Monaco

RISK & COMPLIANCE REPORT

DATE: March 2018

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Executive Summary - Monaco	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Not on EU White list equivalent jurisdictions Offshore Finance Centre
Medium Risk Areas:	Non - Compliance with FATF 40 + 9 Recommendations US Dept of State Money Laundering Assessment Weakness in Government Legislation to combat Money Laundering World Governance Indicators (Average Score)
Major Investment Areas: **Industries:** tourism, construction, small-scale industrial and consumer products, Financial Services	
Investment Restrictions: Economic activity within Monaco, including commercial, craft and industrial activity is strictly monitored by the Government. Prior approval from the Direction de l'Expansion Economique is required before conducting any economic activity in the principality, and this applies to foreign companies which may establish a branch or an administrative unit in the principality.	

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Section 1 - Background

The Genoese built a fortress on the site of present day Monaco in 1215. The current ruling GRIMALDI family first seized temporary control in 1297, and again in 1331, but were not able to permanently secure their holding until 1419. Economic development was spurred in the late 19th century with a railroad linkup to France and the opening of a casino. Since then, the principality's mild climate, splendid scenery, and gambling facilities have made Monaco world famous as a tourist and recreation center.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Monaco is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

July 2014 - MONEYVAL report on the 4th round assessment visit in Monaco

The mutual evaluation report on the 4th assessment visit in Monaco is now available.

Links to:
Press release
Executive Summary
Report (French only)
Addendum (French only)

The report was adopted at MONEYVAL's 42nd Plenary Meeting (Strasbourg, 16 – 20 September 2013). The MONEYVAL 4th cycle of assessments is a follow-up round, in which important FATF Recommendations have been re-assessed, as well as all those for which the state concerned received "Non-Compliant" (NC) or "Partially Compliant" (PC) ratings in its 3rd round report. This report on Monaco is not, therefore, a full assessment against the FATF 40 Recommendations and 9 Special Recommendations but is an update on major issues in the AML/CFT system in Monaco. According to MONEYVAL's procedures and the decision of the 42nd Plenary, Monaco was placed under the biennial follow-up procedure.

The initial Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Monaco was undertaken by the Financial Action Task Force (FATF) in 2007. According to that Evaluation, Monaco was deemed Compliant for 5 and Largely Compliant for 15 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 3 of the 6 Core Recommendations.

Key Findings from latest Mutual Evaluation Report (2007):

The Principality has a satisfactory legal framework to combat money laundering and terrorist financing, though the evaluators regretted the fact that, in general, the legal provisions are not very detailed or otherwise supplemented by detailed secondary legislation and instructions. The 2003 money laundering offence's restrictive terms hindered prosecutions, and thus the results in terms of convictions for money laundering remained disappoint ting:

there has been one conviction for money laundering. The terrorist financing offence encompasses most of the international requirements. There are a number of gaps limiting Monaco's ability to restrain, confiscate and recover proceeds of crime and the mechanism for freezing and confiscating terrorist assets is incomplete. Overall, the Monegasque FIU is effective and is the driving force behind the AML/CFT national efforts. Monaco has designated competent authorities to investigate and prosecute money laundering and terrorist financing offences, though the police and prosecution service do not appear to conduct proactive inquiries in these matters. Measures for domestic and international co - operation are generally comprehensive as well.

The volume of suspicious transaction reports (STRs) has increased in recent years, in particular the ones originating from casinos, CSPs and accountants. The STR reporting requirement is restrictively limited to reporting funds that could derive from drug trafficking or organised criminal activity or financing of terrorism.

Supervision of the financial institutions, in particular on-site supervision, needs to be significantly strengthened, as does the number of staff assigned for this purpose. AML/CFT supervision is weak and certain types of designated non- financial businesses and professions (DNFBP) are not being subjected to requirements which would result in controls. The range of administrative sanctions is not sufficiently graduated and criminal penalties do not cover all statutory AML/CFT related obligations.

The Principality of Monaco is a constitutional monarchy. Executive power is retained by the highest authority, the Prince. The Government is overseen by a Minister of State, who represents the Prince and who is assisted by a Council of Government composed of 5 counsellors – for the interior, finance and economic affairs, public works, environment and planning, social affairs and health, and external relations. Legislative power is divided between the Prince, who initiates the laws, and the unicameral parliament (the National Council) which adopts them. The judicial function is formally exercised by the Prince but is delegated to the courts and tribunals which render justice in his name. Official estimates in 2000 indicated a population of 32020, out of which 6089 are Monegasque, 10229 French and 6414 Italian. The Euro is the legal currency since January 2002, as a result of a monetary agreement signed with France acting on behalf of the European Community.

In recent years, the Monegasque financial system has become increasingly more concentrated as a result of a series of mergers and acquisitions starting in 2003 and the arrival of well-known names in the world of finance and wealth management. The financial sector is dominated by private banking and fund management. In late 2005, the total value of assets managed by Monegasque banking establishments was € 70 billion euros. By the end of 2006, credit establishments and portfolio management had a turnover of € 2.1 billion and represented 15.6% of total turnover of the private sector in Monaco. Most of the banks' activities were concerned with non-resident customers (Italy, Germany, Belgium, northern Europe), who in 2006 accounted for 66% of customer deposits.

Historically, Monaco has always maintained close and special relations with France, with which it has signed several bilateral treaties and agreements covering various matters such as taxation, customs, insurance, post, telegraph and telephones. A number of French officials are seconded from the French public service in the fields of education, law enforcement, justice and tax affairs and nearly half of the judges are seconded by Franc e for a definite term. Monaco's banking and financial system is linked to that of France.

French banking rules and regulations regarding prudential aspects and the regulation and organisation of credit institutions are applicable in the Principality and credit institutions are answerable to the relevant French supervisory bodies. However the Monegasque authorities retain responsibility for overseeing the application of these provisions, particularly those relating to investment services and anti-laundering arrangements.

According to the Monegasque authorities, laundering in Monaco nearly always relates to predicate offences committed abroad, evidence for which requires investigations abroad. Proceedings tend to be lengthy because investigations depend on co-operation of foreign authorities. The main types of predicate offences are difficult to identify. Various cases were linked to corruption or drug trafficking and some isolated cases were identified of trafficking in arms or vehicles, with a limited involvement of organised criminal groups, mainly from Italy. No particular trends in money laundering in the Principality were identified. It is believed that, like any major financial centre, Monaco has to deal with very sophisticated forms of money laundering that are mainly concerned with the second and third stages of the process: conversion and integration.

No terrorist financing activities have so far been recorded in Monaco.

US Department of State Money Laundering assessment (INCSR)

Monaco was deemed a Jurisdiction of Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

The Principality of Monaco is the second-smallest country in Europe but is considered a major banking center that closely guards the privacy of its clients. It has worked in recent years to comply with international requirements for greater openness and sharing of information. It is linked closely to France and to the economic apparatus of the EU through its customs union with France and its use of the euro as its official currency.

Monaco's state budget is based primarily on value-added tax revenue, taxes on legal transactions, income from the real estate sector, and corporate income tax, which account for 78 percent of the total income; casino revenues constitute less than three percent of the state budget. Private banking and fund management dominate the financial sector. Monaco does not have a formal offshore sector, but approximately 60 percent of the banking sector's total assets and deposits are owned by foreigners. Monaco publishes information about its financial sector, but banking information is not published. Credible sources estimate the country's 35 banks and three financial institutions hold more than 300,000 accounts and manage total assets of about 750 billion euros (approximately $819.4 billion).

Money laundering charges relate mainly to offenses committed abroad. The Principality does not face ordinary forms of organized crime, nor is there a significant market for smuggled goods.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:
"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:
Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES KYC covered entities: Banks and credit societies; the post office; money exchanges and remitters; portfolio and fund managers and securities brokers/dealers; insurance firms; financial advisors and intermediaries; casinos; real estate agents; dealers of high-value goods, antiques, art, and precious stones and metals; lawyers; notaries; trustees and company service providers

REPORTING REQUIREMENTS:
Number of STRs received and time frame: 880 in 2014
Number of CTRs received and time frame: Not available
STR covered entities: Banks; insurance companies; stockbrokers, corporate service providers, portfolio managers, and trustees; casinos; money remitters; real estate brokers; business, legal, or tax advisors; dealers in precious stones, precious materials, antiquities, fine art, and other valuable assets; lawyers; notaries; accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 6 in 2014
Convictions: Not available

RECORDS EXCHANGE MECHANISM:
With U.S.: MLAT: NO Other mechanism: YES
With other governments/jurisdictions: YES

Monaco is a member of the Council of Europe Committee of Experts on the Evaluation of Anti- Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Monaco has signed 32 tax information-sharing agreements with foreign counterparts. The Government of Monaco should enhance the authority of SICCFIN, its financial intelligence unit (FIU), to forward reports and share financial intelligence with law enforcement and foreign FIUs even when the report or information does not relate specifically to drug trafficking, organized crime, or terrorist financing. Although there is a 2007 agreement between Monaco and the United States regarding sharing of confiscated proceeds of crime, Monaco should expand its asset sharing program to other international partners. Monaco also should move to enhance its ability to freeze terrorist assets and examine the threshold for reporting large cash transactions.

The Government of Monaco should become a party to the UN Convention against Corruption.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Monaco does not conform with regard to the following government legislation: -

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

States Party to United Nations Convention Against Corruption - States party to the United Nations Convention against Corruption (UNCAC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.

EU White list of Equivalent Jurisdictions

Monaco is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Monaco is considered to be an Offshore Financial Centre

International Sanctions

None Applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	N/A
World Governance Indicator – Control of Corruption	N/A

Section 3 - Economy

Monaco, bordering France on the Mediterranean coast, is a popular resort, attracting tourists to its casino and pleasant climate. The principality also is a banking centre and has successfully sought to diversify into services and small, high-value-added, non-polluting industries. The state retains monopolies in a number of sectors, including tobacco, the telephone network, and the postal service. Living standards are high, roughly comparable to those in prosperous French metropolitan areas.

The state has no income tax and low business taxes and thrives as a tax haven both for individuals who have established residence and for foreign companies that have set up businesses and offices. Monaco, however, is not a tax-free shelter; it charges nearly 20% value-added tax, collects stamp duties, and companies face a 33% tax on profits unless they can show that three-quarters of profits are generated within the principality. Monaco was formally removed from the OECD's "grey list" of uncooperative tax jurisdictions in late 2009, but continues to face international pressure to abandon its banking secrecy laws and help combat tax evasion. In October 2014, Monaco officially became the 84th jurisdiction participating in the OECD's Multilateral Convention on Mutual Administrative Assistance in Tax Matters, an effort to combat offshore tax avoidance and evasion.

