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March 15, 1989

To: Members of the Executive Board
From: The Secretary
Subject: France - Liberalization of Exchange Control

The Secretary has received the following memorandum dated March 10, 1989 from Mr. Marcel:

New exchange control liberalization measures were announced by the Ministry of the Economy, Finance and Budget, yesterday, March 9, 1989. They could be of interest to Executive Directors. Please find attached a French and English version of the relevant text.

Att: (1)

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PARIS LE 9 MARS 1989

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POUR MADAME PLOIX, FMI - WASHINGTON (U.S.A.).

JE VOUS SERAIS OBLIGE DE BIEN VOULOIR TRANSMETTRE AU
DIRECTEUR GENERAL LES INFORMATIONS SUIVANTES

LE GOUVERNEMENT FRANCAIS SUR LA PROPOSITION DU MINISTRE DES
FINANCES A DECIDE DE PROCEDER A UN NOUVEL ALLEGEMENT DE LA
REGLEMENTATION DES CHANGES QUI S'INSCRIT DANS LA PERSPECTIVE DE LA
LIBERATION COMPLETE DES MOUVEMENTS DE CAPITAUX AU PLUS TARD LE 1ER
JUILLET 1990.

LE DECRET QUI A ETE SIGNE PAR LE PREMIER MINISTRE ET SE
SUBSTITUE POUR CE QUI CONCERNE LES RELATIONS FINANCIERES AVEC
L'ETRANGER AUTRES QUE D'INVESTISSEMENT DIRECT AUX DECRETS DE 1967 ET
1968 ENTRAINE EN PARTICULIER :

- LA SUPPRESSION DES DERNIERES RESTRICTIONS CONCERNANT LES PRETS DE
FRANCS A DES NON-RESIDENTS
- LA LIBERATION COMPLETE DE LA POSITION DE CHANGE DES BANQUES
- LA POSSIBILITE POUR TOUS LES RESIDENTS Y COMPRIS LES PARTICULIERS
ET LES ENTREPRISES N'AYANT PAS D'ACTIVITE INTERNATIONALE D'OUVRIR EN
FRANCE DES COMPTES EN ECUS.

NE DEMEURE PLUS SOUMISE A AUTORISATION QUE L'OUVERTURE DE COMPTES A
L'ETRANGER, OU DE COMPTES EN DEUISES AUTRES QUE L'ECU EN FRANCE POUR
LES ENTREPRISES ET LES PARTICULIERS N'AYANT PAS D'ACTIVITE
INTERNATIONALE. TOUTES LES AUTRES OPERATIONS SONT LIBRES.

CES MESURES DE LIBERATION ILLUSTRONT LA CONFIANCE DU GOUVERNEMENT
DANS LA BONNE SANTE DE SA MONNAIE, SON DESIR DE SATISFAIRE SES
ENGAGEMENTS INTERNATIONAUX ET SA VOLONTE DE FAVORISER LE
DEVELOPPEMENT DE L'USAGE DU FRANC SUR LES MARCHES FINANCIERS

INTERNATIONAUX.

AMITIES.

SIGNE : J.C. TRICHET.

PARIS, MARCH 9, 1989
MINISTRY OF THE ECONOMY, FINANCE AND BUDGET

The French Government at the initiative of the Minister of Finance has just decided to introduce new exchange liberalization measures in the context of the total freedom of capital movements which is to take place within the EC at the latest on July 1, 1990.

The decree, which was signed by the Prime Minister, and which replaces the 1967 and 1968 decrees on external financial relations other than direct investment, will bring about the following:

- the abolition of the last restrictions regarding french franc loans to non-residents;
- the complete liberalization of the commercial banks' foreign exchange position;
- the possibility for all residents, including individuals and companies having no international activity, to open Ecu accounts in France.

The only authorization now required will be for the opening of either accounts abroad or accounts in France in foreign currencies other than Ecus by either companies or individuals having no international activities. All other operations are free of restrictions.

These liberalization measures illustrate the confidence of the Government in the healthy position of the French franc, the desire to meet its international commitments and the willingness to support a wider use of the French franc in international financial markets.