is to supervise insurance and reinsurance firms covered by the Insurance Code, mutual societies covered by Mutual Sector Code and supplementary pensions institutions covered by the Social Security Code.

It has the task of monitoring all these firms' compliance with:

- their respective statutory and regulatory duties;

- their contractual commitments to policy holders.

For this purpose it has powers to supervise, make orders and, if necessary, impose penalties. It is composed of nine members, including the Governor of the Banque de France. Its chairman is appointed by order of the President of the Republic.

e) The «Banque de France».

The "Banque de France", whose independence was established by Law n°93-980 of August 4, 1993, plays a central part in French monetary and financial affairs. Its activities have three main objects.

First of all, the "Banque de France" acts as a central bank, within the framework of the European System of Central Banks (ESBC). The main objective of monetary policy as conducted within this framework is monetary stability. In this context, the "Banque de France" is responsible for:

- preparing and implementing monetary policy;

- managing the State's currency reserves, and a portion of those of the European Central Bank (ESCB). It also provides currency reserve management services for central banks outside the Eurozone;

- producing statistical and economic studies for the ECB and French state institutions, and taking an active part in research into banking and financial issues; and

- manufacturing and managing the country's currency.

Moreover, the "Banque de France" contributes to the proper functioning of the banking industry and the financial system, in particular through:

- the Governor's membership of the sector's most important bodies: the "CECEI", the Banking Commission, the "AMF" and the "ACAM";

- the provision of personnel to staff the general secretariats of the "CECEI", the "CCLRF" and the Banking Commission;

- the specific role assigned to it by law concerning payment systems: it monitors the proper functioning and security of these systems, as part of the ESCB's duties in this area.

Lastly, it has specific duties such as:

- keeping accounts and managing payments for the French Treasury;

- various services to public and government bodies: expert missions, regional studies and studies;

- information about non financial companies. The assessment service it provides for them serves as a reference for the banking profession in extending refinancing facilities;

- services provided concerning relations between individuals and the world of finance. For instance, it keeps and manages the national register on payment incidents concerning indivi-

duals (eg; "bounced" cheques) provides the secretariat for the commissions dealing by individual over - indebtness and the banking conciliation committee. Lastly, its "infobanque" service plays a part in providing information to individuals about banking regulations and practices.

3.1.2 Professional Codes of Ethics.

Management professionals play a decisive role in defining the ethical rules that apply to their profession. Professional Codes of ethics have been set up that must be observed by companies regardless of their activity and legal framework. Rules on the presentation and use of performance indicators and classifications have also been adopted.

1) The French Banking Federation (FBF) and the French Association of Investment Firms (AFEI).

- The "FBF-AFEI Code of Conduct" of July 2002 has been updated following publication of the General Regulation of the AMF in November 2004: it determines the professional diligence that applies on a regulated market for flotations or for public offers not involving listing on a regulated market, and transactions occuring within three years of flotation;

- The "FBF-AFEI Code of Conduct for Managing Conflicts of Interest in Investment Research": This was amended in March 2005.

2) The French Society of Financial Analysts (SFAF).

The "SFAF Professional Code of Ethics" applies to financial analysts: its aim is to allow its members to better analyze financial situations. This code is governed by three main principles: respect the primacy of customers' interests which involves serving them objectively, loyally and fairly; be loyal with regard to one's employer; respect internal codes of ethics.

3) The French Private Equity Investors Association (AFIC).

The AFIC has published the following work:

- "Main principles of the Professional Code of Ethics" (AFIC); and

- "Good Practice Guide" to help the people responsible for the professional Code of ethics in each management company to set up the appropriate structure. It is supplemented by a recommendation to combat money laundering.

4) The French Asset Management Association (AFG).

The AFG's work on professional ethics includes the following in particular:

- "UCITS Professional Ethics", adopted in 1996 and amended in 1997; and

- "Mandated Individualized Portfolio Management Professional Ethics", adopted in 1997.

5) The AFIC and AFG.

A product of the collaboration between the AFIC and the AFG, the Professional Code of Ethics for Management Companies with authorization to invest capital, dating from 2001, was updated in 2005.

6) The French Association of Corporate Treasurers (AFTE).

It wrote the code of good conduct for relations between banks and companies in connection with interest rate and foreign exchange transactions published in september 2005.

3.1.3 Paris, a Center for Arbitration.

Arbitration is the customary method of resolving international trade conflicts, particularly in the matters of international investment.

In France, the highest courts and the legislator understood at an early stage that arbitration was the most appropriate way to manage and resolve international trade conflicts.

France has played a leading role in developing international arbitration for several decades, particularly due to the preponderant involvement of the International Chamber of Commerce (ICC) whose head office is in Paris. The ICC is behind the principal rules that govern arbitration disputes in international trade, including the United Nations Convention on Recognition and Enforcement of Foreign Arbitral Awards of June 10, 1958 (New York Convention).

Paris is also the registered office of the main European centre for resolving financial disputes. EuroArbitration was created in 2000 when Euronext was set up to enable financial and stock market disputes to be resolved quickly and professionally.

EuroArbitration proposes arbitration and mediation procedures expert opinions and a procedure for determination of issues in dispute. The centre also puts at their disposal a list of professionals from the main financial institutions who have practical experience of financial activities and are able to conduct proceedings for resolving disagreements.

All this has been done to facilitate the resolution of conflicts by arbitrators named by the parties and help the enforcement of arbitral awards in France.

For these reasons, Paris is now an international arbitration centre with a large number of disputes many of which involve only non French interests.

The legal security guaranteed by the Paris market is very appealing to foreign investors who do not want to raise their disagreements before state courts.

Within this context, France offers international investors a pragmatic, confidential and quick legal response given by impartial arbitrators who have also been appointed for their detailed knowledge of the relevant economic sector.

This method of settling conflicts also gives investors the maximum contractual freedom to anticipate, manage and organize any disagreements that bring them into conflict.

In particular, they may decide on the applicable law, whether this is national law, international trade customs, equity or even rules drawn up by national or international organizations.

By placing arbitration in the hands of EuroArbitration or the ICC, they are free to choose the location where the award is given.

For the ICC alone, in 2004, over 500 applications for arbitration were filed. They have resulted in almost 350 arbitral awards drafted by arbitrators bringing together over 60 different nationalities and issued in over 50 States.

In short, selecting Paris as a place of arbitration means choosing legal certainty. For the international investor, it guarantees an expert decision which is confidential and independent from state courts.

It also makes it possible to plan, prior to any trade or investment, who will be the arbitrator, and what will be the proceedings and applicable law in the event of a possible dispute. Today, as in the past, French and European judges match over this contractual freedom scrupulously.

3.1.4. Exchanges.

NYSE-Euronext

Euronext NV was created in 2000 by the 3-way merger of the Amsterdam, Bruxelles and Paris exchanges. In 2002, Euronext acquired the London based derivatives market- LIFFE and merged with the Portuguese exchange.

Euronext NV combined with NYSE Group, Inc. to create in a holding company: NYSE-Euronext. It commenced trading on April 4, 2007.

NYSE-Euronext (NYSE-Euronext: NYX) operates the world's largest and most liquid exchange group and offers the most diverse array of financial products and services. NYSE Euronext, which brings together six cash equities exchanges in five countries and six derivatives exchanges in six countries, is a world

leader for listings, trading in cash equities, equity and interest rate derivatives, bonds and the distribution of market data.

With a combined €21.5 trillion total market capitalization of listed companies and average daily trading value of approximately €92.4 billion (as of March 31, 2007), NYSE-Euronext seeks to provide high standards of market quality and integrity, innovative products and services to investors, issuers, and all users of its markets.

1) Regulated markets.

Euronext Paris manages two types of regulated markets:

- Eurolist which has authority to list securities of any nature. The name Eurolist is given to any markets managed by the Euronext group that follow the same rules governing listing and secondary trading;

- MATIF and MONEP, are the markets for trading of futures or options and form the French element of Euronext.liffe, a trade description covering all future markets managed by the Euronext group.

Regulated markets can be accessed by members located throughout the European Economic Area (EEA). They are also able to provide access to their systems from other countries when mutual recognition has been negotiated between the relevant authorities.

a) Eurolist.

Eurolist admits the following categories of securities for trading:

- equity securities;

- debt securities (simple products and more structured products incorporating optional clauses and complex index-linked mechanisms); and

- index-linked stocks or shares of collective investment undertakings.

For equity securities and simple debt securities, the listing rules are mainly inspired by the official listing directive. When an equity security does not satisfy the basic requirements of corporate historical performance and a minimum float, derogations from the requirements are possible where justified and are generally accorded subject to additional conditions.

Issuers are obliged to publish a prospectus that has recently been standardized by a European directive for Pan-European use. Eurolist has already been able to benefit from this passport system as issuers of structured products have recently already been able to make use of a prospectus approved by the Financial Services Authority (FSA) to get their products listed on Eurolist.

Issuers are also continuously bound by communications issued to the General Regulation of the Financial Markets Authority or applicable corporate law. These obligations are in the process of being standardized by a European directive on transparency, so that a common system will apply to both French and foreign companies listed on Eurolist.

In addition to being a valid regulated market in the European Economic Area (EEA), Eurolist is also a recognized market in Switzerland.

b) Euronext.liffe (Paris).

MATIF offers trading in contracts that have goods as an underlying asset. MONEP offers contracts based on market indexes or individual equity securities. MATIF and MONEP are recognized internationally, which puts them on an equal footing with the main international futures markets and enables them to provide direct remote access to qualified entities in the following countries: the United States, Switzerland and Singapore, depending on the contracts in question.

2) Unregulated, organized markets.

The Paris market has two unregulated markets: Alternext and Powernext.

a) Alternext.

Alternext was set up in 2005 to meet the needs of small and medium-sized businesses. Its regulatory framework which is borrowed from that of the regulated markets is the one which appeared the most suitable but it does not impose on listed companies or their shareholders obligations that are disproportionate to their investor base.

A company wishing to list on Alternext must issue at least 2.5 million euros of securities. This is less than for Eurolist (15 million euros on average) but this amount at least ensures investors minimum trading on listed securities.

It must have presented financial statements for at least two years. However, it does not have to present its accounts under the IFRS standards (unlike for Eurolist).

As a corollary to the regulatory framework, issuers are accompanied by a listing sponsor who is responsible for giving them on-going advice on their obligations.

As Alternext is not a regulated market, the issuer may choose to list a security by private placement on the basis of an information memorandum prepared by the company or by public offering, which involves issuing a prospectus approved by the relevant authority.

As another exchanges, market abuse (price manipulation and insider dealing) is sanctioned by the Enforcement Commission of the Financial Markets Authority.