Monaco's reliance on tourism and banking for its economic growth has left it vulnerable to a downturn in France and other European economies which are the principality's main trade partners. In 2009, Monaco's GDP fell by 11.5% as the euro-zone crisis precipitated a sharp drop in tourism and retail activity and home sales. A modest recovery ensued in 2010 and intensified in 2013, with GDP growth of more than 9%, but Monaco's economic prospects remain uncertain, and tied to future euro-zone growth.

Agriculture - products:

none

Industries:

banking, insurance, tourism, construction, small-scale industrial and consumer products

Exports - partners:

Europe 73.2%, Africa 14.6%, America 5.2%, Asia 4.9% (2013 est.)

Imports - partners:

Europe 70.4%, Asia 20.8%, America 4.4%, Africa 4.1% (2013 est.)

Banking

As a result of various agreements between France and Monaco, French banking law is applied in the Principality. Monegasque banks are therefore subject to the same rules of prudence and supervision as French banks. All supervisory activities are, of course, strictly regulated, which guarantees the confidentiality of transactions carried out by financial institutions in Monaco.

Monaco's banks offer both commercial and retail banking services, although many of them have focused increasingly on private banking and wealth management in response to the Principality's specific features and the expectations of a sophisticated international clientele.

Section 4 - Investment Climate

Summary

- France welcomes foreign investment and has a reliable business climate that attracts investment from around the world. The French government devotes significant resources to attracting foreign investment, through policy incentives, marketing, its overseas trade promotion offices, and investor support mechanisms. France has an educated population, first-rate universities, and a talented workforce. It has a modern business culture, sophisticated financial markets, strong intellectual property protections, and innovative business leaders. The country is known for its world-class infrastructure, including high-speed passenger rail, maritime ports, extensive roadway networks and public transportation, and efficient intermodal connections. High speed (3G/4G) telephony is nearly ubiquitous and over 85% of French citizens have internet access.
- The investment climate in France, though complex, is generally quite conducive to U.S. investment, as illustrated by the fact that the United States is France's largest source of foreign direct investment (FDI stock). Around 1,200 U.S. companies in France (affiliates with assets, sales, or net income greater than $25 million) are responsible for over 450,000 jobs. (Note: Business France (a French government agency) counts smaller firms and arrives at 4,800 American firms employing 460,000 people in France. End note.) In total, there are more than 20,000 foreign-owned companies doing business in France. It is home to more than 30 of the world's 500 largest companies. This year, France moved up one place to number 22 in the World Economic Forum's ranking of global competitiveness.
- The 2014 and 2015 American Chamber of Commerce France-Bain Barometer surveys on the outlook of U.S. companies in France have expressed a degree of pessimism on France's business climate, specifically citing challenges such as lack of clarity in the government's agenda, red tape and burdensome regulations, unpredictability in legislation, and the complexity of labor law. In recent years, the government has selectively intervened in corporate mergers and acquisitions and it maintains a significant stake in a few industries. Research suffers from insufficient collaboration between the public and the private sectors. Factors that can impede inward foreign investment include France's weak economic growth (0.2% GDP growth in 2014; 1.1% in 2015), unemployment stubbornly above 10%, unpredictable economic and budget policies, the complexity of tax regimes, and the fact that France has been subject to strict European Union macroeconomic surveillance due to a prolonged period of budget deficits exceeding the EU limit of 3% of GDP.
- Key sectors that have historically attracted significant foreign direct investment in France include manufacturing industries (notably the pharmaceutical, chemical, and automobile industries); financial sector; trade and repairs; information and communication; and construction and real estate. France continues to support innovation in small and medium enterprises (SMEs) via its ten-year, EUR 35 billion "Investments for the Future" (Investissements d'Avenir) program targeting green

technologies, the digital economy and industrial sectors such as aeronautics, space, transportation, and shipbuilding. It developed tax incentives to spur research and innovation, such as the Research Tax Credit (CIR - Crédit Impôt Recherche) and for innovative new companies (Jeune Entreprise Innovante). Key sectors with high potential include aerospace, food products, pharmaceuticals, microelectronics, logistics, and healthcare equipment. Call centers, biotechnology, and environment are other sectors with potential. The government has announced partial privatization of state-owned firms and plans to use proceeds to reduce indebtedness and increase investment in some sectors; it has not yet provided a detailed plan but may further reduce its stakes in electricity, gas, rail transport, and postal services.

- Key issues to watch include the government's ability to plan and implement structural reforms to boost competitiveness and employment. The government has already initiated an increase in the number of Sundays businesses can open and the deregulation of some sectors. In 2015, the government continued to introduce new measures to encourage growth and investment. In particular, it implemented the Responsibility and Solidarity Pact designed to lower firms' labor costs by EUR 30 billion by 2016, reduce corporate taxes and simplify administrative formalities. In tandem with the CICE corporate tax credit program (Crédit d'Impôt Compétitivité Emploi), the government expects the Responsibility Pact to spur the creation of approximately 500,000 jobs over the coming years. It has also recently implemented new labor laws, which strengthen vocational training and add elements of flexibility to the French labor market. In early 2016, the government unveiled – but has not yet passed into law – a package of labor market flexibility measures that would streamline legal and regulatory requirements through a revision of the labor code. One element of the 2016 labor bill (still under revision as of this writing) proposed to give companies more flexibility to set aspects of workers' workweeks or working hours at the company level, subject to employer-employee accord. The website of Business France has a chronology of measures planned and/or implemented by the government (labeled *Pro-Business Reform Agenda Highlights* on page 45 of http://www.businessfrance.fr/wp-content/uploads/2016/03/V2_NEW_PDF_global_UK-BD_1703.pdf).
- Foreign investment represents a significant percentage of production, exports and employment in many sectors. Foreign firms employ two million individuals, account for one-third of French exports, and undertake more than 20% of corporate R&D expenditures. Rapid growth in new technologies has given way to renewed growth in traditional sectors: automobiles, metalworking, aerospace, capital goods, consultancy and services. France rejoined the top 20 largest recipients of foreign direct investment (FDI) inflows in 2014, at number 19 in annual FDI rankings published by UNCTAD (United Nations Conference on Trade and Development). FDI inflows accounted for 0.5% of GDP in 2014. According to the government agency Business France, investment projects in France were 5% lower in 2015 than the year before, but remained higher than the ten-year average. The United States accounted for 4.9% of FDI inflows in 2014, down from 18.5% the previous year. The U.S. FDI stock represents 10.4% of FDI in France or USD 76.8 billion. Based on 2013 estimates, U.S holdings of French securities totaled USD 196 billion, down from the 2011 level of USD 217 billion. Those figures likely understate U.S. investment in France, as the U.S. investments tend to be considerably older than those of other countries, and U.S. firms often finance expansions and acquisitions on domestic French capital markets or through subsidiaries in third countries. As a result, much U.S. investment in France is not

recorded in balance of payments statistics, even though it may ultimately be controlled by U.S. citizens.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	26 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	27 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	21 of 143	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country ($M USD, stock positions)	2014	USD 76,823	BEA
World Bank GNI per capita	2014	USD 42,950	data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

France is committed to encouraging foreign investment within its borders. In the current economic climate, the French government sees foreign investment as a way to create jobs and stimulate growth. Investment regulations are simple, and a range of financial incentives are available to foreign investors. A public agency named "Business France" resulted from the 2015 merger of UbiFrance (the trade promotion agency) and Agence Francaise pour les Investissements Internationaux (French Agency for International Investment or AFII, which promoted inward foreign investment in France). Business France has a staff of 1,500 in 70 countries. See http://invest.businessfrance.fr or http://invest.businessfrance.fr/?lang=en and the "Invest in France" smartphone application, through which users can "pinpoint every foreign investment location in France."

Foreign investors say they find France's skilled and productive labor force, good infrastructure, technology, and central location in Europe attractive. France's membership in the European Union (EU) and the Eurozone (as the 19 countries that use the Euro currency are known) facilitates the movement of people, services, capital, and goods. However, notwithstanding French efforts at economic reform, market liberalization, and attracting foreign investment, perceived disincentives to investing in France include the tax environment, the high cost of labor (with the minimum wage, called the SMIC for Salaire Minimum Interprofessionnel de Croissance, at EUR 1,466 per month), rigid labor markets, and occasional strong negative reactions toward foreign investors planning to restructure, downsize or close. The 2015 AmCham-Bain Barometer details U.S. businesses' concerns about some of France's economic policies under President François Hollande (in office since May 2012), notably the lack of predictability in economic and budget policy and increased complexity of the tax and labor regimes. The AmCham France recommends changes to France's labor regulations to boost employment, providing more legal stability and predictability to international investors in France, continuing to improve France's cost competitiveness to catch up with competitors, attracting and retaining strategic functions and international talent in France, and accelerating administrative simplification without creating new complexities. See http://www.amchamfrance.org/assets/news_last_white_papers/845_barometre-amcham-bain-2015.pdf to download the 2015 AmCham-Bain Barometer study in French.

The Ministry of Foreign Affairs has a webpage devoted to economic diplomacy (http://www.diplomatie.gouv.fr/en/french-foreign-policy/economic-diplomacy-foreign-trade) that lists attracting foreign investment to France as a top focus. Websites with a broader focus include: http://m.invest-in-france.org/media/Doing-Business-in-France-2015.pdf and http://www.amchamfrance.org/en/special_business_reports/DOING-BUSINESS-IN-FRANCE/1.

No laws or practices discriminate against foreign investors by prohibiting, limiting or conditioning foreign investment except in a few specified sectors (refer to the section titled Limits on Foreign Control).

English summaries of regulations including labor and tax regulations applicable to foreign companies in France are available at the Business France website (http://sayouitofrance-innovation.com/wp-content/uploads/2015/09/DB_BUSINESS_UK_2015_BD_2708.pdf). French summaries are available at the Paris Chamber of Commerce and Industries' website (http://www.inforeg.ccip.fr).

Other Investment Policy Reviews

Given the relative stability of the investment climate, France is not the subject of international organizations' investment policy reviews. For example, the Organization for Economic Cooperation and Development (OECD) has not conducted a review of the French investment climate since 1996. The World Trade Organization (WTO) does not provide trade policy reviews for the individual member states of the European Union, but does provide one for the European Union as a whole (2013): http://www.wto.org/english/tratop_e/tpr_e/tp384_e.htm. The United Nations Committee on Trade and Development (UNCTAD) does not have a public report on the investment climate in France, though UNCTAD provides a statistical fact sheet on French FDI (inward and outward) at http://unctad.org/sections/dite_dir/docs/wir2015/wir15_fs_fr_en.pdf and a country profile at http://unctadstat.unctad.org/CountryProfile/GeneralProfile/en-GB/251/index.html.

