

SAVINGS BANK REFORM IN FRANCE

THE CO-OPERATIVE AS A LEGAL FORM

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The law of 25 June 1999 has subjected France's savings banks to their third reform within a period of sixteen years. This law came into force on 1.1.2000. The willingness to reform shows not only flexibility but rather the need to adapt savings banks to the altered banking environment in the last quarter of the outgoing century.

The reform of 1999 pursues three objectives:

- € to redefine the mandate of the savings banks; the law gives a contemporary answer to the question of identity;
- € to regulate the ownership issue : in terms of its legal form the savings bank was a non-profit-making credit institution managed in the same way as a foundation. But French law does not recognise owner-free assets. Consequently, the savings banks belong to the state. However, the state no longer wishes to enter into banking risks and is privatising one state credit institution after another, including the savings banks. There can be no mention of privatisation here, however, because the state has cashed in 15.9 billion francs in the sale of co-operative shares;
- € to adapt the savings banks to the structural change in the financial and banking sector. The financial group of the savings banks is too small to be able to assert itself in euroland. It has been on the look-out for a partner for years and has had no luck so far.

The regional level

€ A two-layer savings bank

The assumption of the co-operative principle led to a two-layer structure:

- the savings bank as a credit institution in the legal form of a co-operative ;
- its local savings associations as sole holders of their co-operative shares.

Co-operative shareholders of the savings bank are not customers or share subscribers but the savings association as sole holder of the co-operative shares. The

savings association finances its share in the co-operative savings banks through the issue of co-operative shares which it sells to savings bank customers.

The local savings association is not a credit institution and it is prohibited from doing any banking business whatsoever.

The following may not be co-operative shareholders in a savings association: legal and natural entities as well as regional authorities (the latter may not hold more than 10 % of the capital) and the employees of the savings bank.

€ **The organ constitution**

The annual general meeting of the savings bank as a co-operative consists of the representatives of the savings associations; the latter elect 11 representatives to the supervisory and orientation council which also consists of 3 representatives from the regional authorities and 3 representatives from the workforce.

The management of the savings bank is answerable to three organs: the annual general meeting, the supervisory and orientation council and the management board.

The new structure of the savings bank organisation at a national level

€ **The national bank of the savings banks**

The national bank has become the main organ of the savings bank organisation. The reform shows a marked move in the direction of centralisation. The national bank will be more than just head of a group; it will largely determine the business policy of the 31 savings banks.

€ **The national association of savings banks**

The second column of the savings bank organisation is the national association. It is chiefly responsible for co-ordinating the relationships which exist between the savings banks and the co-operatives and for representing their mutual interests, particularly in dealings with the public sector.

The strategy of partnerships

€ **From the statutory to the contractual association with the state deposit bank**

Thanks to the centralised deposits of the savings banks, the state deposit bank is one of the largest financial institutions in the country. As a credit institution under public law, the deposit bank is ever assuming new tasks.

The state deposit bank holds 35 % of the capital in the existing central bank of the savings banks.

A “shareholders package” has been negotiated between the savings bank group and the state deposit bank in order to establish the basic orientation and basic principles of the co-operation.

- the savings banks operate the traditional banking business; they are responsible for savings and loan business as well as the payment transactions.
- the state deposit bank is responsible for investment business.

€ **In search of new partnerships**

Over the last five years the French bank structure has undergone a fundamental change as in many other countries. The intention of mergers and take-overs is to achieve an operational size capable of taking on the challenges of the international market or euroland.

The savings bank group is also under pressure to act.

In 1999 the savings bank group bought the Crédit Foncier de France (land credit bank). Taking over this institution which has since been reorganised by the state, has double advantages from a strategic point of view: on the one hand in order to gain a profile in the property credit market and to secure new market shares, and on the other to benefit from the mortgage bond which has recently been created by the Savings Bank Act and to assume leadership on the future mortgage bond market.

However, this take-over has not taken away the future fears of the savings bank group. With a modest share of less than 10 % in the banking and credit market in France and approximately 1 % at euroland level, it is still searching for a partner institution at home and abroad.

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