Any breach by the issuers of their communication obligations is dealt with by the appropriate system:

- a delay in publishing financial information is directly sanctioned by the market manager, particularly through penalties;

- more complex breaches where the exact intention of the parties must be determined (failure to distribute information that has a noticeable influence on price) fall within the competence of the Financial Markets Authority, which can use its powers of investigation and sanction.

b) Powernext: the energy and environment marketplace.

With Powernext, the Paris market enables participants in the energy and environment sectors to manage risks in electricity and gas markets and in the European system for exchanging quotas for greenhouse gas emissions.

Powernext was created in July 2001 and organizes the trading of financial futures in electricity and greenhouse gas emission quotas. This market place depends on the innovative and efficient legal provisions that facilitate both market access and trading itself. Today, Powernext has over 50 members and includes almost all the active players in wholesale energy markets. With respect to emission quotas, at the end of 2005, Powernext was the leading european exchange.

Euronext holds a 34% stake in Powernext, France's only organized power exchange.

i) Powernext organizes three markets in energy and the environment.

- Powernext Futures is a medium-term market for electricity futures. The electricity derivative market is an indispensable tool for participants in this sector since the prices recorded there are used as a reference in commercial contracts for purchasing and selling electricity. Powernext Futures is one of the rare exchanges for electricity in the world that offers liquidity for electricity derivative contracts. Manufacturers in the sector and investment banks are very active in this market.

- Powernext Day Ahead is a short-term market concerning electricity for delivery in France. Buyers and sellers undertake to extract electricity from, or inject electricity into, the French high voltage network, the day after trading.

This market place contributes to the security of the French electricity network and contributes to the security of neighbouring interconnected networks. It offers participants in the wholesale electricity market an organized market that is indispensable for managing their volume risk. The maturity of this market has also enabled some purely financial players, such as investment banks, to be present and very active.

- Powernext Carbon is a market on which greenhouse gas emission quotas are exchanged for cash. This market allows manufacturers affected by the Kyoto Protocol and the applicable European directive to choose, in economically efficient conditions, between investing in means to reduce greenhouse gas emissions or purchasing market quotas. Powernext Carbon also offers a various specialized and financial intermediaries liquid market that is indispensable for the system to operate properly.

ii) The contractual market model is client oriented.

Powernext's role is to organize the trading platform and transmit transactions to bodies responsible for compensation and clearing. The Powernext Futures and Day Ahead markets are cleared by LCH Clearnet SA and their framework consists of contracts governed by article L.431-7 of the Monetary and Financial Code, with supply provided on the electricity transport network (RTE). The clearing of quotas on the Powernext Carbon market is ensured by the "Caisse des Dépôts".

All these transactions are governed by standard contracts, including market rules. To take part, members enter into a contractual undertaking with Powernext, the clearing entities (directly or via a general clearing institution) and entities responsible for supply (directly or via an intermediary depending on the markets).

iii) Laws in force favour liquidity.

The energy sector was liberalized by two directives passed in 1996 and 2003. Former monopolies were abolished and trade concerning these two raw materials is now governed by the market. Furthermore, application of the Kyoto Protocol by the European Union gave rise to a series of directives governing the trading of quotas. French law allows secure markets to emerge in these sectors and Powernext relies on clear and efficient rules to give it a regulatory advantage in relation to many European countries.

In France, Article L. 211-1 of the Monetary and Financial Code clearly defines financial futures on merchandise. In the same way, Article L. 229-15 of the Environmental Code states that greenhouse gas emission quotas are intangible moveable assets. The clarity of these definitions plays a key role in legal certainty that is indispensable for these markets to function properly and grow.

With regard to participants, French law allows all participants in the market to directly access Powernext, which provides the initial liquidity needed for the market to function properly. Therefore, access to the Powernext Carbon market is open to any one, without restriction. For Powernext Day-Ahead and Powernext Futures, the electricity futures markets. Article L. 531-2 of the Monetary and Financial Code provides a certain number of exemptions enabling manufacturers in the sector to take part without having to be approved as an investment company. These laws allow Powernext to offer markets that are supported by the fundamentals of the sector.

3.1.5 New regulations issued by the Financial Markets Authority (AMF).

1) The first objective of the AMF was to publish a new General Regulation.

In the decisions on October 12 and November 12, 2004, the Ministry of Finance approved an initial complete version of the General Regulation of the Financial Markets Authority which groups together and sets out the various COB regulations and the general regulation of the CMF, making them clearer, more consistent and more up-to-date.

The General Regulation of the Financial Markets Authority currently consists of six books:

- Book I The Financial Markets Authority,
- Book II Issuers and Financial information,
- Book III Service Providers,
- Book IV Products for Collective Saving,
- Book V Market Infrastructures,
- Book VI Market abuse: Insider Trading and Market Manipulation.

The principle governing the drafting of the regulation was the codification of existing law. Nevertheless, it includes new provisions that adapt the main European directives, allowing the Financial Security Act to be implemented or satisfy specific modern requirements expressed by market participants.

These mainly concern provisions relating to:

- publicity for transactions on securities of listed companies, carried out by directors and people related to them, as provided for in the Financial Security Act;

- adaptation of the "market abuse" directives with regard to financial analysis, on-going obligations to provide information, redemption programs, insider trading and market manipulation;

- the implementation of the UCITS directive n°85/611 of December 20, 1985, recently amended on the following points: amount of initial capital and minimum shareholders'equity for portfolio management companies, exercise by such companies of the freedom to provide services and the freedom of establishment, procedure to be observed for delegating management of a UCITS;

- provisions relating to OPCVM ARIA (funds with flexible investments regulations) and contractual OPCVM; the means of implementing some provisions of Decree n°2003-1103 dated November 23, 2003 on the eligibility criteria for investment funds and methods for calculating tracking errors of index linked "OPCVMs", conditions concerning the exercise of the voting rights of OPCVM by management companies and obligations to combat money laundering and the financing of terrorism; and

- methods for carrying out volume weighted average price orders (VWAP) outside regulated markets.

2) Subsequent amendments of the AMF's General Regulation.

The AMF's General Regulation have been amended by the following texts:

a) The decision of April 15, 2005 [54] .

This decision introduces:

- creation of the "Eurolist by Euronext" market (Book II), as the provisions on the First, Second and New Markets were repealed. Transitional provisions maintain the obligation for companies in the New Market that have transferred over to Eurolist to file a reference document for the 2004 tax year, which must include the annual accounts for the last three tax years [55]. Furthermore, any issuer wishing to list on the stock exchange must present a strategic development project for the company, if it does not have three years' accounts, if its assets have changed significantly or if it has reorientated its business [56];

- the launch of the Alternext market creating a new category of markets: organized multilateral trading systems that must meet three criteria: the AMF's approval of the system's rules, a means of guaranteeing the stock price and a means of applying the provisions on market abuse [57];

- amendment of the status of financial investment advisors (CIF) and their associations [58];

- broadening the field of listed OPCVMs [59], admission to trading the stocks and shares of such OPCVM in a regulated market means that a complete prospectus must be drafted and their management companies must abide by specific obligations regarding information [60];

- extending to all OPCVMs marketed in France the rules that apply to retrocession of management costs or to subscription and redemption fees in respect of investments made by portfolio management companies on behalf of the OPCVM [61];

- compliance with the Financial Security Act dated 1st August 2003 on the methods of allocating professional cards to traders on a regulated market and those responsible for clearing [62];

- introduction of the principle of designating a correspondent in France by issuers whose registered office is not in France [63].

b) The decision of September 1, 2005 [64] .

This decision provides for:

- implementation of the "Prospectus" directive;

- implementation of "Market Abuse" directives. The AMF's general regulation will determine the conditions on which providers of investment services may declare suspicious transactions [65],

- implementation of a procedure to guarantee the stock price on Alternext;

- provisions on the management of securitization funds (FCC);

- maintaining the five day period for making threshold declarations to the AMF;

- provisions on the methods of declaring transactions by investment services providers.

[54] Published in the Official Journal on April 22, 2005.
[55] Article 211-44 of the AMF's General Regulation.
[56] Article 221-43 of the AMF's General Regulation.
[57] Articles 525-1 et seq. 321-76 and 611-1 of the AMF's General Regulation.
[58] Articles 335-1 et seq. of the AMF's General Regulation.
[59] Article 411-56-1 of the AMF's General Regulation.
[60] Article 411-56-2 of the AMF's General Regulation.
[61] Article 411-53-1 of the AMF's General Regulation.
[62] Articles 321-14 et seq. of the AMF's General Regulation.
[63] Article 210-2 of the AMF's General Regulation.
[64] Published in the Official Journal on September 9, 2005.
[65] Article 321-43 to 321-45 of the General Regulation.

c) The decision of December 30, 2005 [66].

This decision introduces:

- the abolition of visas for offering circulars in programs for share redemption. Law n°2005-842 dated July 26, 2005 on confidence and modernization of the economy abolished visas for offering memorandum for share redemption programmes. The public is now informed by a document, the content and distribution of which are determined by Articles 241-1 and seq. of the AMF's General Regulation;

- a document completing the implementation of the "Market abuse" directive under Law n°2005-811 dated July 20, 2005, which consists of the adaptation of various provisions on financial markets or to EU requirements. The General Regulation determines the conditions for updating and keeping lists of insiders as well as methods of making such lists available to the AMF;

- adaptation of provisions on issuing securities for general subscription (APE);

- an amendment to the regulations on the date for transferring the ownership of financial instruments; and

- publication of a merger notice in a journal for SICAV legal notices (amendment of Article 411-21 of the General Regulation). The merger notice for SICAV is only published in the journal of legal notices for the department in which the registered office is located and not in the Bulletin of Legal and Official Notices (BALO).

d) The decision of March 9, 2006 [67].

This decision introduces:

- a definition of the functions of internal compliance and inspection for providers of investment services provides [68];

- an amendment for the calculation of commitment ratios for UCITS [69];

- information on declarations to be made by executives, people of similar status and persons closely related to such people, concerning transactions carried out on securities of the company [70].

e) The decision of May 10, 2006 [71].

This decision introduces:

- information on the period for calculating the liquidation value per share for ARIA (UCITS with flexible investment rules) [72];

- rules concerning investment recommendations produced or disseminated in the context of journalism activity [73];

The entry into force of new provisions of the General Regulation completes the implementation into French law of the "Market abuse" texts, particularly for the implementing Directive n°2003/125/EC concerning the fair presentation of investment recommendations and the disclosure of conflicts of interest.

f) The Executive Order of September 18, 2006 (published in the Official Journal of September 28, 2006)

The amendments concern:

- Takeover bids: the changes to Title III of Book II of the General Regulation are designed to give effect to the implementing measures of the Takeover Bid Act (2006-387, March 31, 2006), which implements Directive 2004/25/EC of April 21, 2004 and made it mandatory for persons or entities to give notice of intent to the AMF where there is reason to believe that they are preparing a takeover. The amendments also merge acceptability and approval procedures, creating a single decision process to determine whether bids comply with the applicable provisions.