Laws/Regulations on Foreign Direct Investment

There is strong respect for the rule of law in France. Whereas the United States uses a "common law" system, French law is codified. Private law governs interactions between individuals (e.g., civil, commercial, and employment law) and public law governs the relationship between the government and the people (e.g., criminal, administrative, and constitutional law). Foreign investment in France can take many forms: acquisition, merger, takeover, purchase of securities and other financial contracts, greenfield investments, etc.

The formal French investment regime is said to be among the least restrictive in the world. For a description of the French legal system applicable to foreign investment refer to http://sayouitofrance-innovation.com/wp-content/uploads/2015/07/DB_BUSINESS_UK_2015_BD.pdf (English). For a brief introduction, see the video called “The A-Z of investing in France with the IFA” (http://www.dailymotion.com/video/xmmknp_the-a-z-of-investing-in-france-with-the-ifa_news).

The French government has a website called “Guichet Entreprises” (Business Window) that aims to be a one-stop shop for creating a business: https://www.guichet-entreprises.fr/article/10-etapes-de-la-creation-dentreprise/ and a similar one (in French) at https://www.cfe.urssaf.fr, Centre de Formalités des Entreprises, for registering.

Questions about foreign investment operations that require notification to the Banque de France (the French central bank) should be addressed to the bank:

Banque de France (http://www.banque-france.fr)
Service de la Balance des Paiements
31, rue Croix-des-Petits Champs
Tel: 01-4292-4292

Business Registration

A. Companies, including foreign companies, may use the online business process which has been created to simplify formalities: https://www.guichet-entreprises.fr. A government organ formerly known as “Agence pour la Création d’Entreprises” (Business Creation Agency), but now called “Agence France Entrepreneur” (France Business Agency) also has information on creating a business: https://www.apce.com/pid224/8-les-formalites-de-creation.html. The World Bank’s “Investing Across Borders” webpage on France (http://iab.worldbank.org/data/exploreeconomies/france) provides quantitative indicators on the country’s laws, regulations and practices affecting how foreign companies invest across sectors, start businesses, access industrial land, and arbitrate disputes. “Centre de formalités des entreprises” (CFE or “business formalities center”), which are generally Chambers of Commerce and similar organizations located throughout France, are equipped to accept registration applications. Note some required formalities are not handled by a CFE, notably related to the domiciliation of business, the protection of the name of the business, and business insurance. In the best case, registration may take only a week. For further explanation on business registration, foreign investors may also refer to Chapter 1 “Setting up in France successfully” in http://sayouitofrance-innovation.com/wp-content/uploads/2015/07/DB_BUSINESS_UK_2015_BD.pdf (also available in French).

B. France’s investment promotion agency is named “Business France.” The agency is open to foreign investors (http://en.businessfrance.fr/our-services/invest/). Services are open to all businesses, regardless of size.

C. In France, companies are categorized by size. No specific legal structure exists for micro-enterprises but they do benefit from a specific tax status and accounting rules. (The French term “micro-entreprise” has replaced “auto-entrepreneur,” as self-employed small business owner or sole proprietorships were previously known in France). Small and medium enterprises (SMEs) are businesses with fewer than 250 employees and sales lower than €50 million or balance sheets not exceeding €43 million. In 2015 and 2016 the French government announced a number of measures in favor of very small enterprises (VSEs, or TPEs in French) and SMEs (PMEs in French) to encourage them to hire and invest. Benefits may apply to foreign-owned businesses. VSEs and SMEs are the back bone of the French economy, accounting for 99.8% of French businesses and employing 50% of workers.

The World Bank webpage on starting a business in France provides information on the ease of starting a limited liability company (http://www.doingbusiness.org/data/exploreeconomies/france/starting-a-business/).

Industrial Promotion

In September 2013, President Hollande unveiled a EUR 35 billion plan to finance an "Investments for the Future" (Investissements d'Avenir) program targeting 34 priority industrial sectors. In 2014, he added another EUR 12 billion, bringing the total to EUR 47 billion. That same year, newly-appointed Minister of Economy, Industry and Digital Affairs Emmanuel Macron focused the program on six "strategic priorities": Excellence in Higher Education, Training, and Research; Commercializing Research; Health and Biotech; the Digital Economy; Innovative Industry and Transport; and Sustainable Development. Unlike past government-led industrial policies, these plans were developed by the private sector up to EUR 22.5 billion, with the government merely "leveraging the funds to be invested by companies taking part in these initiatives," which are also open to foreign investors. In 2015, Minister Macron launched Phase 2 of the "Investments for the Future" program, targeting the digital sector (onboard software and connected objects, digital security and high-end computing and digital simulation). More information on these initiatives is available at: http://www.gouvernement.fr/investissements-d-avenir-cgi or http://www.economie.gouv.fr/vous-orienter/industrie/nouvelle-france-industrielle.

President Hollande also launched an Innovation 2030 program in 2013 via a global contest called the "Worldwide Innovation Challenge," open to all entrepreneurs investing in France regardless of nationality. In March 2014, the Innovation 2030 Commission selected 58 preliminary stage winners who received an initial EUR 200,000 to get their ventures going. The French government earmarked EUR 300 million to co-finance innovative entrepreneurs between now and 2030 in the following sectors: energy storage, the recycling of metals, the development of marine resources, plant proteins and plant chemistry, personalized medicine, the silver economy (products and services for older people), big data, and public security and threat protection. The first round of applications closed in March 2015; a second call for proposals ran through December 2015. Other details are available on the "Worldwide Innovation Challenge" website: http://www.entreprises.gouv.fr/innovation-2030/ (in French and English).

In the same vein, the French government inaugurated the French Tech initiative in 2014 to promote the development of France's tech brand, and promote France as a location for start-ups and high-growth digital companies, with the goal of turning France into a "Start-Up Republic." The French Tech initiative includes an "acceleration" investment by the French government of EUR 200 million to foster start-up ecosystems in and outside France and a EUR 15 million yearly budget to promote French innovation globally. The first two French Tech hubs were set up in the United States in 2014, in San Francisco and Boston. A "French Tech" conference is also organized every June in New York City. As part of the French Tech initiative, the French government launched in 2015 the "Paris French Tech Ticket" package to attract foreign entrepreneurs wishing to create or develop their start-up in Paris. This package includes a work visa, a $14,000-$28,000 grant (€12,500-€25,000) for each team member, free office space in an incubator in Paris, as well as an English-speaking administrative advisor to get through the red tape. Every six months, some 50 people will be awarded this French Tech Ticket. The first group of foreign start-ups was chosen in March 2016, and 23 of them, including 5 Americans, were greeted by President Hollande. See http://www.frenchtechticket.paris/7/faq.

France continues to support innovation in small and medium enterprises (SMEs) via a EUR 400 million national seed fund (Fonds National d'Amorçage or FNA) managed by public financial institution Caisse des Dépots et Consignations (CDC). The FNA fund is part of the French government's EUR 35 billion ten-year (2010-2020) Investments for the Future program (Investissements d'Avenir). More information is available at: http://www.caissedesdepots.fr/fonds-national-damorcage and http://www.bpifrance.fr/Bpifrance/Nos-metiers/Fonds-propres/Les-fonds-de-fonds/Fonds-national-d-amorcage-FNA.

France's Public Investment Bank (Banque Publique d'Investissement – Bpifrance) has been described by the French government as its "offensive" industrial policy tool. It also supports innovation in small and medium-sized companies and launched an accelerator for small companies in 2015 and will do the same for medium-sized companies in 2016. In 2014, it disbursed EUR 14 billion in interest-free loans, reimbursable advances, guarantees and equity investment to small and medium-sized companies at every stage of their development. The Public Investment Bank was formed in 2013 by merging a strategic investment fund named the "Directorate for Medium-Sized and Large Companies" ("Direction des ETI et Grandes Entreprises"), the Oséo fund for small business development, and the business lending arm of the government's financial institution (CDC or Caisse des Dépôts et Consignations). The government determines BPI's broad strategic objectives and offers each French region a partnership setting out its priorities through its 90 regional funds and 38 regional establishments. The bank's management actively searches for companies throughout France needing funding and has begun publishing yearly regional reports. See http://www.diplomatie.gouv.fr/en/french-foreign-policy/economic-diplomacy-foreign-trade/facts-about-france/facts-about-french-economy/article/tailored-funding-with-the-public.

Limits on Foreign Control and Right to Private Ownership and Establishment

With a few exceptions in certain specified sectors (see "Screening of FDI" below), there are no statutory limits on foreign ownership of companies. Foreign entities have the right to establish and own business enterprises, and engage in all forms of remunerative activity. However, French government officials occasionally try to insert themselves into merger and acquisition talks or try to exert pressure on executives involved in major cross-border deals.

No laws or practices discriminate against foreign investors by prohibiting, limiting or conditioning foreign investment except in a few specified sectors (see "Limits on Foreign Control below).

Privatization Program

France (like many other European governments) undertook a major privatization program in the 1990s. Today, the government owns a minority stake in several companies, listed in the section titled “Competition from State-Owned Enterprises.” The government has not announced plans to completely privatize any of the remaining state-owned enterprises (SOEs), but it has drawn down its shareholdings in several companies, and hopes to earn EUR 5 to 10 billion by selling stakes in regional airports and companies in which it holds double voting rights (e.g., electric utility EDF and national lottery company Française des Jeux). The government plans to sell its 60% stakes in Nice and Lyon airports in 2016.

Foreign investors are allowed to participate in privatizations. The government’s stakes in state-owned companies are sometimes sold through market-based public offerings, but more commonly through an off-market bidding process. In either case, the Ministries of Finance and Economy makes determinations based on bidders’ business plans and with the advice of the quasi-independent “Commission des Participations et des Transferts” (formerly known as the Privatization Commission). The confidential nature of off-market sales can raise suspicions about the equal treatment of foreign and French bidders, cooling interest from foreign investors. In the past, a policy of selling holdings to "core" shareholders to avoid splitting up companies or selling sensitive state assets to foreign investors favored French firms.

A 1993 privatization law gives the government the option to maintain a so-called "golden share" when privatizing national companies in order "to protect national interests." A golden share gives the government the right to: require prior authorization from the Ministries of Finance and Economy for any investors acting in concert to own more than a certain percentage of a firm's capital; name up to two non-voting members to the firm's board of directors; and block the sale of any asset to protect "national interests."

In June 2002, the European Court of Justice reaffirmed the basic principle of free movement of capital in the EU and stated that the use of golden shares was a serious impediment to that principle. Nonetheless, a 2006 French law allowing the government (on energy security grounds) to keep a golden share in Gaz de France (GDF) following its merger with Suez was accepted by the European Commission. As of April 2016, the government now has double voting rights in GDF-Suez, now known as Engie. The French government has likewise reserved the right to retain a golden share in any restructuring of Areva, the French nuclear and renewable energy company.

