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May 9, 1986

To: Members of the Executive Board

From: The Secretary

Subject: France - Liberalization of Exchange Control Regulations

The Secretary has received the following memorandum dated May 6, 1986 from Mrs. Ploix:

Pursuant to my memorandum of April 6 concerning the Economic and Financial Program designed to control the consequences of exchange rate changes within the EMS, several measures aimed at further liberalizing exchange controls have been recently taken. The thrust of these measures can be outlined as follows:

(1) The requirement that business enterprises surrender export proceeds in advance within fifteen (15) days of shipment has been abolished. Regulations now require that export proceeds be repatriated and surrendered within one month of the date of settlement stipulated in the contract.

(2) Three-month forward import cover for purchases of goods invoiced in foreign exchange is now permitted (six-month when invoiced in ECUs).

(3) Previously, any direct investment abroad in an amount exceeding F 15 million per year and per investor required prior authorization. Current regulations only require that a report be filed; fifteen (15) days after the report has been filed, and provided no notification to the contrary has been given, the transfer is unrestricted (this does not apply to investing in holding companies or to the purchase of real estate, including farmland).

(4) Borrowing abroad: no prior authorization is required if the income is surrendered and if the loan is extended on commercial terms and carries a minimum maturity exceeding one (1) year. Advance repayment of the loan (of more than one year) does not require authorization under general conditions. As previously, loans denominated in foreign exchange for trade or foreign transactions do not require authorization.

(5) The ceiling on small transfers has been raised from F 3,000 per month per principal to F 3,000 per transaction.

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(6) The ceiling on cash advances through the use of credit cards abroad has been tripled, from F 2,000 to F 6,000 per week.

The complete text of the above measures appeared in circulars which were recently published in the Journal Officiel.

This information might be of interest to my colleagues on the Executive Board.

Other Distribution:
Department Heads