- Fairness opinions: a new Title VI has been added to Book II of the AMF General Regulation. It explains when an independent expert should be appointed, sets out requirements for practitioners, and describes the rules for drafting reports and preparing the fairness opinions that independent experts have to provide to the market.

[66] Published in the Official Journal on January 18, 2006.
[67] Published in the Official Journal on March 21, 2006.
[68] Articles 321-5 to 321-23-9 and 322-12 to 322-22-20 of the General Regulation of the Financial Markets Authority.
[69] Articles 411-44-1 to 411-44-6 of the AMF's General Regulation.
[70] Monetary and Financial Code Article L. 621-18-2; articles 222-14 and 222-15 of the AMF's General Regulation.
[71] Published in the Official Journal on May 17, 2006.
[72] Articles 413-8 and 413-19 of the AMF's General Regulation and article 10 of directive n°2005-02 on the approval procedure for general OPCVM.
[73] New articles 339-1 et seq. of the AMF's General Regulation that define the system that applies to public recommendations produced or disseminated by press companies that have not adhered to the principle on self-regulation mentioned in article L.621-32 of the Monetary and Financial Code.

- Database of qualified investors: the new provisions in the AMF General Regulation on «qualified investor» status give effect to Decree 2006-557 of May 16, 2006 on the list of investors with automatic «qualified» status and the criteria enabling investors to opt for this status. The Decree and the amendments to the AMF General Regulation complete the implementation of Prospectus Directive 2003-71/EC.

- Reporting changes in major shareholdings: the Economic Confidence and Modernization Act of July 26, 2005 amended Articles L. 233-7 et seq. of, the Commercial Code on reporting changes in major shareholdings, as part of measures to implement the Transparency Directive.

The Act indicated that the regulatory provisions of the Directive would be implemented via the AMF General Regulation. The General Regulation was amended accordingly to clarify the procedures for measuring changes in major shareholdings, the required content and dissemination procedures for major shareholding disclosures, and the requirements for companies whose securities are admitted to trading on a regulated market to issue monthly reports on changes in the total number of voting rights or shares making up their capital.

- Reporting directors' dealings: article 222-14 of the AMF General Regulation was amended to eliminate the requirement to send the AMF an advice of purchase/sale, for reported trades. Instruction 2006-05 of February 3, 2005 was amended as a result.

g) The Executive Order of April 18, 2007 (published in the Official Journal of May 15, 2007)

The amendments deal mainly with the modernization of the regulations governing depositaries of collective investment schemes (CISs), the implementation of rules on real estate investment schemes (OPCIs), and independent investment research.

- modernizing the CIS depositary function: pursuant to Article L. 621-7 of the Monetary and Financial Code, the AMF establishes the conditions under which CIS depositaries conduct their business. The provisions of the General Regulation pertaining to CIS depositaries have been built around the two main tasks carried out by these institutions, namely safekeeping the CIS's assets and ensuring that the decisions taken by the investment management scheme comply with the CIS's applicable laws and regulations.

- Addition of a new article dealing with investments in listed foreign non-UCITS: decree 2005-875 has amended Article R. 214-25 of the Monetary and Financial Code to allow Undertakings for Collective Investment in Transferable Securities (UCITS) to invest up to 30% - The limit is raised to 100% for non-UCITS - of their assets in publicly listed foreign investment schemes other than UCITS, provided they comply with the provisions of that article and those of the AMF General Regulation. A new article, 411-34-1, has therefore been added to the General Regulation to permit UCITS to invest up to 30% of their assets in listed foreign non-UCITS.

- Introduction of rules for OPCIs: the new provisions establish rules for forming, authorizing and operating an OPCI, especially regarding subscriptions and redemptions, net asset value, fees and commissions, and governance. They also allow for the legislative decision to maintain the OPCI's predecessor scheme, the SCPI, and lay down special rules governing the way that asset management companies manage OPCIs, SCPIs or mandates involving real estate assets.

- Adjusting the rules on takeover: with the entry into force of new rules on takeover bids, adjustments had to be made to the AMF General Regulation. Article 231-28 was therefore amended, in accordance with Article 231-32, to stipulate that legal, accounting and financial information about the target company and the offeror must be filed and published no later than the day before the offer opening date rather than on the opening date itself, as was previously the case. It should be recalled that foreign offerors and foreign target companies under AMF jurisdiction must appoint a statutory auditor to verify the translation of the financial statements and the accompanying notes and to ensure that any additions and adaptations are relevant. The statutory auditor is required to issue a completion letter concerning the translation of these items, for the attention of the offeror or the target company, as the case may be. Accordingly, Article 231-28 was amended to provide that a copy of this completion letter must now be sent to the AMF by the offeror or the target company and no longer by the auditor.

h) The Executive Order of May 15, 2007 (published in the Official Journal of May 16, 2007)

The new measures concern Book III (Investment Service Providers) and Book V (Market Infrastructures). They implement the Markets in Financial Instruments Directive (MiFID), and, in accordance with the directive, will take effect on November 1, 2007:

- Book III: Investment Services Providers: book III of the General Regulation has been totally restructured because MiFID makes no distinction between firms that provide an individual discretionary

management service and those providing other investment services. The overhaul has resulted in the creation of a common set of rules applicable to all investment services providers (ISPs) and consistent with the distribution of powers between the AMF and CECEI, the body responsible for overseeing credit institutions and investment firms.

These far-reaching changes include:

- a new system for preventing and managing conflicts of interest: the General Regulation provides a highly precise description of the measures and procedures to be adopted by ISPs, including the requirement to establish a policy on conflicts of interest and to maintain and regularly update a record of conflicts that have been observed;

- Rules of conduct based on a clear-cut differentiation between protection regimes for various types of client: the basic principle for classifying clients, which ISPs will be required to do, has thus been established, with a segmentation between non-professional clients, professional clients and, for some services, «eligible counterparties»;

- The principle of best execution of client orders and the requirement to adopt an order execution policy, all based entirely on the directive.

Other aspects of the existing regulations have been amended to a lesser extent. For example, MiFID transposition has brought about no substantive changes to compliance control, while the rules on professional accreditation have been maintained.

- Book V: Market Infrastructures: new market architecture with competition among order execution venues: by introducing the principle of competition for the trading and execution of securities orders, the directive has ushered in a major change in the way French markets are organized. MiFID does away with the option allowed under the 1993 Investment Services Directive for countries to demand that orders be centralized on a regulated market; instead, it establishes competition between order execution methods and venues.

Adopting the same approach as MiFID, Book V of the General Regulation lays down the principles governing the execution of orders on different venues, namely:

- Regulated markets: the regulatory framework for these markets has been set out in greater detail in accordance with the directive;

- Multilateral trading facilities (MTFs): operating an MTF is now considered as an investment service;

- Systematic internalizers: the rules for internalizers stem directly from the European regulations.

As a quid pro quo for opening up execution methods and venues to competition, the directive provides for pre-trade and post-trade transparency of bid prices and recorded prices in order to verify best execution.

3.2 Dematerialization and Post-Market Operations.

With developments in computer and information technology, French law has evolved very quickly to facilitate and increase the security of transactions on financial instruments. Dematerialization and post-market operations are two examples of this.

3.2.1 Dematerialization.

Since 1984, French securities have been completely dematerialized, which is rare in Europe. Dematerialization is mandatory for shares circulating in France that have been issued subject to French law and this applies to both bearer securities and registered securities.

French law has set up a procedure of «titre au porteur identifiable» -CPI), giving the name and address of the bearers and other details. This allows companies to clearly identify their share ownership on a given date including bearer shareholders. Non-resident shareholders may also be identified.

The adoption of regulations governing acount keepers is also part of this reform. Only credit institutions, investment companies, certain special institutions (such as the "Banque de France", the "Caisse des Dépots et Consignations") and issuers of publicly held shares (but only for shares issued by the latter) may be given the right to keep accounts. All the legal and accounting rules have been set up to ensure that these accounts are completely reliable and relevant. Nowadays, under the AMF's supervision, account keepers must abide by precise requirements that ensure that investors'accounts are kept properly and their assets are protected. In particular these obligations provide that "investments services providers [...] should protect the ownership rights of investors in those financial instruments for which they keep accounts" [74].

[74] Monetary and Financial Code Article L 533-7.

The reform of the form of securities has been accompanied by a system which is particularly suitable for transferring ownership of dematerialized securities. In principle, the ownership of dematerialized securities is transferred following their registration in an account post-market operations in the name of the purchaser.

The General Regulation of the AMF, in respect of securities traded through a central depositary or deared through real time post-maket operations, and a decree, in respect of other securities, provide the delay and conditions of registration to the purchaser's account.

In this respect, the General Regulation of the AMF was amended at the beginning of the year to provide for transfer of ownership of shares registered securities when the transaction has actually been cleared, i.e. in principle D+3.

However, in some circumstances, over-the-counter transactions in particular, it is provided that the parties have the right to settle a different date for clearing.

Another recent integration in French law is the prohibition of seizing securities from the account of an authorized intermediary, when the seized account keeper is not acting on its own behalf (upper tier attachment) and the prohibition of seizure of current accounts with a central securities depositary has been reaffirmed.

Furthermore, Paris EUROPLACE has proposed to simplify the law on financial instruments by reorganizing all the laws relating to these instruments. Such reorganization would cover the protection of investors in the event that the account keeper goes bankrupt, the protection of good faith purchasers, transfer of ownership, pledging and other forms of taking security over dematerialized securities, rules on seizure including the prohibition of "upper tier attachment" and conflicts of laws rules. It should be noted that the rules on the transfer of foreign securities are assimilated to those of domestic securities which are inscribed in an account.

3.2.2 Post-Market Operations.

The system in France is based on a modern, legal architecture aimed at protecting investors.

The law has given the holder of dematerialized securities the same rights as those which it could have asserted against custody account holders in the case of the holder of physical securities.

Consequently, the holder of an account of registered securities has a true right of ownership over the securities[75].

The law has gone a step further by also giving the owner of securities inscribed in an account the power to transfer its securities which are separate from the assets of the account keeper to another account keeper, in the event that its account keeper goes into liquidation or is in receivership[76].