Screening of FDI

The Business France website’s “Doing Business in France” section explains French regulations on foreign direct investment (see http://invest.businessfrance.fr/mediatheque/doing-business-2015-2/?lang=en). While there is no generalized screening of foreign investment, French law stipulates that acquisitions in certain sectors are subject to prior notification, screening, and approval by the Economy Minister. From 2005 to 2014, the eleven specified sectors were gambling; private security services; research, development and production of certain pathogens or toxic substances; wiretapping and communications interception equipment; testing and certification of security for IT products and systems; goods and services related to the information security systems of companies managing critical infrastructure; dual-use (civil and military) items and technologies; encryption services; the activities of firms entrusted with national defense secrets; research, production or trade of weapons, ammunition, and explosive substances intended for military purposes; and any business supplying the Defense Ministry with any of the above goods or services.

In May 2014, six new areas were added to the specified sectors list: energy infrastructure; transportation networks; public water supplies; electronic communication networks; public health protection; and installations/works vital to national security. (See http://www.tresor.economie.gouv.fr/4183_Textes-de-reference for the legal text.)

The French government must review any investment (in the aforementioned specified sectors) that acquires control of a French firm, surpasses a 33-percent ownership threshold, or involves any part of such a firm that has established headquarters in France. Some investments in sensitive sectors require the consent of several ministries. The foreign investor submits a formal application for prior authorization to the Minister of the Economy who will make a decision within two months of the date of receipt of a full and complete formal application for authorization. If the Minister of the Economy fails to make a decision, the authorization is deemed granted. The formal review process and communications with the foreign investor are carried out by departments of the Ministry of Economy in relation with other governmental agencies corresponding to the sensitive sector(s) involved.

As a condition of authorization, the French Minister of the Economy may impose certain conditions on the foreign investor to mitigate risks that the contemplated transaction could adversely affect public order, public safety or national security. Foreign investors may contest the conditions imposed for authorization, or the refusal to authorize, before the administrative law courts.

Competition Law

Direct investments in the form of mergers and acquisitions are subject to antitrust review by the French Competition Authority (Autorité de la Concurrence) as provided by the Economic Modernization Law of August 4, 2008. The Competition Authority handles any operation meeting the following three conditions: the pre-tax global revenue of all the combined companies or entities is above EUR 150 million; the pre-tax revenue in France is above EUR 50 million; the operation does not fall within the scope of 2004 EU Regulation 139 on merger regulation. Information in English is available at: http://www.autoritedelaconcurrence.fr/user/standard.php?id_rub=79.

An August 6, 2015 law on economic growth, activity and equal opportunities (known as the "Macron Law") vested the Competition Authority with the power to review concentrations between retailers ex-ante (beforehand). The law provides that all contracts binding a retail business to a distribution network shall expire at the same time. This enables the retailer to switch to another distribution network more easily. Furthermore, distributors are prohibited from restricting a retailer’s commercial activity via post-contract terms. The civil fine incurred for restrictive practices can now amount to up to 5% of the business's revenue earned in France.

The Competition Authority has also played a key consultative role in opening up new sectors to competition. For example, the Authority’s President, Bruno Lasserre, counseled Minister of Economy Emmanuel Macron to liberalize the long-distance, intercity bus market in France as part of the aforementioned "Macron Law." To date, the government estimates that this law has created some 1,000 jobs in five intercity bus companies, including two foreign (British and German) firms.

The Competition Authority is also active in highly regulated industries such as energy. Together with the energy regulator CRE (Commission de Régulation de l'Energie), the Authority submits a report every five years to the government on the implementation and effects of the Regulated Access to Incumbent Nuclear Electricity (ARENH) mechanism, particularly regarding its impact on the wholesale and retail markets, as well as investments in electricity production facilities. The ARENH mechanism entitles suppliers to purchase electricity from EDF at a regulated price, in volumes determined by the CRE. In its opinion published on February 16, 2016, the Authority urged the government to give a clear indication that it would start progressively phasing out this mechanism, which is due to expire on December 31, 2025. The Authority has deemed the current system not conducive to "effective competition in the French basic energy production market."

In a similar vein, in the rail sector, the government followed the advice of a January 2015 Competition Authority report advising the government to bolster the autonomy of SNCF Réseau (the rail network management company) from its sister company, SNCF Mobilités (the railway operator) in order to promote greater economic efficiency. The Authority judged that keeping railway infrastructure management independent from railway operations was "essential for the development of fair competition," but had previously been lacking.

A tradition of state intervention in the French economy can pose challenges to both French and foreign investors, as corporate governance and employment decisions occasionally attract political attention. French labor unions tend to see U.S. firms as focused on short-term profits at the expense of employment and not sufficiently committed to social dialogue or respect for their legal obligations to employees when restructuring.

2. Conversion and Transfer Policies

Foreign Exchange

France is one of nineteen countries (known collectively as the Eurozone) that use the euro currency. Exchange rate policy for the euro is handled by the European Central Bank in Frankfurt, Germany. After spending most of 2013 and the first half of 2014 in the range of USD 1.30 to USD 1.40, the euro began to fall against the dollar in mid-2014, reaching a low USD 1.05 in March 2015. During 2015 and first quarter 2016, the euro vacillated between USD 1.05 and USD 1.15.

For more information on the exchange rate policies of the Eurozone, please see the U.S. Treasury's semiannual *Report to Congress on International Economic and Exchange Rate Policies* at: http://www.treasury.gov/resource-center/international/exchange-rate-policies/Pages/index.aspx.

Remittance Policies

France's investment remittance policies are stable and transparent.

All inward and outward payments must be made through approved banking intermediaries by bank transfers. There is no restriction on the repatriation of capital. Similarly, there are no restrictions on transfers of profits, interest, royalties, or service fees. Foreign-controlled French businesses are required to have a resident French bank account and are subject to the same regulations as other French legal entities. The use of foreign bank accounts by residents is permitted.

For purposes of controlling exchange, the French government considers foreigners as residents from the time they arrive in France. French and foreign residents are subject to the same rules; they are entitled to open an account in a foreign currency with a bank established in France, and to establish accounts abroad. They must report all foreign accounts on their annual income tax returns, and money earned in France may be transferred abroad.

France established its own tax-haven black list in February 2010, and updates it periodically. France uses its powers under national law to freeze terrorist's assets, and cooperates internationally and at the United Nations on terrorist financing issues. As part of international efforts to combat money laundering and the financing of terrorism, France has introduced regulations tightening reporting on checks, their amounts, origins and destinations. In 2015, the government added another series of such measures (see http://www.economie.gouv.fr/lutte-contre-financement-terrorisme-bilan-des-mesures), including stricter regulation of prepaid cards, higher vigilance in the banking sector on high amount transactions, lower limits on legal cash transactions, and the ability to freeze a wider range of terror suspects' assets.

France is a founding member of the OECD-based Financial Action Task Force (FATF, a 34-nation intergovernmental body). As reported in the Department of State's France Report on Terrorism, the French government has a comprehensive anti-money laundering/counterterrorist financing (AML/CTF) regime and is an active partner in international efforts to control money laundering and terrorist financing. Since 2011, the French government has considerably expanded its financial intelligence unit, Tracfin. Tracfin also became more active within international organizations, and has signed new bilateral agreements with foreign countries. In April 2012, France's bank supervisor, the Prudential Control Authority (ACPR, Autorité de Contrôle Prudential et de Résolution) updated its guidance on vigilance measures concerning fund transfers. In March 2014, ACPR, which supervises the banking and insurance sectors in France, published guidelines regarding anti-money laundering and terrorism financing in the field of wealth management in the banking and insurance sectors. In January 2014, ACPR stated that the exchange in France of bitcoins against a currency requires a license as payment services provider.

3. Expropriation and Compensation

Under French law, private investors are entitled to compensation if their properties are expropriated, and such compensation must be prompt and adequate. This is reflected in France's bilateral investment treaties. There have been no recent disputes involving expropriation of U.S. investments. There are no high-risk sectors prone to direct or indirect expropriation actions.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Whereas the United States uses a common law system (based on precedent), French law is codified into what is sometimes referred to as the Napoleonic Code, but is officially the Code Civil des Français, or French Civil Code. Private law governs interactions between individuals (e.g., civil, commercial, and employment law) and public law governs the relationship between the government and the people (e.g., criminal, administrative, and constitutional law).

France's Commercial Tribunal (Tribunal de Commerce or TDC) specializes in commercial litigation. Magistrates of the commercial tribunals are lay judges, who are well-known in the business community and have experience in the sectors they represent. Decisions by the commercial courts can be appealed before the Court of Appeals. France also has an administrative court system to challenge a decision by local governments and the national government; the State Council (Conseil d'Etat) is the appellate court.

France enforces foreign legal decisions such as judgments, rulings and arbitral awards through the procedure of exequatur introduced before the Tribunal de Grande Instance (TGI), which is the court of original jurisdiction in the French legal system.

France has a distinctive system of protection of intellectual and industrial property rights, applicable not only to artistic or creative rights approximately equivalent to copyright, but also to designs, drawings, patents and trademarks. Firms can register and protect innovation on French territory with the centralized authority for registering industrial property rights, the INPI (Institut National de la Propriété Industrielle, http://www.inpi.fr). French attorneys are qualified and specialized in the specific field of intellectual property. No French commercial court has a monopoly on intellectual property rights. The French Courts are frequently called upon to decide claims from holders of intellectual property rights.

With regard to French patents, actions are generally brought before the High Court (Tribunal de Grande Instance), however questions of jurisdiction may arise concerning foreign patents. The French judicial system is independent, competent, and substantively fair and reliable. Firms can also protect their rights on the European territory or in foreign countries. Cases related to intellectual property rights on a European community brand can be brought to the European courts or the European Court of Justice. French courts must recognize and enforce judgments of foreign courts.

Bankruptcy

France has extensive and detailed bankruptcy regulations. Any creditor, regardless of the amount owed, may file suit in bankruptcy court against a debtor. Foreign creditors, equity shareholders and foreign contracts holders have the same rights as their French counterparts. Monetary judgments by French courts on firms established in France are generally made in euros. Not bankruptcy itself, but bankruptcy fraud -- the misstatement by a debtor of his financial position in the context of a bankruptcy -- is criminalized. The French bankruptcy law was amended in 2012 to prevent managers and other entities responsible for the bankruptcy of a French company from escaping liability by shielding their assets (Law 2012-346). Also in 2012, France passed a law that enables debtors to implement a restructuring plan with financial creditors only, without affecting trade creditors. In the World

Bank's 2016 Doing Business rankings, France dropped two places to number 24 (out of 189) on ease of resolving insolvency (after having jumped 20 slots from 42 to 22 in 2015).

