

MASTER FILES

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November 20, 1984

To: Members of the Executive Board
From: The Secretary
Subject: France - Relaxation of Exchange Controls

The staff has received the following Communiqué from the French Executive Director concerning the three measures of relaxation of exchange controls which entered into force in France on November 14, 1984:

TRANSLATION

Further Relaxation of Exchange Controls

The purpose of relaxing the exchange controls is to give greater freedom to individuals and enterprises in their transactions with foreign countries.

The Government intends to adopt gradual action. Earlier measures were taken at the end of 1983 and last August. The improvement in foreign trade and the balance of payments over the past several months makes it possible to take a further step forward today. Three new measures have just been resolved. Their purpose is:

- (a) To raise the ceiling on transfers by French nationals to foreign countries

The ceiling on transfers without supporting evidence is raised from F 1,500 per quarter to F 1,500 per month, per individual.

- (b) To ease the financial conditions for the establishment of French enterprises in the countries of the Community

The obligation to finance direct investments in the EEC by borrowing foreign currency at a minimum term of two years is reduced from 75 percent to 50 percent of the total investment.

- (c) To strengthen European financial cooperation and to promote ECU-denominated issues

The access of Community Institutions to the Paris capital market will be increased. They will be able:

To increase the size of their issues in francs;

To effect ECU-denominated issues, the certificates for which will not be subject to the devise titre régime.

Circular

Circular of November 13, 1984, amending the Circular of August 9, 1973, concerning the execution of transfers to foreign countries under general authorization.

Paris, November 13, 1984

The Minister of Economy, Finance and Budget
to Authorized Intermediaries

This Circular amends the Circular of August 9, 1973 concerning the execution of transfers to foreign countries under general authorization, as amended by the Circulars of September 22, 1976, February 16, 1979, July 10, 1980, May 21, 1981, March 24, 1982, and April 8 and December 8, 1983.

1. The paragraph of Title I, Transfers Authorized Without Supporting Evidence, is rescinded and replaced by the following text:

1. Transfers Authorized Without Supporting Evidence.

Notwithstanding the principles mentioned above, authorized intermediaries and the Postal Administration are empowered to transfer, without requiring supporting evidence, payments to foreign countries and in favor of nonresidents in France, within the limit of F 1,500 per month and per customer.

This facility may be used to settle all transactions in goods and services between France and foreign countries and to effect transfers of a private nature (gifts, assistance, emergency aid, etc.). It may not be used to make installment payments to enable a resident to build up assets abroad.

When the funds for transfer orders are supplied in the form of bank notes, the authorized intermediaries shall be required to ascertain and record the customers' identity. They must record it.

2. Title II, Transfers Authorized Upon Supporting Evidence is amended as follows:

Under Subtitle A, Transfers Authorized in Unlimited Amounts: the second paragraph of Section (v) Purchases of securities on foreign markets, entitled purchase of foreign currency-denominated securities, including those issued by residents, is rescinded and replaced by the following text:

Purchase of foreign currency-denominated securities, including those issued by residents.

Subject to the regulations regarding direct investments abroad by residents or in France by nonresidents, authorized intermediary banks may purchase such securities on foreign markets, on behalf of residents, exclusively with foreign exchange derived from the sale by residents of securities of the same kind held in France or abroad under their control.

Securities so acquired may be kept abroad under the control of authorized intermediary banks or imported into France through such banks and be kept under the conditions provided for in the Circular of December 20, 1968 or be disposed of on the French securities markets.

Securities in this category, held under the control of authorized intermediaries by residents, may be sold on foreign markets. The proceeds from such sales must, within a period of one month from their encashment, either be repatriated and sold on the foreign exchange market or be used for the purchase of securities abroad, or be sold to another resident with a view to purchasing securities abroad under the conditions described in the first paragraph above.

Notwithstanding the rules set forth above, residents shall be authorized to effect operations on foreign markets in ECU-denominated securities issued in France by the Community Institutions, under the same conditions as prescribed for operations regarding franc-denominated securities.

This Circular shall be published in the Journal Officiel of the French Republic and, in view of its urgency, shall enter into force immediately.

Other Distribution:
Department Heads