This right is only possible because of a combination of the obligation for the account keeper to segregate its own assets from its clients' assets with a central securities depository and the fact that it is prohibited to use an investor's securities without its prior agreement[77].

The security of the registered account system depends on the account keeper's stringent accounting and policies and its computer systems.

The AMF's General Regulation also imposes on the account on keepers an obligation to organize its internal procedures, so as to guarantee that any movement for which it is responsible and which affects the custody of financial instruments held for third parties can be proved by a properly recorded transaction in the owners' account[78].

Furthermore, the AMF's General Regulation sets up accounting procedures and audit trails [79] which in particular require the account keeper to check on a daily basis the concordance between the number of securities in the name of investors in its accounts with the number of registered securities that are opened in its name with the central securities depository, other account keepers or issuing companies.

This obligation embodies the well-known "double entry accounting" [80] which is implemented with the central securities depository between the issuing account and the current accounts of custody account.

[75] Monetary and Financial Code Article L.533-7.
[76] Monetary and Financial Code Article L 211-6.
[77] Article 332-4 of the AMF's General Regulation.
[78] Article 332-4 of the AMF's General Regulation.
[79] Articles 332-17 to 332-31 of the AMF's General Regulation.
[80] Article 332-17 of the AMF's General Regulation.

This legal and accounting system consolidates transaction security and provides investors with a maximum protection, especially as the custody account keeper guarantees investors that the securities purchased or sold for their account on a regulated market will be delivered and paid for[81].

3.2.3 Dematerialized EMTNs under French Law.

EMTN programmes under French law were launched for the first time in 2000 and were an immediate success. Initially designed to meet the needs of issuers of bonds, EMTNs issued under French law were adopted by other corporate and banking issuers.

As for any EMTN issue, securities issued by a French program may be placed in France and on the international market.

However, the specificity of French law affects the form of the securities, which are dematerialized and are exclusively represented by registration in the accounts of financial intermediaries or in the account of the issuer at Euroclear France.

These securities are also issued in "occasionally registered" form, which gives the issuer the possibility of choosing either the form of bearer securities (most often used), or administered registered securities, or pure registered securities.

French law gives the issuer several advantages, both from a legal point of view and in the ways of issuing securities:

- the legal framework for this type of programme for issuers generally using French law has been standardized. There is therefore no risk of conflicts of law issues.

Dematerialization eliminates the costs and risks related to creating and keeping physical securities. Security is reinforced by the fact that the right of ownership resulting from the securities is covered by law and not only by contractual terms;

- dematerialized securities in French law are considered, from the point of view of US regulations, as being the same as registered notes for tax purposes, which exempts foreign investors from providing a certificate of beneficial ownership, 40 days following payment for the issue.

- choosing French law enables the issuer to standardize procedures for issuing and placing securities, to benefit from the advantages related to deposit of securities with Euroclear France and to have access to a wide number of investors because of the clearing system within the Euroclear France group.

3.3. Compliance with International Financial Reporting Standards (IFRS).

In accordance with European Regulation 1606-2002 of July 19, 2002, the IFRS have become, as of January 1, 2005, the accounting reference system for consolidated accounts for French companies which are listed on an EU regulated market. Around 1,000 of the 8,000 European groups covered by these provisions representing around 60,000 companies are located in France.

In accordance with the options opened to Member States, France authorized unlisted companies to publish their consolidated accounts in conformity with IFRS.

Moreover, it made use of the derogation making it possible to defer application of IFRS until January 1, 2007 in respect of the consolidated accounts of companies which only have debt securities admitted to trading on a regulated market of any Member State. France did not want to allow listed or unlisted companies to apply IFRS to their annual accounts, in accordance with a principle of a single accounting reference system for annual accounts.

However, standard French accounting principles are undergoing considerable changes resulting in rapid convergence with IFRS (for example, they have the same definition of assets and the same rules for the capitalization of development costs).

These developments are destined to continue.

Furthermore, the market authorities took several initiatives to favour the orderly, harmonious entry into force of IFRS. Thus, the AMF adopted several recommendations relating to the transition period, introducing as domestic law all the recommendations of the CESR (Committee of European Securities Regulators). The National Council of the French Institute of Statutory Auditors laid down methodological guidelines defining the procedures to be used by auditors.

Finally, Paris EUROPLACE has given its attention to the stability of contracts subject to French law in spite of the change in the accounting reference system, in particular with respect to finan-

[81] Article 321-20 of the AMF's General Regulation.

cing agreements incorporating financial indicators or making use of deconsolidating operations. Indeed, fair value evaluation and re-evaluation mechanisms may change borrowers'obligations (drawing right, calculation of interest margin, compulsory prepayment), or even the composition of their assets (entry in the accounts of financial leasing or ad hoc vehicles) in comparison with previous French standards.

For this purpose, Paris EUROPLACE has worked with the French Banking Federation and the French Association of Corporate treasurers in order to promote the publication of standard provisions, in particular for the purpose of setting out the obligations of the parties to financial agreements by reason of charges to reference accounting standards.

Paris EUROPLACE recommends that parties to agreements governed by French law identify and, as soon as possible take into account, the effect of changes in the accounting reference system for consolidated accounts prepared in accordance with IFRS and also the considerable changes that will affect French regulations.

3.4. The French Corporate Insolvency Law of July 26, 2005: Judicial Proceedings and Rights of Creditors.

Law 845/2005 of July 26, 2005 known as the Business Preservation Law, which is applicable since January 1, 2006, substantially alters the legal system for preventing and dealing with difficulties experienced by companies, which system resulted from Law 85/98 of January 25, 1985.

At present, nearly 90% of insolvency procedures lead to liquidation, which is indicative of the inefficiency of a system intended to guarantee the survival of businesses that are in difficulty.

The new law's flagship measure consists in the creation of two new procedural tools, namely the so-called "conciliation" procedure, on the one hand, and the so-called "safeguard" procedure, on the other hand.

1) The conciliation procedure.

Applicable since January 1, 2006, this procedure ("règlement amiable") replaces the former arrangement procedure. However, it has a wider sphere of application.

Whereas the old arrangement procedure could only be used for businesses that had not yet ceased to meet their payment obligations, the "conciliation" procedure can be initiated when the business has already ceased to meet such obligations.

Therefore, payment default no longer systematically results in insolvency proceedings.

Conversely, whereas the arrangement procedure only related to businesses whose difficulties were beyond doubt, the conciliation procedure can be instituted even before difficulties arise, and where they are only foreseeable.

While the scope of conciliation is broader than that of the old arrangement procedure, its efficacy is also increased by the possibility of having the court homologate a conciliation agreement.

2) The safeguard procedure.

The safeguard procedure is the flagship measure of the new law. Inspired by the well-known Chapter 11 of the U.S. Bankruptcy Code, this new procedure is fully in keeping with the concern of avoiding business difficulties.

3) The reorganization of judicial recovery and liquidation procedures.

Against the new background of insolvency law, a distinction is now made between:

- procedures selected by the debtor, which are the conciliation procedure and the safeguard procedure,

- procedures imposed on the debtor, which are the insolvency procedure (redressement judiciaire) and the liquidation procedure.

Indeed, insolvency and liquidation procedures are henceforth viewed as default procedures within the framework of which senior management will pay the price for its lack of foresight by being able to avoid of the advantages reserved for those who have taken the initiative of a conciliation or safeguard procedure.

Insolvency and liquidation procedures will only apply in cases where conciliation or safeguard procedures have not been implemented, because senior management did not foresee the difficulties facing the business, or when these procedures have failed.

The company's management loses some of its responsibility in connection with the management of the company to the court appointed administrator who assists management in the context of these procedures.

4. A Brief Overview of French Legislation on Working Hours.

4.1. Legal Working Hours in France [82]

The term "35 hour week" designates the "legal working week" and not the "maximum working week " laid down by article L 212-1 of the Labour Code.

Article L 212-1 of the Labour Code states that the maximum working day is 10 hours.

This may be increased to a maximum of 12 hours, by the labour inspector in the event of temporary necessity or by contract, or a collective agreement, or a specific agreement with the company, or agreement on covering a specific site, pursuant to article D 212-16 of the Labour Code.

The average effective working week cannot exceed 44 hours in any period of 12 consecutive weeks.

Article 212-7 of the Labour Code fixes a maximum working week of 48 hours.

Here again, exceptions are provided for by article L 212-7 of the Labour Code:

- an industry-wide agreement may set an average maximum working week of 46 hours over a period of 12 weeks, subject to validation by a decree;

- a derogation which permits either spreading the reference period or exceeding the average of 46 hours, or a combination of those two possibilities, may exceptionnally be granted administrator authorization for a renewable limited period;

- an authorization to exceed the 48 hour maximum without exceeding 60 hours per week may also be granted by the Labour Directorate in a department if the employer demonstrates "that exceptional circumstances exist which temporarily involve an extraordinary increase in work" [83].

However, these derogations are exceptional [84] .

4.2. Overtime.

The legal working week, i.e. 35 hours, is used to define overtime. In other words, any time worked in addition to the legal working week is overtime.

As the legal working week is "35 hours", the number of hours of overtime worked is therefore calculated with reference to a week.

A decree dated December 21, 2004 sets forth an allowance of 1607 hours of overtime per year and per employee, subject to respecting the maximum legal working hours per day and per week [85].

For example, over a period of 47 weeks worked, the employer may order an average of 4 hours and 40 minutes of overtime per week, namely an average working week of 39 hours and 40 minutes.

This margin of flexibility guaranteed by the annual overtime allowance may be increased by collective agreement or a company wide agreement, or an agreement covering a specific site, without any higher limit having been set [86].

For example, there is nothing to prevent an annual allowance of 423 hours of overtime from being set, which would allow workers to work an average of 44 hours per week spread over 47 working weeks of the year.

[82] Labour Code Article L 212-1.
[83] Article R 212-9 of the Labour Code, born of the order of 14th March 2005.
[84] Labour Code Article L 212-7.
[85] Article D 212-25 of the Labour Code.
[86] Article L 212-6 alinéa 2 du Code du Travail.

Furthermore, the annual overtime allowance may be exceeded by authorization of the labour inspector following consultation with staff representatives, subject to the above-mentioned maxima per day and per week [87].

Finally, industry-wide, company group, individual company or site agreements may provide that workers can work "selected hours" above and beyond the annual allowance [88], the number of which is only limited by the maximum working hours. These selected hours must result a wage increase.

"Overtime" hours must be paid at a higher rate than "normal hours".

The additional payment due varies between at least 10% and 50% of wages, depending on the number of hours worked during the week or the size of the company.