Investment Disputes

In the past ten years, investment disputes involving U.S. or other foreign investors have been relatively rare though not unheard of.

French regulations in reaction to various potential or proven risks to the environment or human health have made market access for some U.S. energy and biotech companies more difficult. France banned hydraulic fracturing of rock for gas exploration and extraction (fracking) in 2011 and denied the transfer of exploration licenses acquired by U.S. firms, including Schuepbach Energy LLC and Hess Oil, in 2013. France's constitutional court ruled that a July 13, 2011 law banning fracking was "pursuing a legitimate goal in the general interest of protecting the environment." In April 2014, the government suspended the debate within the government on the pros and cons of fracking.

U.S. biotech producers Monsanto, Pioneer/Hi-Bred (DuPont company), and Dow Agro Sciences are present in France, and subject to on-again/off-again bans on genetically modified organisms (GMO) and application of the "precautionary principle" (under which protections can be relaxed only if further scientific findings emerge that provide sound evidence that no harm will result).

International Arbitration

France was one of the first countries to enact a modern arbitration law in 1980-1981. In 2011, the French Ministry of Justice issued Decree 2011-48 which introduced further international best practices into French arbitration procedural law. As a result of that decree, parties are free to agree orally to settle their disputes through arbitration, and the arbitrators to apply their chosen procedure, subject only to minimum standards of due process and a newly enacted principle of procedural celerity and fairness. The President of the Tribunal de Grande Instance (High Civil Court of First Instance) of Paris has the authority to issue orders related to ad-hoc international arbitration (i.e., not institutional arbitration). Paris is the seat of the International Chamber of Commerce's International Court of Arbitration, composed of representatives from 90 countries. Basic texts governing international arbitration in France can be found at http://www.parisarbitration.com/documentation.php#basic-legal-texts.

ICSID Convention and New York Convention

France is a member of both the International Centre for Settlement of Investment Disputes (ICSID) convention and a signatory to the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention) which means local courts must enforce international arbitral awards.

Duration of Dispute Resolution – Local Courts

The timeframe for dispute resolution varies considerably -- up to two years (all forms of appeal included). For emergency situations, a so-called référé procedure is available provided there is a danger of irreparable harm; this expedited procedure takes just a few days.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

France is a party to the World Trade Organization's (WTO) Trade-Related Investment Measures (TRIMS) agreement. While developing new draft legislation, the French government submits a copy to the World Trade Organization for review to ensure the prospective legislation is not inconsistent with its WTO obligations.

Investment Incentives

France offers a range of financial incentives, generally equally available to both French and foreign investors.

The French government introduced a competitiveness and employment tax credit (Crédit d'Impôt pour la Compétitivité et l'Emploi - CICE), effective January 2013, that reduces payroll taxes paid by businesses, and temporarily exempts some firms based on geographic location (urban tax-free zones, rural regeneration zones, etc.) or status as an innovative start-up. Detailed information is provided in English on the Economic Ministry website at http://www.economie.gouv.fr/ma-competitivite/tax-credit-for-encouraging-competitiveness-and-jobs or in French at http://www.ma-competitivite.gouv.fr.

The Responsibility and Solidarity Pact, adopted by the National Assembly in July 2014, will provide firms established in France cuts in payroll taxes totaling EUR 40 billion by 2017, including the elimination of payroll taxes on minimum wage earners, the phasing-out of the corporate social solidarity contribution (C3S) starting in 2015, the abolition of the exceptional corporate income tax payment for large corporations starting in 2016, and a gradual reduction in the rate of corporation tax as of 2017.

Recognizing that French corporate taxes are higher compared to those in other leading industrial countries, the government plans to gradually reduce the nominal corporate tax rate from 33% to 28% by 2020, on top of tax credits already in place. For more information on investment incentives and overall French economic objectives, see:

http://ec.europa.eu/europe2020/europe-2020-in-your-country/france/national-reform-programme/index_en.htm

A new simplification rule whereby a lack of response from the public authorities is tantamount to a tacit agreement, set out by law in 2013, came into force on 12 November 2014. This new principle overturns the 'silence implies rejection' rule that had been in place for 150 years.

For movie producers, the French government increased the maximum tax credit per foreign film, known as the Tax Rebate for International Production (TRIP), from EUR10 million to EUR30 million in 2015. The rate of the international cinema and audiovisual tax credit has been raised from 20 to 30%. The aim of this is to relocate and attract to France those productions which, purely for tax reasons, would have been produced elsewhere.

On December 18, 2014, Parliament approved, via a 2014 Amending Finance Law, the government's plan to incentivize corporate venture investment in small companies. Under the

plan, a French company or French subsidiary of a foreign company that invests in cash for a minority shareholding (less than 20%) in a small, innovative SME, either directly or indirectly (i.e., through a fund), would benefit from a five year, linear amortization of their investment. To qualify, SMEs must allocate at least 15% of their spending on research, or their product's processes or technique must have been recognized as innovative by the Public Investment Bank (http://www.bpifrance.fr and http://www.bpifrance.fr/Investors-Center).

One of the missions of Business France's overseas offices is to assist foreign companies that want to invest in France. In the United States, Business France has offices in New York, Boston, Atlanta, Detroit, Chicago, Houston, and San Francisco. (See http://www.youbuyfrance.com/us/ and http://sayouitofrance-innovation.com/?lang=en.)

Research and Development

Incentivizing research and development (R&D) and innovation is a priority for the French government, with the French commercial agency Business France reporting that the percentage of foreign investment projects in R&D rose to 28% in 2014, accounting for 9% of all foreign investment decisions in 2014, and resulting in 6% of all jobs created by foreign investors. New innovation outlays from foreign firms created an estimated 1,700 R&D jobs in France in 2014. Inward R&D investments increased 18% in 2014 in key sectors such as pharmaceutical and biotechnologies, electronics, video games, and medical surgical equipment.

R&D continues to be a major component that attracts foreign investment. International companies may join France's 71 innovation clusters increasing access to both production inputs and technical benefits of geographical proximity. In addition, the annual TNS Sofres-IFA 2014 poll pointed to France's innovation policy as an attractive factor for foreign investment. The Research Tax Credit (Crédit Impôt Recherche - CIR), innovative new company status (Jeune Enterprise Innovante – JEI), National Investment Program, and La French Tech form part of this innovation policy. Additional programs include La French Tech Ticket and the French Young Entrepreneurs Initiative (YEi).

The Research Tax Credit (Crédit Impôt Recherche - CIR) offsets R&D expenditures undertaken by both domestic and foreign firms operating in France, regardless of size or business sector, covering both R&D spending and innovation expenses incurred by small and medium-sized enterprises. The French government provides tax credits to support up to 30% of a firm's first EUR 100 million in R&D costs, and an additional 5% in credits above this threshold. Additionally since 2013, an "innovation tax credit" is available that reduces the cost of innovation expenditure by 20% up to EUR 400,000. The research tax credit and innovation schemes are set until 2017.

France boasts 71 innovation clusters or “competitiveness poles” that bring together universities, private companies and research centers, as well as new technology research institutions benefiting from public/private joint investments. More than 30 of these clusters are attracting international partnerships, and 17 cooperation projects with American partners are already in place. The government’s cluster policy involves many public players, such as the National Research Agency (Agence Nationale de la Recherche or ANR), the Public Investment Bank (Bpifrance), the Environment and Energy Conservation Agency (ADEME), the financial institution CDC (Caisse des Dépôts et Consignations or CDC) and investment promotion organization Business France. (For more information in English, see: http://competitivite.gouv.fr/les-brochures-de-presentation-des-poles/french-poles-de-competitivite-clusters-serving-business-and-job-growth-787.html and http://competitivite.gouv.fr/documents/commun/Documentation_poles/brochures_poles/anglais/brochure-ang-internet.pdf).

The New Innovative Company status (Jeune Enterprise Innovante – JEI) offers tax advantages to SMEs that are less than eight years old and whose R&D expenditures account for at least 15% of total spending. Scale-backs in 2011 were restored in 2014 along with a “new university company” status which encourages researchers to start new businesses.

The EUR 47 billion National Investment Program supports growth in innovation and specialist sectors, development and distribution of generic technologies, training, energy transition, and development of the living economy and healthcare. Innovative projects with high growth potential and manufacturing projects are selected by an independent panel that often includes experts with international backgrounds.

La French Tech initiative launched in 2013 to support the growth of startups and digital companies by providing funding under the umbrella of the National Investment Program. La French Tech accelerates the growth of startups throughout France, accrediting nine French Tech cities in 2014, and investing EUR 200 million in acceleration programs for digital companies. Additionally, La French Tech aids in the internationalization of startups and aims to attract foreign investors, corporations, startups, and talent. French Tech Hubs in foreign cities help French companies to expand to the global marketplace.

La French Tech Ticket is a Paris-based program that focuses on bringing international startups to France by offering benefits which include a residence permit, a grant of EUR 25,000 and free mentoring in a Parisian startup incubator. Following the first selection of winners in March 2016, the program was expanded to cover 200 selected startups in 13 French cities.

Based in Boston, the French Young Entrepreneurs Initiative (YEi) further encourages American startups to set up their businesses in France. Since 2005, the program has facilitated networking opportunities for leaders of 61 startups, linking American entrepreneurs with French incubators and research centers. After participating in the program, 13 American companies have launched their startups in France. The YEi initiative expects to expand its French network to include more incubators and Business France, the French agency responsible for promoting foreign investment in France.

For OECD's review of France’s Innovation Policy, see http://www.oecd.org/publications/oecd-reviews-of-innovation-policy-france-2014-9789264214026-en.htm.

Performance Requirements

While there are no mandatory performance requirements established by law, the French government will generally require commitments regarding employment or R&D from both foreign and domestic investors seeking government financial incentives. Incentives like PAT regional planning grants (Prime d'Aménagement du Territoire pour l'Industrie et les Services) and related R&D subsidies are based on the number of jobs created, and authorities have occasionally sought commitments as part of the approval process for acquisitions by foreign investors. For 2014-2020, PAT has been revised to benefit SMEs with the objective of promoting the development of businesses in priority regional zones. In 2015, this direct government subsidy amounts to EUR30 million (see http://www.cget.gouv.fr/prime-damenagement-territoire-pat).

The French government imposes the same conditions on domestic and foreign investors in cultural industries: all purveyors of movies and television programs (i.e., television broadcasters, telecoms operators, internet service providers and video services) must invest a percentage of their revenues to finance French film and television productions. They must also abide by broadcasting content quotas (minimum 40% French, 20% EU).

Data Storage

France has not implemented data localization measures (i.e., rules on maintaining a certain amount of data storage within the country), but there is ongoing discussion among government, civil society, and corporate stakeholders regarding the desirability and feasibility of proposals to encourage data localization.

