

**France: Report on the Observance of Standards and Codes—Monetary and
Financial Policies Transparency and Fiscal Transparency—Updates**

This Report on the Observance of Standards and Codes on Monetary and Financial Policies Transparency and Fiscal Transparency for **France** was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed in **October 2002**. The views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of **France** or the Executive Board of the IMF.

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REPORT ON THE OBSERVANCE OF STANDARDS AND CODES
FRANCE: TRANSPARENCY IN MONETARY AND FINANCIAL POLICIES—AN UPDATE
OCTOBER 2002

This note provides factual information on developments in monetary and financial transparency since the October 2001 update of the October 2000 Report on the Observance of Standards and Codes. It should be read in conjunction with the original report.¹

A. Banking Regulation and Supervision

The Commission Bancaire (CB) has begun to publish decisions on corrective actions in the *Bulletin Officiel de la Banque de France*, a chapter of the *Bulletin Mensuel de la Banque de France*.

B. Insurance Regulation and Supervision

Up to mid-2001, different rules were applied to insurance firms regulated by the Insurance Code and to establishments regulated by the *Code de la Mutualité*.² Moving toward the consolidation of these rules, a new *Code de la Mutualité* was ratified by Parliament in July, 2001. Now, prudential rules concerning authorizations for new entrants in the insurance business, technical provision, and solvency margins are the same for all companies in the sector. The new regulatory framework also limits the scope of insurance businesses to insurance and operations arising directly from it, therefore excluding all other commercial activities. Beside changes in rules, the CCA has made its staff available to the CCMIP on a regular basis. The cooperation effort focuses on life insurance and aims to increase the harmonization of rules and procedures for the whole sector.

C. Securities Regulation and Supervision

Since the last Article IV consultation, the *Commission des Opérations de Bourse* (COB) and the *Conseil des Marchés Financiers* (CMF) have adopted new procedures regulating the process of financial analysis (CMF) and the type of information contained in annual reports issued by enterprises (COB). Detailed information on these changes can be found in the annual report of each of these institutions. (These reports are posted in www.cmf-france.org and www.cob.fr.)

¹ The original report was issued to the Executive Board and is on the IMF website as <http://www.imf.org/external/np/rosc/fra/trans.html>.

² The first group is supervised by the *Commission de Contrôle des Assurances*, CCA, and the second is supervised by the *Commission de Contrôle des Mutuelles et des Institutions de Prévoyance*, CCMIP.

In addition, employees and directors of both institutions are now forbidden to own stocks of public capital companies. In the COB, compliance to this new rule is monitored by an Emeritus State Counselor and previous Board member of the COB. In the CMF, the monitoring is done by its president (who is monitored by the most senior Board member). Both institutions have increased communication through their webpage and, following the example of the CMF, the COB's monthly bulletin now regularly publishes changes in its regulatory practices.

REPORT ON THE OBSERVANCE OF STANDARDS AND CODES
FRANCE: FISCAL TRANSPARENCY—AN UPDATE
OCTOBER 2002

This note provides factual information on developments in fiscal transparency since the October 2001 update of the October 2000 Report on the Observance of Standards and Codes. It should be read in conjunction with the original report.¹

The main developments in fiscal transparency reflect the progressive implementation of the new organic law on budgetary procedures of August 1, 2001 (*Loi organique des lois de finances, LOLF*). Among other things, the law strengthens parliamentary control over the formulation and execution of the budget and broadens information requirements. Specifically, beginning on January 1, 2002, the following new procedures will be applied:

1. All cancellations of expenditure authorizations by government decree have to be notified to the relevant parliamentary committees before being made public; these cancellations will be limited to 1½ percent of the initial credit. Any other action by the government which effectively makes an initial credit unavailable must similarly be communicated to the relevant parliamentary committees (*LOLF*, article 14).
2. At the stage of budget preparation, the government must submit to Parliament a report detailing all taxes and social security contributions and their evolution, including the effects of new measures on tax revenues in the budget year and the two following years. A similar report must also accompany supplementary budget bills (*LOLF*, article 52).
3. The principle of sincerity, stating that the budget law represents in a truthful way all the financial resources and obligations of the central government will become effective (*LOLF*, article 32). In addition, the law requires that all legislation or regulation affecting the government finances in a given year be evaluated and authorized in the budget law for that year (*LOLF*, article 33). In addition, the law that closes the accounts of the previous years (*loi de règlement*) will now be discussed and voted in Parliament by the end of June, before the debate on the budget bill for the following year begins (*LOLF*, article 41).
4. The parliamentary committees in charge of the budget will be entitled to access any financial or administrative document or information and will be able to schedule hearings (*LOLF*, article 57). The Court of Audit will also be obligated to answer questions posed by the parliamentary committees and conduct inquiries ordered by such committees on the bodies it supervises.

¹ The original report was issued to the Executive Board and is on the IMF website as <http://www.imf.org/external/np/rosc/fra/fiscal.html>.