Some overtime may also give rise to "time in lieu", which is paid leave.

This "time in lieu" is governed by article L 212-5-1 of the Labour Code.

However, time in lieu may partially or completely replace of payment of overtime. This possibility is opened up by article L 212-5 of the Labour Code. In principle, a collective agreement is necessary.

The remuneration of overtime with time off can make it possible to vary working hours from week to week.

This solution is of interest to companies where there is less work at certain times of the year than at others.

Moreover, this flexibility is not limited by the rules governing of the annual permitted overtime, since the legislator stipulated that overtime remunerated exclusively with time off is not imputed to permitted overtime [89].

However, this system does not do away with additional payments due for overtime, but rather converts them into time off.

Other systems make it possible to go further, namely, to have workers work more than 35 hours some weeks and less other weeks, without any time ever being qualified as overtime, and thus without any additional payments being involved.

This is made possible by the annualization of working hours, on the one hand, and fixed payment agreements, on the other hand.

Article L 212-8 of the Labour Code (excepts)

An extended convention collective agreement or a company agreement or site agreement may provide that the weekly work period can vary over all or part of the year provided that, over one year, such period does not exceed a limit of 1,607 hours. The convention or the agreement can set a lower limit. The convention or agreement must specify the economic and labour situation justifying resort to such extension (paragraph 1).

Conventions or agreements under the present article must be consistent with the maximum daily and weekly working time as defined by the second paragraph of Articles L.212-1 and L.212-7 (paragraph 2).

Time beyond the legal working period, within the limits set by the convention or the agreement, is not subject to articles L.212-5 and L.212-5-1 and is not imputed to the yearly quota of overtime provided by article L.212-6 (paragraph 3).

Time beyond the weekly maximum period under the convention or agreement, as well as time beyond 1,607 hours or a lower limit under the convention or agreement, but not including overtime set out in the convention or agreement is considered to be agreement for the purpose of the provisions of articles L.212-5, L.212-5-1 and L.212-6 (paragraph 4).

[87] Article L 212-7 paragraph 1 of the Labour Code.
[88] Article L 212-6-1 of the Labour Code.
[89] Article 212-5, II, paragraph 4 of the Labour Code.

4.2.1 Annualization of working hours [90].

The idea is simple. So as to avoid overtime in a period of increased work and partial unemployment during a period of a slower activity, the period to be considered as the period of reference is a longer than the legal framework and can be a period longer than a year. To benefit from this flexibility, an extended collective agreement or an extended industry-wide agreement or a company wide agreement or a site agreement [91]. The variation from one week to the other does not have any limits other than the not very constraining maximum work period (per day or per week).

Overtime will be therefore considered as being time above:

- the higher limit per week set out in the collective agreement;

- the allowance of 1607 hours per year, except for the hours above the higher limit per week which were already paid during the year.

4.2.2 Conventions by the job [92].

Another method of avoiding having to pay overtime consists in signing a "convention by the job".

These conventions, rather than allowing the non-payment of overtime, have been drafted to ease the management of overtime. It is perfectly possible to state in the work contract that the monthly salary of an employee includes of the completion of a specific number of hours of overtime. Such a stipulation has never posed a problem once the salary agreed upon is sufficiently high to be more than the amount of the minimum salary, including enhancements for overtime, in addition to those in the contract.

Such conventions by the job, so long as they comply with legal regulations relating to overtime, are subject to freedom of contract.

Article L 212-15-3, III of the Labour Code

III - The collective agreement providing for the making of conventions by the job in days must set the number of days worked.

This number cannot exceed the limit of two hundred and eighteen days.
The convention or agreement defines, according to their autonomy in the organization of their working time, the categories of executives covered by such agreement.
The convention or agreement specifies the modalities for counting days and half-days worked and days or half-days of rest. It determines the conditions for controlling its application and makes provision for the modalities of following up the work organization of employees, the extent of their days of activity and the resulting workload.
The agreement can, in addition, provide that rest days can be allocated to a rest-day account under the conditions defined by Article L.227-1.
A collective agreement covering a group, an enterprise or an establishment, can accord the possibility to an employee who so wishes, in agreement with the employer, to waive part of his/her rest days in exchange for an increased salary. The collective agreement determines the extent of such measures as well as conditions in which employees make their choice known.
The concerned employees are not subject to the provisions of article L.212-1 and the second paragraph of article L.212-7. The provisions of articles L.220-1, L.221-2 and L.221-4 are applicable to them. The convention or agreement must determine the specific modalities of application of these latter provisions.
The convention or agreement can also specify that conventions by the job in days are applicable, provided that they give their agreement individually in writing, to non executive employees whose working period cannot be predetermined and who have genuine autonomy in the organization of their working time for the exercise of responsibilities assigned to them.
The employer must make available to the labour inspector, during a period of three years, the documents existing in the enterprise or the establishment which enable a determination to be made of the number of working days done by concerned employees through such conventions by the job.
When the number of days worked is more than the yearly limit set by the convention or agreement, after deduction as the case may be, of the number of days allocated to a rest-day account or which employees have waived in the conditions set out in the first paragraph and paid holidays or postponed holidays in the conditions set out in article L.223-9, the employee must benefit, during the first three months in the following year, from a number days off equal to such excess. Such number of days reduces the yearly limit of the year during which they are taken.

[90] Labour Code Article L 212-8.
[91] Labour Code Article L 212-3
[92] Labour Code Article L 212-15-3, II and I.

Conventions by the job by hours on a yearly basis ("convention de forfait en heure sur une base annuelle") have been reserved for management employes and "non executive roving employees who are autonomous in the organization of their work-time". They require the existence of a company or site collective agreement or an industry-wide extended agreement and also the existence of a convention by the job with each employee.

A convention by the job-day [93] allows, with the help of a collective convention, avoiding have to count hours. Full-time working is not counted anymore in hours but in days. On this basis, the obligation to count hours, as well as daily and weekly maximum working time, is no longer applicable. An agreement to apply such a system must be set forth in a collective agreement or a company or site agreement. It is then implemented by individual contract.

4.3. Management Executives [94].

For management executives, the regulations governing working time become very flexible. Management executives are legally exempted from almost all the provisions of Labour Code concerning legal working hours, including the upper limit, the weekly day off and turn around period and official holidays.

Article L 212-15-1 of the Labour Code I

«....Management executives are those who have been assigned responsabilities whose importance implies a greater freedom in the organization of their working time, who are authorized to take essentially autonomous decisions and whose salaries are highest in the salary scale practiced in the enterprise or their establishment»

4.4 Suppression of the Delalande contribution (in French: contribution Delalande)

At the beginning of June 2006, the French prime minister presented a national action plan to promote the employment of older workers. This plan completes a national intersectoral agreement established in October 2005 and aims to improve employment opportunities and conditions for older workers. The plan of action, which is to be enforced between 2006 and 2010, aims to reach an employment rate of 50% among people aged from 55 to 64 years by its final year of application. This plan has three main objectives, namely:

- to change social perceptions through a nationwide communication campaign, started in September 2006;

- to keep older workers in employment. Although generally following the earlier intersectoral agreement regarding career maintenance and professional training.

- to gradually phase out the 'Delalande contribution' – a tax which must be paid by companies which dismiss employees aged 50 years and older; many exceptions to this levy already exist. This tax is to be phased out completely by 2010 (law n°2006-1770 of December 30, 2006). It was set up in 1987 to compensate for the removal of the administrative authorization of redundancy but in practice obstructed the recruitment of people aged 50 years and older and transferred possible redundancies to employees who were soon to reach 50 years of age.

A new Circular of the UNEDIC dated February 14, 2007 brings a precision. It is necessary to take into account the completion date of the notice, and not the date of notification of the contract rupture. Example: the dismissal of a 50 years old employee and older, notified on December 15, 2007 with execution of a two months notice, will involve an end of the employment contract by February 15, 2008 and will not be able to thus give place to the payment of the Delalande contribution.

[93] Article L 212-15-3, III of the Labour Code based on Law n°s 2005-882 of August 2, 2005 art. 95 Official Gazette of August 3, 2005.

[94] Labour Code Article L 212-15-1.

5. The Status of «Foreign Expatriates» (Impatriates) in French Law.

In order to strenghen the attractiveness of France, article 23 of the Finance Act, n°2003-1312 of December 30, 2003 [95] instituted a special regime of taxation in favour of "impatriates", that is, foreign employees and executives sent by an enterprise established abroad for a specific period of employment in an enterprise established in France.

In fact, with the exception of the headquarters rules (HQ) and rules concerning logistics centres, French legislation did not include any specific tax provisions in favour of people who came from abroad to work temporarily in France.

Employees and executives who are sent on secondment to France as from January 1, 2004 are exonerated, with respect to supplemental remuneration directly linked to the temporary exercise of their professional activity in France (article 81 B general Tax Code).

Thus, symmetrically with the situation of "French expatriates « whose salary received based for their activity abroad is only subject to tax in France to the same extent as the salary they would have received in France for the same activity, the salary received by "impatriates" will only be taxable in France to the extent of the income they would have received if they had not come from abroad to France to carry out their activity in France.

Also, and except for specific international tax treaty provisions, "impatriates persons did not have the right deduct from their taxable remuneration in France contributions which they continued to make to the social security regimes (retirement and social insurance) of their country. When on secondment in France, they were subject to these regimes and, correlatively, exempt from the affiliation to the French social security regime.

Henceforth, such people will be able to deduct from their taxable remunerations, contributions made to social security and additional retirement regimes and compulsory or optional complementary social security plans, to which they are affiliated in their state country of origin.

This special taxation regime is available to salaried employees and executives who were not fiscally domiciled in France during the last five calendar years preceding the commencement of their activity in France with the enterprise established in France (or during the previous ten calendar years for people who commenced working in France prior to January 1, 2005)

5.1. Recap of Allowances likely to be Involved.

The provisions of Article 81B of the General Tax Code do not conflict with the provisions concerning head offices, but both sets of dispositions regarding allowances covering housing and tax and social security contributions is not allowed.