France's existing criminal code punishes failure to comply with orders to decrypt data or give up encryption keys to the authorities with three years in jail and a fine of €45,000 ($51,300), or five years in jail and a fine of €75,000 ($85,400) if complying with the order would have prevented a crime. As of April 2016, both chambers of France's legislature had approved different versions of a draft bill on "Combating Organized Crime, Terrorism, and their Financing" with amendments that could increase fines, and possibly prison sentences, for failure to decrypt and hand over data to investigators in terrorism-related cases. A joint parliamentary committee will meet in early May 2016 to reconcile the chambers' versions of the bill.

6. Protection of Property Rights

Real Property

Real property rights are regulated by the French civil code and are enforced. In the World Bank's Doing Business Report (DBR), France is ranked 85 of 189 on registering property. French civil-law notaries (notaires) -- highly specialized lawyers in private practice appointed as public officers by the Justice Ministry -- handle residential and commercial conveyancing and registration, contract drafting, company formation, successions and estate planning. The official system of land registration, the "cadastre" (cadaster, in English) is maintained by the French public land registry under the auspices of the French tax authority (Direction Générale des Finances Publiques - DGFiP); available online at https://www.cadastre.gouv.fr. Mortgages are widely available, usually for a 15-year period.

Intellectual Property Rights

France is a strong defender of intellectual property rights. Under the French system, patents and trademarks protect industrial property, while copyrights protect literary/artistic property. By virtue of the Paris Convention and the Washington Treaty regarding industrial property, U.S. nationals have a priority period following filing of an application for a U.S. patent or trademark in which to file a corresponding application in France: twelve months for patents and six months for trademarks.

Counterfeiting is a costly problem for French companies, and the government of France maintains strong legal protections and a robust enforcement mechanism to combat trafficking in counterfeit goods -- from copies of luxury goods to fake medications -- as well as the theft and illegal use of intellectual property. The French Intellectual Property Code has been updated repeatedly over the years to face the challenge. On February 26, 2014, the French parliament passed a law reinforcing France’s anti-counterfeiting law, which is based on an October 29, 2007 law that implements the April 29, 2004 EU directive on intellectual property rights. The new legislation increases the euro amount for damages to companies that are victims of counterfeiting and extends trademark protection to smartcard technology, certain geographic indications, plants, and agricultural seeds. The new legislation also increases the statute of limitations for civil suits from three to ten years and strengthens the powers of customs officials to seize fake goods sent by mail or express freight. Finally, the 2014 legislation requires the establishment of a database that will centralize all relevant information from French customs and mail and freight operators.

The government also reports on seizures of counterfeit goods.

France’s top private sector anti-counterfeiting organization, UNIFAB, dedicated its 2016 counterfeiting report to exposing the links between crime, terrorism, and counterfeiting. The report (available at http://www.unifab.com/images/Rapport-A-Terrorisme-2015_GB.pdf) makes clear that terrorist networks and criminal organizations raise money from selling counterfeit goods (including via both legitimate and illicit e-commerce sites).

France has robust laws against online piracy. The government agency called the High Authority for the Dissemination of Artistic Works and the Protection of Rights on Internet (Haute Autorité pour la Diffusion des Œuvres et la Protection des droits sur Internet - HADOPI) administers a “graduated response” system of warnings and fines. It has taken enforcement action against several online pirate sites, including Megaupload. HADOPI cooperates closely with the U.S. Patent and Trademark Office (USPTO) as well as with the White House Office of the Intellectual Property Enforcement Coordinator, including pursuing voluntary arrangements that target intermediaries that facilitate or fund pirate sites. (Note that one of HADOPI’s tasks is to ensure that the technical measures used to protect works do not prevent the right of individuals to make private copies of television programs for their private use.) Despite HADOPI’s efforts, Institute Médiamétrie estimates 13.5 million people watched pirated movies or television shows in France in 2014, up 1.8% from the year before.

For additional information about treaty obligations and points of contact at French IP offices, please see the World Intellectual Property Organization’s (WIPO) country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders

Intellectual Property Rights Officer, Economic Affairs Section, U.S. Embassy Paris. Tel: +33-1-4312-2702.

http://france.usembassy.gov/business/france.html
http://france.usembassy.gov/judicial.html
http://www.amchamfrance.org/en/contact
http://www.amchamfrance.org/en/business_center/living_and_working_in_france/5

7. Transparency of the Regulatory System

The French government has made considerable progress in recent years on the transparency and accessibility of its regulatory system. A major reform in 2009 extended the investigative and decision-making powers of France's Competition Authority, and in 2011 the Authority published its methodology for calculating fines imposed on companies charged with abuse of a dominant position. In 2012, it issued specific guidance on competition law compliance, and government ministers, companies, consumer organizations and trade associations now have the right to petition the authority to investigate anti-competitive practices. While the Authority alone examines the impact of mergers on competition, the Minister of the Economy retains the power to request a new investigation or reverse a merger transaction decision for reasons of industrial development, competitiveness, or saving jobs.

The French government generally engages in industry and public consultation before drafting legislation or rulemaking through a regular but variable process directed by the relevant ministry. However, the text of draft legislation is not always publicly available before parliamentary approval. The French government has recently experimented with new procedures such as online industry consultations for input related to the U.S.-EU Transatlantic Trade and Investment Partnership (TTIP) and the EU-Japan FTA as well as mandatory impact assessments. Although more open than before, French practices appear to be somewhat less transparent and less systematic than EU public notice and comment procedures, according to industry feedback.

To increase transparency in the French legislative process, since 2009 all ministries are required to attach an impact assessment to their draft bills. The Prime Minister's Secretariat General (SGG for Secrétariat Général du Gouvernement) is responsible for ensuring that impact studies are undertaken in the early stages of the drafting process. The State Council (Conseil d'Etat), which must be consulted on all draft laws and regulations, may reject a draft bill if the impact assessment is inadequate.

In June 2014, Prime Minister Manuel Valls set up the position of State Secretary for State Reform and Simplification to make French regulations simpler. The State Secretary consults with companies prior to the drafting of legislation that may affect them. He works in close cooperation with two other agencies under the Prime Minister: the Prime Minister's Secretariat General and the Secretariat General for European Affairs. (This policy is part of a wider effort by the European Union to reduce regulatory burdens under the European Commission's REFIT program.) Some 40 of 92 proposed simplification measures have been adopted so far, including the “tell us once” initiative for e-government-related services and the provision on "zero additional cost" for all new measures. This means that the impact on businesses of any change in regulations or legislation will be quantified by independent experts, or representatives of the business community, and any new cost should be offset by a "reduction at least equivalent to it." The State Secretary for Simplification is also charged with promoting open access to public data.

Foreign companies have expressed concern regarding France's standard-setting procedures. Rigorous testing and approval procedures are sometimes required before goods approved in the United States are cleared for sale in France. The United States and the EU have negotiated mutual recognition agreements covering the testing and certification of some products, but French standards apply where EU-wide standards do not exist. More information on these agreements can be found on the websites of the International Bureau of Weights and Measures at http://www.bipm.org, the U.S. Commerce Department’s International Trade Administration (ITA) at http://www.trade.gov, and the U.S. National Institute of Standards and Technology at http://www.nist.gov. U.S. firms may also find it useful to become members of industry associations, which can play an influential role in developing government policies. Even "observer" status can offer insight into new investment opportunities and greater access to government-sponsored projects.

8. Efficient Capital Markets and Portfolio Investment

There are no administrative restrictions on portfolio investment in France, and there is an effective regulatory system in place to facilitate portfolio investment.

France’s open financial market allows foreign firms easy access to a variety of financial products both in France and internationally. France continues to modernize its marketplace; as markets expand, foreign and domestic portfolio investment has become increasingly important.

As in most EU countries, French listed companies are required to meet international accounting standards. Some aspects of French legal, regulatory and accounting regimes are less transparent than U.S. systems, but they are consistent with international norms.

Euronext Paris (also known as Paris Bourse), the primary French stock exchange, created Alternext in 2005 to offer small and medium-sized companies an unregulated market (based on the legal definition of the European investment services directive) with more consumer protection than the Marché Libre still used by a couple hundred small businesses for their first stock listing. A company seeking a listing on Alternext must have a sponsor with status granted by NYSE-Euronext, and prepare a French language prospectus for a permit from the Autorité des Marchés Financiers (AMF or Financial Markets Authority), the French equivalent of the U.S. Securities and Exchange Commission. Since May 2013, small and medium-size enterprises (SMEs) may list on EnterNext, a new subsidiary of the Euronext Group. Drawing on its pan-European presence, EnterNext brings together all Euronext Group initiatives for companies listed in the B compartment (valued between EUR 150 million and EUR 1 billion) and the C compartment (market capitalization of less than EUR 150 million) of its regulated European markets and on Alternext. EnterNext launched a new communication platform on tech financing through capital markets, which offers information to investors. Foreign companies can provide statements in English with a short summary in French. Details may be found on the AMF web site (http://www.amf-france.org), and more information is available on the Paris Stock Exchange website (http://www.boursedeparis.fr and https://www.euronext.com/en).

Foreigners held 45.3% of the capital of large publicly traded French companies (CAC 40) as of September 2015. An intricate network of cross-shareholdings and interlocking boards among French corporations has often been seen as a barrier to foreign acquisition; often, two French companies will own a significant share of each other, with the same executives sitting on both Boards of Directors. This has grown less common in recent years under pressure from the marketplace.

Money and Banking System, Hostile Takeovers

France's banking system recovered gradually from the 2008-2009 global financial crises. French banks are now largely healthy. The assets of France's largest banks totaled EUR 6.3 trillion (USD 8.5 trillion) at the end of 2014. Foreign investors have access to all classic financing instruments, including short, medium, and long-term loans, short-and medium-term credit facilities, and secured and non-secured overdrafts offered by commercial banks. They assist in public offerings of shares and corporate debt, as well as mergers, acquisitions and takeovers, and offer hedging services against interest rate and currency fluctuations. Foreign companies have access to all banking services. Although subsidies are available for home mortgages and small business financing, most loans are provided at market rates.

The Banque de France (Bank of France), France's central bank, is a member of the Euro system, the central banking system of the Eurozone.

French takeover law is designed to limit hostile takeovers of publicly traded companies. Shareholders are required to disclose holdings in French listed companies to both the Financial Markets Authority (Autorité des Marchés Financiers or AMF) and the listed company whenever holdings reach or exceed 5% of the company's shares or voting rights, and thereafter every time the holding reaches or exceeds 10, 15, 20, 25, 33 1/3, 50, 66 2/3, 90 or 95 percent.

Anticipating revisions to the EU Transparency Directive, the AMF implemented a law requiring cash-settled instruments to be aggregated in calculations of major shareholdings of French listed companies, and included in declarations of intent. Measures to transpose the revised Transparency Directive are included in the law bringing a number of provisions into line with European Union economic and financial law (DDADUE law). However, some implementing measures of the revised directive are still being discussed at a European level and will come into force at a later date. This is the case for the implementation of a storage mechanism on a European level (2018) and the implementation of a single format for publishing annual reports (2020). (For more information: http://www.amf-france.org/en_US/Reglementation/Dossiers-thematiques/Societes-cotees-et-operations-financieres/Marches-d-actions/Directive-Transparence-revisee---finalisation-de-la-transposition.html?langSwitch=true).

A hostile takeover of a French company by a foreign investor could face public and even governmental scrutiny. French companies can suspend implementation of a takeover when targeted by a foreign company whose country of origin does not apply reciprocal rules, and French regulations allow a U.S.-style poison pill takeover defense, including granting existing shareholders and employees the right to increase their leverage by buying discounted shares through stock purchase warrants.

In 2013, the French Minister of Industry expressed the desire of the French government to take new measures designed to protect French companies against hostile takeover bids. Measures focus on the fight against creeping takeovers, the development of long-term shareholder equity and the softening of the conditions governing the issuance of so-called "poison pills." The bill called “Law aimed at reconquering the real economy” (Loi visant à reconquérir l’économie réelle) was published in the official gazette (Le Journal Officiel) on April 1, 2014.

U.S. financial regulations do not restrict foreign banks’ ability to hold accounts for U.S. citizens. Anecdotal evidence suggests, however, that U.S. citizens may be constrained in their ability to open bank accounts at some institutions, as some Americans have been turned away by banks reportedly as a result of the additional reporting requirements associated with the U.S. Foreign Account Tax Compliance Act (FATCA) and other U.S. financial regulations. The U.S. Embassy routinely encounters U.S. citizens with complaints about not being allowed to open accounts. There have also been cases of U.S. citizens with existing accounts who have been asked by their banks to close them. U.S. Citizens are encouraged to alert the nearest U.S. Embassy of any such practices they encounter with regard to the provision of financial services.

9. Competition from State-Owned Enterprises

The French government has shareholdings in 77 companies (see http://www.economie.gouv.fr/files/files/directions_services/agence-participations-etat/Rapport_APE.pdf) of which 13 are listed entities (see http://www.economie.gouv.fr/files/files/directions_services/agence-participations-etat/Portefeuille_cote_-_30_mars_2016.pdf). State owned enterprises (SOEs) dominate common carrier transportation (rail, bus, air) and are active in energy, defense, and the media. The 13 listed entities in which the French State maintains stakes are Aéroports de Paris (50.63%), Airbus Group (10.94%), Air France-KLM (15.88%), Areva (holds 28.83%; controls 86.52%), CNP Assurances (holds 1.10%; controls 66%), Dexia (5.73%), EDF (84.49%), Engie (32.7%), Orange (a direct 13.45% stake and a 13.5% stake through BPI France), PSA (14.13%), Renault (19.74%), Safran (18.03%), and Thalès (holds 26.36%; controls 36.51% of voting rights). Unlisted companies owned by the State include SNCF (rail), RATP (public transport), CDC (Caisse des dépôts et consignations) and La Banque Postale (bank). The government also has majority and minority stakes in small firms in a variety of sectors.

Private enterprises have the same access to financing as SOEs, including from state-owned banks and any sovereign wealth fund or other state-owned investment vehicle. SOEs are subject to the same tax burden and tax rebate policies as their private sector competitors. SOEs may get subsidies and other financial resources from the government (see “Rapport sur les Entreprises et les Etablissements Publics” at http://www.finances.gov.ma/Docs/DB/2016/depp_fr.pdf).

France, as a member of the European Union, is a party to the Agreement on Government Procurement (GPA) within the framework of the World Trade Organization.

OECD Guidelines on Corporate Governance of SOEs

Companies owned or controlled by the state behave largely like other companies in France and are subject to the same laws and tax code. The Boards of SOEs operate according to accepted French corporate governance principles as set out in the (private sector) AFEP-MEDEF Code of Corporate Governance. SOEs are required by law to publish an annual report, and the French Court of Audit conducts financial audits on all entities in which the state holds a majority interest. The French government appoints representatives to the Boards of Directors of all companies in which it holds significant numbers of shares, and manages its portfolio through a special unit attached to the Economics Ministry, the shareholding agency APE (Agence de Participations de l'Etat). A recent APE annual report highlighted the government's strategy to keep a sufficient level of control in strategically important companies while scaling back its shareholdings in traditional industrial sectors to invest in growth companies in key sectors for economic growth. In 2014 and 2015, the government sold some of its holdings in Toulouse airport, GDF Suez, and jet engine firm Safran, with proceeds used to reduce public debt and invest in its Public Investment Bank (BPI). The government plans to sell its stakes in the Nice and Lyon airports in 2016. The BPI has begun acquiring minority stakes in companies, for shorter periods than is generally the case for the government, to promote regional growth, support innovation, and help finance environmental technologies and industries of the future.

Sovereign Wealth Funds

France has no sovereign wealth fund per se (none that use that nomenclature), but does operate funds with similar intent. The Strategic Investment Funds (Fonds Strategique d'Investissement - FSI) was created in 2008. It was owned by the government and the state-owned Caisse des Depots et Consignations (CDC). In 2012, FSI was merged with OSEO (involved in financial support to small businesses) and CDC Entreprises to form the Public Investment Bank (Banque Publique d'Investissement – BPI, now known as Bpifrance). Bpifrance's role is to support small and-medium term enterprises (SMEs), larger enterprises (Entreprises de Taille Intermedaire) and innovating businesses. The government strategy is defined at the national level and aims to fit with local strategies. BPIexport was created in 2013 as part of an initiative to encourage SMEs to export. All investment made by Bpifrance is domestic. Bpifrance may hold direct stakes in companies, hold indirect stakes via generalist or sectorial funds, venture capital, development or transfer capital. It has taken minority stakes in firms and 250 investment funds, including 90 local investment funds that invest in businesses. See http://www.bpifrance.fr/content/download/12844/178861/version/1/file/Bpifrance%20Financement%20-Investors%20Presentation%20March%202015.pdf for more information. Bpifrance continued to invest in French firms in 2016 (see http://www.bpifrance.fr/Vivez-Bpifrance/Actualites/Investissement-les-entreprises-soutenues-par-Bpifrance-en-janvier.-23118; http://www.bpifrance.fr/Vivez-Bpifrance/Actualites/Investissement-les-entreprises-soutenues-par-Bpifrance-en-fevrier-23583) and is planning to invest EUR 8 billion by 2017.

10. Responsible Business Conduct

France has been a long-time advocate of corporate social responsibility (CSR) principles, both internationally and domestically, and there is an exceptionally high degree of awareness of CSR among both producers and consumers. France has played an active role in negotiating the ISO 26000 standard (2010), the International Finance Corporation Performance Standards (revised 2010), the OECD Guidelines for Multinational Enterprises (revised in 2011), and the UN Guiding Principles on Business and Human Rights (2011). France was one of the first European countries to support the Extractive Industries Transparency Initiative (EITI) launched at the Evian G7 Summit in 2003 although it has not yet implemented it. In June 2012, France, together with Brazil, Denmark and South Africa, launched the Group of Friends of Paragraph 47 of the Rio+20 outcome document on sustainable development, which seeks to promote greater transparency through corporate social and sustainability reporting.

Since 2012, all large companies in France are required to publish an annual report on CSR activities. France's National Contact Point for promoting the OECD Guidelines for Multinational Enterprises can be contacted through this website:

http://mneguidelines.oecd.org/ncps/france.htm

11. Political Violence

France is a politically stable country and political violence is relatively uncommon. Occasionally, large demonstrations and protests occur (sometimes organized to occur simultaneously in multiple French cities), and they sometimes (though fairly rarely) lead to violence.

When faced with imminent business closures, on rare occasions French trade unions have resorted to confrontational techniques such as setting plants on fire, planting bombs or kidnapping executives or managers -- as was the case in 2014 at a Goodyear plant in northern France. (The now-former Goodyear employees received jail sentences in January 2016.) So-called boss-napping of senior managers also occurred at three U.S. industrial groups in 2009 although none resulted in injury. A labor dispute in October 2015 between Air France management and unionists resulted in assault charges, but no serious injuries. To remedy the situation and switch from a confrontational approach on labor disputes to a more conciliatory, compromise-oriented one, the current government introduced a labor law in 2014 that aimed to encourage negotiated settlements over conflict.

12. Corruption

Transparency International (TI) ranks countries from cleanest (number 1) to least clean (number 168); France ranked 23rd on TI's 2015 corruption perceptions index, but maintains that France continues to face corruption challenges in certain areas (http://www.transparency.org/country#FRA_Overview). According to Transparency International's chapter in France, the sectors most affected by corrupt practices are public works and the defense industry. TI France (http://www.transparency-france.org) works with French companies of all sizes to discourage and avoid corruption when investing in foreign countries. Transparency International's website has material on the international fight against corruption, and France-specific information is posted at http://www.transparency.org/country#FRA. In April 2016, the French parliament had begun debating a bill (nicknamed "Sapin 2") that would reorganize its anti-corruption mechanism around a new anti-corruption agency. The U.S. embassy in Paris has received no specific complaints from U.S. firms of unfair competition or investment obstacles due to corrupt practices in France in recent years.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

France became party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions in 2000 and to the UN Anticorruption Convention in 2003. The Phase 3 report on France by the OECD Working Group on Bribery in International Transactions published in October 2012 chastised France for the very small number of convictions for bribery of foreign public officials (four individuals but no company) and suggested that it is partly due to the fact that victims of foreign bribery (except corruption occurring within the EU) are prohibited from being civil parties to proceedings and initiating criminal cases. The Working Group further called for stricter limits on national security confidentiality, a point also recently cited by the Council of Europe Group of States against Corruption (GRECO). At the same time, the OECD Working Group welcomed the greater independence of public prosecutors and the efficacy of the French anti-money laundering authority Tracfin in reporting cases.

In February 2015, the OECD chastised France for the significant rise in the number of acquittals, dismissals and case closures. As mentioned above, a bill that parliament had begun debating in April 2016 would create a new anti-corruption agency.

Resources to Report Corruption

The Central Office for the Prevention of Corruption (Service Central de Prévention de la Corruption or SCPC) is responsible for combating corruption. The SCPC is an inter-ministerial agency formally attached to the French Ministry of Justice. Established by Law 93-122 (January 29, 1993) on the prevention of corruption and the transparency of business and public procedures, its main role is to collect information regarding corruption-related offences and use it to prevent corruption. As part of that mandate, the SCPC publishes an annual report providing detailed statistics on corruption-related offenses and convictions. In its latest report, the agency called for the introduction of a legal requirement for large companies to implement an anti-corruption program similar to that imposed on businesses under the 2010 UK Bribery Act. A 1968 French law referred to as the “blocking statute” prohibits the communication of economic, commercial, industrial, financial or technical information or documents as part of foreign judicial proceedings, but the SCPC has served as a conduit (a role it would like to be formalized in an amendment to the blocking statute) between French companies and foreign bodies like the U.S. Department of Justice and the U.S. Securities and Exchange Commission.