Allowances likely to be given to salaried headquarters employees are divided in three categories:

5.1.1. Allowance and Reimbursement of «Professional Expenses».

These allowances are, as follows, provided that they are used in accordance with their purpose:

- reconnaissance visit by the seconded employee and his/her/ spouse,
- rental agency fees related to the search for rented lodging in France,
- furniture repository expenses in the country of origin,
- relocation and return trip expenses, at the beginning and the end of their stay in France,
- rental on arrival and departure for a maximum period of two months in each case,
- education expenses for dependant children (these are allowances given for children in primary or secondary education in schools where education is not free of charge when this is justified by the need to continue the school programme in a foreign language),
- French language course for the seconded employee and his/ her family,
- yearly trip (round-trip) to the country of origin for the seconded employee and his/her/ family,
- yearly trip (round-trip) to join their parents made by children

[95] Published in the Official Journal of December 31, 2003 pages 22594 and following, the rectificative finance law n°2003-1312 of December 30, 2003 has been completed by the Instruction 5 F-12-05 / n° 53 of March 21, 2005.

who are considered as dependent for tax purpose and are being educated (for tax purpose) abroad,
- emergency visit to the country of origin for the seconded employee and his/her family,
- living expenses (especially hotel expenses) during the period of relocation, for the salaried employee and his/her family,
- additional rent which may be payable on arrival and departure, where there is a temporary double residence (the temporary double residence must not, except in particular circumstances, exceed a period of three months),
- security expenses for the residence in the country of origin,
- customs clearance expenses and duties,
- expenses for obtaining a French driver's license,
- expenses for technical conversion of vehicles,
- expenses for a vehicle registration certificate,
- reimbursement of fees for administration and tax assistance (tax advice in connection with assessing the consequences of expatriation),

5.1.2. Differential Housing Allowance and of Tax-Equalization.

This is reimbursement of extra charges for a lodging which constitutes the residence of the salaried foreign expatriate in France and the excess of compulsory tax and social security paid in France in comparison with that payable in the country of origin.

5.1.3. Other Allowances.

They comprise the other allowances that are considered to be additional income, including:
- Expatriation allowance,
- Reimbursement of personal expenses (telephone, electricity, parking, etc.),
- Reimbursement of expenses for furnishing and decorating the residence,
- Allowance for purchase of a vehicle or to cover the loss incurred at the time the vehicle is resold.

5.2. Comparative tax rules

Rules	Nature of benefit		
Tax rules	Allowances and reimbursement of expenses	Differential housing allowance and tax equalization	Other benefits
Ordinary rules	Exonerated subject to their corresponding to professional expenses (1° of article 81 of the CGI)	taxable (art. 79 of CGI)	taxable (art. 79 of CGI)
Headquarters and logistics centre rules	Exonerated in general (1° of article 81 of the CGI)	Exonerated if: 1°) the salaried employee was not fiscally domiciled in France during the five calendar years before the year of his/her arrival to carry out his/her activity in France and was employed in France for a maximum period of six years (§ 94 of the BOI 13-G-1-97); 2°) The headquarters or the logistics centre pay corporation tax in lieu of income tax on the salaried employee (§ 99 to 108 of the BOI 13-G-1-97).	Other benefits
Special rules for foreign expatriates («impatriates»)	Exonerated in general (1° of article 81 of the CGI)	Exoneration of additional income until december 31 of the fifth year following the year in which the impatriate commenced working, subject to the following: 1) the salaried employee was not fiscally domiciled in France the ten calendar years before the year of his/her arrival to carry out his/her activity in France 2) the remuneration subject to tax is not lower than that of a salaried employee carrying out an analogous activity in France under purely local rules (article 81 b of CGI).	

6. Setting up in Paris.

Several types of establishment are possible, among which we will consider the following cases:

- a commercial company,
- a bank,
- an investment company,
- an insurance company,
- a management company of a mutual debt fund,
- a portfolio management company.

6.1. Establishment Procedure for a Foreign Commercial Company.

To set up in France, a foreign commercial company has a choice between 3 legal regimes, subject to different levels of constraint and involving different levels of investment.

6.1.1. A Representative Office.

The representative office must not carry out any commercial activity. It would principally carry out prospecting and advertising activities.

Since the representative office is not incorported, all legal acts in which it accomplishes are done on behalf of the foreign company.

Establishment in France requires a declaration of existence to the business formalities unit (CFE) of the local chamber of commerce and industry. If the office has salaried employees in France, declarations must be made directly to the CFE of the URSSAF (the organization to which social security contribution are paid).

Profits made by the representative office are not taxable in France. The representative office is neither subject to profits tax nor to local professional tax.

If the representative in France is foreign, it must, in certain cases, hold a foreign merchants identity card.

The Order of March 25, 2004 on simplification and adaptation of conditions for carrying out certain professional activities makes provision for the suppression of this card. This card will be replaced by the prior authorization of the Prefect. However, the effective entry into force of this law requires the adoption of a decree which has not yet been published.

In the meantime, a card is always necessary, except for nationals of a country having made a bilateral agreement with France providing for an exemption as well as for holders of a resident's permit. Failure to hold a card when necessary is punishable, by a term of imprisonment and/or a maximum fine of 3,750 euros.

Foreign tradesman's card and prefect's authorization

Order n°2004-279 of March 25, 2004 on simplification and adaptation of the conditions for carrying out certain professional activities, provides that if the representative in France is a foreigner, he/she cannot carry out his/her professional activity in France without having been authorized beforehand by the Prefect of the Department in which he/she will inially carry out his/her activity.

The Order explicitly stipulates that all persons in possession of a special identity card identifying him/her as a merchant as of the publication date of this order does not require the authorization under article L 122-1 of the Commercial Code.

Holders of a resident's permit do not require the authorization under article L 122-1 of the Commercial Code (article 1 of the Order codified by article L 122-1 of the Commercial Code).

The application for the card is processed by the Prefect's office of the department in which the activity will be carried out and must include several supporting documents.

The card is issued as of right if certain criteria are met for nationals of country having made a specific agreement with France.

Foreign tradesman's card and prefect's' authorization.

6.1.2. Branch.

The branch is unincorporated: It has, therefore, no autonomy *vis-à-vis* the parent company. However, it possesses its own clients.

Since it carries on a commercial activity, it is important to register it with the Trade and Companies Registry at the registry of the Commercial Court, in the area where it is established within 15 days following its opening.

For his/her identification, the manager of the branch must present a copy of his/her identity card and a solemn declaration concerning the absence of a criminal reccord and concerning his/her parentage (family names and first names of parents). If he/she is foreigner, he/she must possess foreign merchant's identity card.

Enterprises established out side the European Union that are subject to "VAT" in France or which must file "VAT" declaration in finance, must appoint a fiscal representative. Enterprises established in a member State of the European Union are not subject to such requirements dispensed of VAT but must register at the Tax Centre of the non residents if they are subject to "VAT" in France.

The fiscal representative is freely chosen from among persons subject to VAT in France and is responsible for carrying out formalities on behalf of the enterprise with the tax administration.

6.1.3. Subsidiary.

The subsidiary is a French commercial company endowed with legal personality and real autonomy.

Therefore, all formalities necessary for the creation of a commercial company must be accomplished, including:

- preparation and signature of the status of asides of association;
- publication of a notice of creation of the company in periodical which publishes legal notices;
- registration in the companies register (RCS)

As a separate company, the subsidiary is subject to the same taxes and charges as any other company in France.

Finally, if the legal representative of the subsidiary is a foreigner, he/she must make a solemn declaration concerning the absence of a criminal record and concerning his/her parentage and must possess a foreign merchants' identity card.

6.2. Establishment Procedure for a Bank.

6.2.1. The Relevant Activities.

The following are considered to be banking transactions, which come within the banking monopoly:

- the receipt of funds from the public;
- credit transactions; and
- providing customers with payment services.

Any person who intends to habitually carry out at least one of these transactions in France must obtain approval as credit institution (EC) from the Credit Institutions and Investment Companies Committee (CECEI).

Institutions approved as credit institutions can also carry out the following incidental operations:

- foreign exchange transactions;
- transactions on gold and other precious metals;
- investment, subscription, purchase, management, custody and sale of securities and of all financial instruments;
- advice and assistance with asset management;

- advice and assistance concerning financial management, financial engineering and, generally, all services for facilitating the creation and the development of enterprises, subject in all cases to legislative provisions relating to the illegal practice of certain professions; and
- ordinary leasing of movable and immoveable property and financial leases;

When these related operations constitute investment services, their exercize is subject to obtaining approval as an investment services provider.

6.2.2. Operating Conditions for Banking Activities.

Operating conditions for banking activities in France are different according to the country origin of the credit institution wishing to be established.

1) Operating conditions of banking activities for a credit institution of the EEA.

Enterprises having their head office in a member state of the European Economic Area (EEA) and operating directly in France under the freedom of services provisions or through a branch, benefit from mutual recognition of approvals and are under the supervision of the authority in their home country.

According to this principle, credit institutions of a member state of the EEA are eligible to carry out activities under Directive n°2000/12/CE (March 20, 2000) that they are authorized to carry out in their country of origin, under the authorization that has been delivered to them by the competent authorities of such country.

Any activity not mentioned on the list cannot be carried out in France through a branch or under the freedom of services provisions, prior to receiving prior explicit approval from the French authorities.

Thus, the competent authority of the country of origin, ie the country in which the institution was initially authorized, communicates to the Credit Institutions and Investment Companies Committe (CECEI) an attestation certifying that the institution fulfils the required conditions in order to operation as a credit institution.

This attestation is accompanied by the following details:

- a programme of activity (showing, in particular, the type of operations envisaged and the structure of the branch);

- the address at which documents can be received in France;

- the names of the managers of the branch;

- the amount of the equity and the solvency ratio of the credit institution;

- details on any system of deposit guarantees for the purpose on ensuring the protection of depositors.

Upon the receipt of this information, the CECEI sets out the legal and regulatory provisions which the applicant institution must respect. At the same time, the Banque de France sends a copy of the establishment application to the Banking Commission.

A refusal of authorization by the CECEI application must be motivated.

Any susbsequent opening of a branch on French territory must be declared to the Banque de France.

2) Conditions applicable to carrying out banking activities by a non-EEA credit institution.

The opening on French territory of subsidiaries or branches of credit institutions whose head office is in a country which is not member of the European Economic Area requires the approval of the CECEI.

The evaluation criteria used by the CECEI in deciding whether to give its approval are identical to those applied to French credit institutions and concern: minimum equity of the establishment, the quality of the proposed activity in terms of the appropriateness of the form of establishment for carrying out the projected activity, the programme of activities, technical and financial resources, the quality of the equity contributors and their guarantors.

Two senior executives of suitable character and experience are also required.

The CECEI has twelve months in which to respond to a request for approval.

6.2.3. Operating Conditions for Related Transactions.

Practically, these activities are generally an accessory of a banking activity.

Contact:

CECEI www.cecei.org
Department of Credit Institutions and Investment Companies,
39, rue Croix des Petits Champs
75049 PARIS Cedex 01
Tél.: +(33) 1 42 92 29 63

6.3. Establishment Procedure for a Investment Company.

6.3.1. The Relevant Activities.

When they involve financial instruments, five types of services are concerned.

1) Investment Services.

They are traditionally classified into five categories:

- receipt-transmission of orders;
- execution of orders for third party accounts;
- negotiation for its own account;
- portfolio management for third party accounts; and
- underwriting and placement.

These services can be provided either by investment companies or by credit institutions specially authorized for this purpose. The Credit Institutions and Investment Companies Committee (CECEI) issues the necessary licence after approval of the programme of activity by the Financial Markets Authority (AMF), for portfolio management. When such portfolio management service is the principal activity, the AMF has exclusive authority for such approval.

2) Related Services.

They include:

- the granting of credits or loans to an investor to enable him carry out a transaction on a financial instrument in which the institution granting the credit or loan intervenes.
- advice on asset management;
- providing advice to companies concerning capital structure, industrial strategy and related questions as well as services relating to the merger and buyout of companies;
- services linked to underwriting;
- foreign exchange services linked to the provision of investment services;
- renting of safe deposit boxes; and
- negotiation of goods, which underly derivative financial instruments when such goods are linked to the performance of such derivatives.

The provision of these services, when carried out in addition to investment services, does not require any specific license. However, such services on a stand alone basis require an authorization issued by the CECEI.

3) Services assimilated to investment services.

The following activities assimilated to investment services:

- acting as an account keeper, if it is linked to an investment service or a service mentioned below;
- clearing;
- custody or administration of financial instruments; and
- acting as a depositary for a mutual investment organization.

The provision of such services does not require a specific authorization.

4) Other regulated financial services.

Certain activities which constitute neither investment services nor related services are subject to particular regulations. They are:

- counselling on financial investment [96],
- banking and financial direct sales [97],
- clearing [98];
- financial analysis [99];

[96] Financial and Monetary Code Articles L. 541-1 and following.
[97] Financial and Monetary Code Articles L. 341-1 and following.
[98] Financial and Monetary Code Articles L. 442-1 and following.
[99] Financial and Monetary Code Articles L. 544-1 and following.

6.3.2. Operating Conditions for Investment Services.

1) Operating conditions for investment services by ISPs from the EEA.

ISPs (Investment Services Providers) having their head offices in a member state of the European Economic Area (EEA) which operate in France either directly on the basis of the rules on the freedom to provide services, or through a branch, benefit from the mutual acknowledgement home country authorization and fall within the supervision of the competent authority of their country of origin.

An ISP of a member state of the European Economic Area (EEA) can carry out in France activities refered to in the investment service directive n°93/22/CE, which they are authorized to carry out in their country of origin in conformity with the licence issued to them by the competent authorities of such country.

Any activity not featuring on this list cannot be carried out by the branch in France, except upon receiving an explicit authorization from the French authorities.

The competent authority of the country of origin sends an attestation to CECEI certifying that the company fulfils the necessary requirements to benefit from the rules applicable to credit institutions.

This attestation is accompanied by the following information:

- a programme of activity;

- the address through which documents can be received in France;

- the names of the persons in charge of the branch; and

- details on any deposit insurance system for the protection of depositors.

2) Operating conditions for investment services provided by an ISP not originating from the EEA.

Subsidiaries or branches of an investment company or credit institution with its head office in a country outside EEA must obtain an authorization from the CECEI.

The CECEI must, in particular, verify:

- the existence of the necessary capital;

- the quality of shareholders; and

- the appropriateness of the legal structure for the planned activity.

When a company wishes to offer, as an incidental activity, a management service for third party accounts, the CECEI sends its file to the AMF for approval of the planned programme of activity. This programme has to contain information relative to the planned activity, the structure of the organization of the entity, the integrity and competence of managers, the conditions in which the service is provided.

3) Representative offices.

The opening of offices which are limited to information, liaison and representation activities has to be notified beforehand to the CECEI which then informs the AMF.

6.3.3. Operating conditions of related services.

The provision of related services requires a license.

6.3.4. Operating Conditions for Assimilated Services and other Regulated Services.

Companies carrying out assimilated services do not benefit from the European passport.

Contacts:

AMF
www.amf-france.org
17, place de la Bourse
75082 Paris Cedex 02
Tel.: +(33) 1 53 45 60 00
Fax: +(33) 1 53 45 61 00

CECEI
www.cecei.org

Banque de France
Direction des établissements de crédit et des entreprises d'investissement
39 rue Croix des Petits Champs
75049 Paris Cedex 01
Tel.: +(33) 1 42 92 29 75 or 39 75

6.4. Establishment Procedure for an Insurance Company.

6.4.1. The Relevant Activities.

Insurance transactions are divided into several branches:

- life insurance and capitalization;

- insurance of bodily harm; and

- other insurances and assistance activities.

In addition, insurance companies can also engage in reinsurance.

6.4.2. Operating Conditions.

For companies with their head offices abroad, two situations have to be distinguished.

1) Operating conditions for companies with their head offices in an EEA member state and directly operating in France based on the rules concerning freedom to provide services or through a branch.

Such companies operate on the basis of licences from the authorities of their country of origin.

However, a general representative domiciled and resident in France must be designated to represent them on French territory. Such representative must have a sufficient delegation of power from the company in order to be able to bind it *vis-à-vis* third parties and to represent the company before French authorities and courts.

2) Operating conditions for the branches of foreign companies whose head office is not in the European Economic Area (EEA).

Such companies must obtain an authorization from the French authorities, the Insurance Companies Committee which is a sub-group of the National Insurance Council.

This license has two levels.

The technical administrative license is similar to that of French companies.

The examination of the Insurance Companies Committee concerns:

- the managers, who have to demonstrate integrity and competence;

- the quality of equity providers; and

- the programme of activities, the list of branches, the countries in which the company operates;

The articles of the association and the list of managers have to be provided together with the application.

The license is subject to a principle of speciality. As such, a licence covering life insurance is only compatible with a licence covering bodily injury insurance and excludes other non life activities.

The decision has to be motivated and is subject to recourse before the Council of State.

Issuance of a special license is discretionnary. Refusal does not have to be motivated and cannot be the subject of any review or appeal.

Contacts:

Insurance Companies Committee of the National Insurance Council, Ministry of the Economy and Finance.

6.5. Establishment Procedure for a Fund.

6.5.1. Management of Mutual Debt Funds (FCC).

1) The activity of management companies.

They are companies whose exclusive purpose is the management of FCCs.

Their activity is not comparable to that of an investment service provider because their assets are not principally composed of financial instruments.

Foreign entities cannot benefit from the simplified rules of the «European passport».

2) The operating conditions for the branch of a foreign company: French license.

The issuing of a license requires the submission of an application Financial Markets Authority (AMF) containing information such as: articles of association, identity of legal representatives, its ressources and so on.

The management company must, in addition, present certain guarantees in particular:

- existence of minimum capital;

- structure of capital;

- integrity and professional experience of managers;

- independence of the activity; and

- sufficient technical and human ressources

The company cannot start operating until it receives notification of supervision of the FMA.

6.5.2. Custodians of FCCs.

Custodians for FCC transactions, can be:

- a credit institution authorized in France;

- a branch of a credit institution set up in France having its head office in the EEA;

- any other company authorized by the Minister of Finance.

Contacts:

AMF www.amf-france.org
17, place de la Bourse 75082 Paris Cedex 02
Tél.: + (33) 1 53 45 60 00 Fax: + (33) 1 53 45 61 00

6.6. Establishment Procedure of a Portfolio Management Company.

The establishment procedure for portfolio management companies in Paris was facilitated by Instruction n°2006-02 of January 24, 2006, issued by the Financial Markets Authority (AMF) in conformity with Article 312-3 and following of its General Regulation.

Article L. 532-1 of Monetary and Financial Code distinguishes two types of service provider:

- one providing Portfolio Managements Service for third party accounts as an incindental activity

- one for which this service is its principal activity.

1) Companies carrying out, portfolio managements service for third party account as a principal activity.

The procedure is as follows:

- filing an initial authorization application with the "AMF";

- examination of the application by the "AMF".

- Consultation by the "AMF" of the competent authorities of a State that is a party to the agreement on the European Economic Area (EEA).

The "AMF" requires the opinion of the competent authorities of another State that is party to the agreement on the European Economic Area (EEA) when the portfolio management company is:

- a direct or indirect subsidiary of a portfolio management company which meets the requirements of Directive no. 85/611/EEC of December 20, 1985, or an insurance company approved in another State that is party to the agreement on the European Economic Area (EEA);

- a direct or indirect subsidiary of the parent company of another portfolio management company in accordance with Directive no. 85/611/EEC of December 20, 1985, or an insurance company approved in another State that is party to the agreement in the European Economic Area (EEA);

- controlled by the same individuals or legal entities as another portfolio management company in accordance with directive no. 85/611/EEC of December 20, 1985, or an insurance company approved in another State that is party to the agreement in the European Economic Area;

- a direct or indirect subsidiary of an investment company or credit institutions authorized in another State that is party to the agreement on the European Economic Area (EEA);

- a direct or indirect subsidiary of the parent company of an investment company or credit establishment authorized in another State that is party to the agreement on the European Economic Area (EEA);

- controlled by the same individuals or legal entities as an investment company or credit institution authorized in another State that is party to the agreement on the European Economic Area (EEA);

In the absence of a response from the competent authority concerned within the period established in Article 2, the delay for issuing the authorization can be suspended until the opinion requested by the "AMF" is received.

- Notification of the authorization decision and, if applicable, approval of one or more specialized activity programmes:

The letter from the "AMF" to the portfolio management company informing it of its authorization includes:

- the authorization number;

- the authorization issuance date; and

- the scope of the authorization, which is dependent on the scope of the basic activity programme and, if applicable, one or more specialized programmes presented in the file submitted to the AMF.

- The authorization and/or approval of a specialized activity programme.

This process consists of the following:

- filing an authorization application and, if applicable, an approval request for a specialized activity programme of the management company;

- receipt of the request;

- checking the compliance of the application;

- sending a notice of receipt showing that the application has been submitted to the AMF, or sending back the file with notice of the grounds for its return;

- examination of the application;

- contact with the applicant if necessary;

- receipt of the RIC and the requested information;

- sending the notice of receipt specifying the new authorization deadline;

- notification of the authorization decision (with or without conditions precedent) or rejection, and if applicable, approval of the specialized activity programmes or their rejection;

- if applicable, sending the supporting items in order to meet the conditions precedent before the deadline issued by the notification letter;

- receipt of the supporting items and the notification of fullfilling of the conditions precedent and the effective commencement of authorization;

- the commencement of activity by the portfolio management company.

2) Form of the company.