Contact information for the SCPC (Central Office for the Prevention of Corruption):

Mailing Address:

Service Central de Prévention de la Corruption
13, Place Vendôme
75042 Paris Cedex 01
Email : scpc@justice.gouv.fr

Physical Address:

Service Central de Prévention de la Corruption
5, boulevard de la Madeleine
75001 Paris
Tel : (+33) 1 44 77 69 65

Contact information for Transparency International's French affiliate:

Transparency International France
14, passage Dubail
75010 Paris
Tel: (+33) 1 84 16 95 65; Email: contact@transparency-france.org

13. Bilateral Investment Agreements

Bilateral Taxation Treaties

The United States and France have enjoyed a Navigation and Commerce Treaty since 1822 which guarantees national treatment of U.S. citizens.

Investments in France by other EU member states are governed by the provisions of the Treaty of Rome and by European Union Law. France has Bilateral Investment Treaties (BITs) with the following 96 countries: Albania, Algeria, Argentina, Armenia, Azerbaijan, Bahrain, Bangladesh, Bosnia and Herzegovina, Bulgaria, Cambodia, Chile, China, the Democratic Republic of the Congo, Costa Rica, Croatia, Cuba, Czech Republic, Djibouti, Dominican Republic, Ecuador, Egypt, El Salvador, Equatorial Guinea, Estonia, Ethiopia, Georgia, Guatemala, Haiti, Honduras, Hong Kong, Hungary, India, Iran, Israel, Jamaica, Jordan, Kazakhstan, Korea (South), Kuwait, Kyrgyz Republic, Laos, Latvia, Lebanon, Liberia, Libya, Lithuania, Macedonia (FYRM), Madagascar, Malaysia, Malta, Mexico, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Namibia, Nepal, Nicaragua, Nigeria, Oman, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Qatar, Romania, Russian Federation, Saudi Arabia, Senegal, Serbia, Seychelles, Singapore, Slovakia, Slovenia, Sri Lanka, Sudan, Tajikistan, Trinidad and Tobago, Tunisia, Turkey, Turkmenistan, Uganda, Ukraine, United Arab Emirates, Uruguay, Uzbekistan, Venezuela, Vietnam, Yemen, and Zambia.

Bilateral Investment Treaties between France and the following countries have been signed but are not in force: Belarus, Brazil, Chad, Colombia, Ghana, Iraq, Kenya, and Zimbabwe. France previously had BITs with Mauritius and Syria; new BITs with these two countries have been signed but have not yet entered into force. The list of ratified and non-ratified BITs is on the UNCTAD website (http://investmentpolicyhub.unctad.org/IIA/CountryBits/72#iiaInnerMenu).

French BITs generally cover the following:

- Just and equitable treatment no less favorable than that accorded to domestic investors or the most favored investors from a third country;
- Restrictions on expropriation of investments, and requirements that, in the case of expropriation, compensation is prompt and adequate;

- Free transfers of capital;
- The ability to resolve investor-state disputes through binding international arbitration

The United States and France have a bilateral tax treaty addressing, among other things, double taxation and tax evasion. The two countries signed a bilateral information exchange agreement related to the U.S. Foreign Account Tax Compliance Act (FATCA), which aims to combat off-shore tax evasion by U.S. taxpayers. Effective July 1, 2014, French banks and financial institutions must disclose names and addresses of U.S. account holders, as well as balances, receipts, and withdrawals to the U.S. Internal Revenue Service (IRS).

14. Foreign Trade Zones/Free Ports/Trade Facilitation

France is subject to all European Union free trade zone regulations. These allow member countries to designate portions of their customs territory as free trade zones and duty-free warehouses in return for commitments favoring employment. France has several, which benefit from exemptions on corporate taxes, payroll taxes, and real estate taxes. The French Customs Service administers them, and provides details on its website (http://www.douane.gouv.fr). French legal texts are published online at http://legifrance.gouv.fr.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($M USD)	2014	2,833,000	2014	2,829,192	www.banquedefrance.fr www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2014	83,200	2014	76,823	BEA data available at http://bea.gov/iTable/iTable.cfm?ReqID=2&step=1#reqid=2&step=1&isuri=1
Host country's FDI in the United States ($M USD, stock positions)	2014	250,800	2014	223,164	http://bea.gov/iTable/iTable.cfm?ReqID=2&step=1#reqid=2&step=1&isuri=1
Total inbound stock of FDI as % host GDP	2014	28.1%	2014	28.2%	Numbers at left are Total inbound stock of FDI from all countries into France ÷ French GDP from Banque of France.

					(797.9÷2,833=28.1%) //and// Total inbound stock of FDI based on IMF data ÷ French GDP from WB: (729÷2,829= 28.2%)

*First column GDP data from INSEE, the National Institute for Statistics and Economic Studies; First column FDI data from Banque de France (French central bank).

Table 3: Sources and Destination of FDI

IMF data below are not consistent with France's data in terms of amounts and rankings. According to the Bank of France total inward direct investment totaled USD 706.3 billion, not USD 783.7 billion in 2013. The new method used by the Bank of France -- the OECD revised Benchmark Definition for FDI -- results in a significant decrease in direct investment flows and stocks compared to previous estimates based on the IMF definition. FDI data published by the Bank of France have been revised as part of an EU-wide adoption of this new definition, according to which loans between companies of the same group are classified according to the residence of the group's headquarters. This is intended to filter out transactions between shell companies, or special-purpose entities, and intra-company transfers; for example, a loan from a Dutch subsidiary of a French group to another subsidiary of the same group in France is no longer counted as a Dutch direct investment in France, but as a French disinvestment in the Netherlands.

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			Outward Direct Investment		
Total Inward	729,147	100%	Total Outward	1,279,089	100%
Luxembourg	136,606	19%	United States	229,218	18%
Netherlands	112,770	15%	Belgium	184,319	14%
United Kingdom	78,445	11%	Netherlands	129,403	10%
United States	76,056	10%	United Kingdom	124,189	10%
Germany	75,633	10%	Germany	64,072	5%
"0" reflects amounts rounded to +/- USD 500,000.					

Source: IMF Coordinated Direct Investment Survey

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	2,658,583	100%	All Countries	783,653	100%	All Countries	1,874,930	100%
Luxembourg	300,847	11%	Luxemburg	192,584	25%	Italy	252,033	13%
Italy	281,726	11%	U.S.	94,160	12%	Netherlands	225,649	12%
Netherlands	271,855	10%	Germany	92,642	12%	UK	197,716	11%
UK	266,300	10%	UK	68,584	9%	Spain	176,794	9%
U.S.	261,914	10%	Ireland	50,321	6%	U.S.	167,753	9%

Source: IMF’s Coordinated Portfolio Investment Survey. Data are from June 2015

IMF data for total portfolio investment assets are consistent with France’s data: the rankings are the same, and amounts in USD are only slightly different (exchange rate for the Euro is the average exchange rate in 2014 published by the ECB). However the breakdown by equity securities and total debt securities does not show the same results. A portion of portfolio investment may come from tax havens in 2014. France has a black list of tax havens, and removes countries when they agree to provide tax information.

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

Civil law system influenced by French legal tradition

International organization participation:

CD, CE, FAO, IAEA, ICAO, ICC (national committees), ICRM, IFRCS, IHO, IMO, IMSO, Interpol, IOC, IPU, ITSO, ITU, OAS (observer), OIF, OPCW, OSCE, Schengen Convention (de facto member), UN, UNCTAD, UNESCO, UNIDO, Union Latina, UNWTO, UPU, WHO, WIPO, WMO

Section 6 - Tax

Exchange control

There are no exchange controls in Monaco, which has a monetary union with France

Treaty and non-treaty withholding tax rates

Monaco has signed **28 agreements** (**7 DTC** and **21 TIEA** agreements) providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Andorra	TIEA	18 Sep 2009	16 Dec 2010	Yes	Yes
Argentina	TIEA	13 Oct 2009	8 Aug 2010	Yes	Yes
Australia	TIEA	1 Apr 2010	13 Jan 2011	Yes	Yes
Austria	TIEA	15 Sep 2009	1 Aug 2010	Yes	Yes
Bahamas, The	TIEA	18 Sep 2009	18 Feb 2011	Yes	Yes
Belgium	TIEA	15 Jul 2009	not yet in force	Yes	Yes
Denmark	TIEA	23 Jun 2010	2 Oct 2010	Yes	Yes
Faroe Islands	TIEA	23 Jun 2010	7 May 2011	Unreviewed	Yes
Finland	TIEA	23 Jun 2010	10 Dec 2010	Yes	Yes
France	DTC	18 May 1963	1 Sep 1963	Yes	Yes
Germany	TIEA	27 Jul 2010	9 Dec 2011	Yes	Yes
Greenland	TIEA	23 Jun 2010	13 Apr 2012	Unreviewed	Yes
Iceland	TIEA	23 Jun 2010	23 Feb 2011	Yes	Yes
India	TIEA	31 Jul 2012	3 Apr 2013	Yes	Yes
Liechtenstein	TIEA	21 Sep 2009	14 Jul 2010	No	Yes
Luxembourg	DTC	27 Jul 2009	3 May 2010	Yes	Yes
Mali	DTC	13 Feb 2012	not yet in force	Unreviewed	Yes
Mauritius	DTC	13 Apr 2013	8 Aug 2013	Unreviewed	Yes
Netherlands	TIEA	11 Jan 2010	1 Dec 2010	Yes	Yes
Norway	TIEA	23 Jun 2010	30 Jan 2011	Yes	Yes
Qatar	DTC	17 Sep 2009	15 Jun 2010	Yes	Yes
Saint Kitts and Nevis	DTC	17 Sep 2009	1 Dec 2011	Yes	Yes
Samoa	TIEA	7 Sep 2009	12 Mar 2012	Yes	Yes
San Marino	TIEA	29 Jul 2009	10 May 2010	Yes	Yes
Seychelles	DTC	4 Jan 2010	not yet in force	Yes	Yes
South Africa	TIEA	23 Sep 2013	not yet in force	Unreviewed	Yes
Sweden	TIEA	23 Jun 2010	26 Dec 2010	Yes	Yes
United States	TIEA	8 Sep 2009	11 Mar 2010	Yes	Yes

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	**Medium Risk**	**Higher Risk**
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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