Article 322-7 of the AMF General Regulation stipulates that a portfolio management company «may be constituted in the form of a joint stock company, partnership limited by shares, or a general partnership. Subject to the specific examination of its by-laws, it may also be constituted as a limited partnership or a simplified joint stock company. In the same way, it can be constituted at the initiative of insurance companies, credit establishments, or investment companies, in the form of an economic interest group exercising its activity exclusively for the benefit of its members».

If the portfolio management company is constituted as a limited partnership or simplified joint stock company, the AMF will ensure that the principle of independent decision-making of the directors is clearly defined in the by-laws. If it is an economic interest group, the AMF will also assess the capacities of its members.

3) The head office and central administration.

The place of the head office is, in principle, where the company has its main legal, financial, administrative, and technical management activity. If the portfolio management company manages mutual funds, the head office of the mutual-funds management company will determine the competent authority for authorization of its UCITS. Consequently, the accounting and management of such UCITS are carried out in France.

4) Management companies and investment companies performing management activities for third parties on an incidental basis.

For a portfolio management company or investment company performing a management activity for third parties on an incidental basis, and which is authorized in another State party to the agreement on the European Economic Area, to be able to carry out its activity in France on the basis of the rules on freedom of provision of services, the AMF must have previously received an activity programme from the competent authorities of the State of origin, in which the investment services that it expects to provide are specified.

The AMF registers the company in question on the list of investments service providers that perform portfolio management activities in France, and informs it of the legal and regulatory provisions with which it must comply.

If any of the items communicated in application of that provision is amended, the company in question must inform the AMF of the expected amendments in writing, in French, before making such amendments. Every year, it must send to the AMF information on the number of portfolios and the volume of assets which it manages in France.

5) Establishment of branches in France.

For a portfolio management company or an investment company performing a portfolio management activity for third parties on an incidental basis, and which is authorized in another State party to the agreement on the European Economic Area (EEA), to be able to establish a branch in France, the AMF must have previously received an activity programme from the competent authorities of the State of origin, the address at which documents may be sought from it in France, as well as the names of the branch's directors.

The AMF informs the investment company in question of the legal and regulatory provisions which it must comply with. The branch must supply the AMF with the following items of information: curriculum vitae of its directors and principal managers, forecast activity, management accounts, identifying the costs and income of the branch, material resources including hardware and software, organization of the activity and internal control, commercial policy, information documents for investors and advertizing and marketing documents, mandate templates, and investors' compensation scheme.

If any of the items mentioned in the preceding paragraphs is amended, the investment company in question must notify the AMF in writing, and in French, at least one month before making the planned amendments. Every year, the branch must send an annual information file to the AMF in accordance with the template established in annex 8 of the above-mentioned instruction.

Contact:

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75082 Paris Cedex 02
Tel.: + (33) 1 53 45 60 00 - Fax: + (33) 1 53 45 61 00

7. Civil Law Foundation: an Answer to Corporate Legal Needs.

1. The need for a flexible and diversified legal system.

The laws applying to business transactions are today one factor of production among others, and at the same time an essential component of any business corporate strategy that keeps on top of its environment. Realistic decision-makers know that for maximum returns on their projects they must factor in the legal underpinnings. They know the importance of reducing legal risk – sometimes the risk of legal action – affecting their investment. So businesses need a wide range of flexible and powerful legal solutions to deal with the many different situations they have to deal with. They cannot make do with ready-made legal formulas: on the contrary, they need to be able to use rules that suit their precise requirements, rules constantly honed and improved by international competition among the legal systems available. In short, any tendency towards the predominance of one legal system does not foster free enterprise.

2. Civil Law Initiative Foundation where law and business meet.

The Civil Law Initiative Foundation's original mission is to respond to this need for diversity and technically advanced legal systems by ensuring competitiveness. It is a private organization incorporated to serve the general interest, run predominantly by businesses and the legal professions, in association with the academic world and the public authorities, and aimed at strengthening the convergence of business and the law. Its mission is to act wherever legal arrangements affect business activity; to act on the basis of professional legal expertise and the practical experience of business leaders. The Foundation's activities are primarily based on practical partnerships with its sister institutions in countries that share the same continental legal tradition – the one which covers almost 70% of the world's population and GDP. That tradition is one of written and predictable law primarily designed to prevent disputes, foster simplicity and reduce legal costs. The Civil Law Initiative is chaired by M. Henri Lachmann, chairman of the Supervisory Board of Schneider Electric, and run by a team of legal scholars and practitioners.

3. Ensuring competitiveness among legal systems.

The Foundation takes action for this purpose in various fields of applied comparative law. It aims to gather and disseminate among its members specific information about the provisions and practices that apply in the various countries involved, drawing on the development of lawyers' and decision-makers' networks in France and abroad. It supports legal research and a diversity of international legal standards. Its vocation is to ensure that the voice of continental law is heard in every field where legal systems compete, whether in national forums or in international institutions such as the World Bank or the European Union. The Foundation promotes legal expertise and the international provision of legal training. It fosters the spread of continental law by undertaking dissemination and translation of legal text. By putting the rules of continental law into constructive competition with other systems, it acts to offer improvements in the competitiveness of national legal systems.

4. A partner at international level.

The Civil Law Initiative Foundation has a capital of over E10m, and benefits from the contribution of skills and from the combination of the many initiatives it encourages. It is open to all those involved in the law or business and interested the role of the law at international level. It supports the dynamic activity of Paris EUROPLACE, in particular, its efforts to spread knowledge of financial law and also to simplify it and make it even more functional.

Contact:

www.fondation-droitcontinental.org

Paris EUROPLACE Presentation

Created in 1993, Paris EUROPLACE is in charge of promoting Paris as a financial center. Members include most categories of actors in finance, namely corporate issuers, investors, brokerage firms, banking institutions, market authorities, law, accounting and consulting firms, and professional associations. Paris Europlace has gained recognition internationally for its role in promoting Paris as a financial centre and coordinating all related activities. Its characteristic role is precisely to bring together the various categories of players in the finance industry.

Paris EUROPLACE acts in three areas: organizing study groups charged with making proposals for reform, contributing to Europe-wide work programmes, and promoting the Paris financial market abroad. Its most recent work has been on the development of euro-denominated securities markets, trends in the asset management industry, issuers' expectations and European-level developments in post-trading services.

1. Paris EUROPLACE as a vehicle contributing to reform in the finance industry in Europe.

Paris EUROPLACE acts as a forum to coordinate responses on certain proposed European legislation.

In 2004, Paris Europlace acted as the voice of the Paris financial market place to:

- comment on the European Commission's initiative concerning the areas of post-market and clearing and settlement (July 28, 2004),
- respond to the reports of the expert group related to the review of the Financial Services Action Plan (September 9, 2004).

2. The Financial Law Committee (Comité de Droit Financier).

The ability of the law to offer legal certainty and to respond to investors needs is perceived as a key ingredient in promoting the attractiveness of Paris as an international financial centre.

In 2002, a financial law committee (the "Committee") was established in order to contribute to the objective of promoting of legal certainty and responding to investors needs.

(i) Organization.

Its membership is broad and includes:
- representatives of legal departments of banks and other financial institutions,
- industry representatives,
- regulators (Financial Markets Authority; Treasury, Ministry of Justice),
- representative law firms,
- representatives of academia.

Its purpose is:
- to update the legal community and regulatory authorities in respect of financial and economic issues,
- to propose areas for reform,
- to act as a bridge to the judiciary.

The Committee is chaired by Mr Pierre Bézard, former Presiding Judge of the Commercial Chamber of the Cour de Cassation (Président de la Chambre Commerciale de la Cour de Cassation) which is France's Supreme Court in all matters other than administrative and constitutional law.

(ii) 2002-2005 Work Programme.

The 2002-2005 Work Programme of the Committee has produced the following contributions:
- an analysis of the strength of French law in respect of financial market and practise,
- a paper regarding a proposed reclassification of financial instruments in a manner consistent with international standards,
- a paper promoting reform of the law of secured transactions.

Items (b) and (c) have been set out in a White Paper published in December 2003.

(iii) 2005-2007 Work Programme.

The Committee has determined that the following areas would be key priorities in 2005-2007:
- development of master agreements,
- development of European contract law,
- reform of legal rules applicable to dematerialized securities,
- introduction of the *fiducie* act.

ENGLISH GLOSSARY OF ACRONYMS

ACAM	Insurance and Mutual Societies Regulator
AFB	French Banking Association, replaced in 2001 by the French Banking Federation (FBF)
AMF	Financial Markets Authority
AFEI	French Investment Firms Association
AFIC	French Capital Investors Association
AFG	French Asset Management Association
AFTE	French Corporate Treasurers Association
AFTI	French Association of Securities Professionals
AFTB	Forex and Bank Treasurers Association
APE	Public Offer of Securities - POS
ARIA	UCITS with Flexible Investment Rules
ECB	European Central Bank
BSA	Share warrants
BTA	Fixed Rate Annual Interest Treasury Bills
CCAMIP	The Insurance, Mutual Societies and Pensions Institutions Control Commission
CDGF	Financial Management Disciplinary Board
CDO	Collateralized Debt Obligations
CECEI	Banking and Investment Firms Committee
CESR	Committee of European Security Regulators
CIF	Financial Investments Board
CMF	Financial Markets Board
COB	Commission des Opérations de Bourse, replaced in 2004 by the AMF
EC	Credit Establishment [bank]
ECB	European Central Bank
EEA	European Economic Area
ESCB	European System of Central Banks
EU	European Union
FBF	French Banking Federation
FSA	Financial Services Authority
FSIF	Federation of Property and Real Estate Companies
ICC	International Chamber of Commerce
ISDA	International Swaps and Derivatives Association
ISP	Investment Services Provider
MATIF	French International Futures Market
MiFID	Markets in Financial Instrument Directive
MONEP	Paris Traded Options Market
OPA	Takeover
OPCI	Real Estate Mutual Fund
OPCVM	Mutual Fund (UCITS)
PPP	Public-Private Partnership
SCPI	Real Estate Investment Vehicle
SFAS	French Financial Analysts' Society
SIIC	Listed Property Investment Company
SPV	Special Purpose Vehicle
TCN	Negotiable Short-Term Credit Instruments (certificates of deposit commercial paper)
TSDI	Perpetual Subordinated Notes
TSR	Redeemable Subordinated Notes
VAT	Value Added Tax

Disclaimer

The findings, interpretations, and conclusions expressed here are those of the Paris EUROPLACE Financial Law Committee which cannot guarantee the accuracy of the data included in this work. This material is for general information only and is not intended to provide legal advice.

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