

# The history of banks in France

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## Some forms of progress long hindered

In the Middle Ages and at the beginning of modern times, banking activities in France experienced a belated and more difficult development than in neighbouring countries such as Italy, the Netherlands or the United Provinces. The overwhelmingly precarious agriculture and a very limited participation on the international exchange scene, the dominant influence of the catholic church as well as the priests' sermons, long denouncing the practice of loaning at interest, and a very hostile mentality towards anything that resembled usury rendered all big merchants suspect and hindered the free development of their activities.

Nevertheless the expansion of trade - which first began in the twelfth and thirteenth centuries through the activities of the fairs in Champagne and then through the dynamism of the commercial markets such as the large royal ports or the city of Lyons - as well as the financial needs of the royal government, all made the use of banking practices more and more indispensable. Banking methods, generally invented in Italy, arrived in France: manual exchange transactions and the use of bills of exchange for transferring funds, as well as the credit operations which developed in connection with those operations, deposits, credit transfers and various investment.

The bankers in these professions, who sometimes grew quite rich, were primarily foreigners who lived cut off from the national community, especially Italians and Jews. These Italians were called Lombards; in Paris, already a banking city, the moneychangers from Piedmont set themselves up in a street which has since then been called rue des Lombards. Some of the French also worked in banking. One of them was the famous Jacques Coeur (1395-1456); most of his profits, however, came from his role as royal purveyor of luxury products. He fell into disgrace in 1451 and his possessions were confiscated. For the French, banking was still considered more a venture than an economic enterprise like any other.

The first real expansion of banking in France took place in the eighteenth century. Admittedly, the failure of John Law's ambitious endeavour, from 1716 to 1720, had serious consequences. His *Banque Générale*, which was granted the privilege of issuing banknotes, was intended at the same time to rescue public credit, which was severely affected by the cost of the wars waged by Louis XIV, and to amortise the crushing state debt as well as to ensure the recovery of the economy by developing commercial credit. A victim of unbridled speculation and excessive issuing of fiduciary currency, the 'system' collapsed, casting discredit on all banking enterprises for decades to follow.

The progress of the economy, however, and of big business in particular, as well as the continual need for the state to borrow money, led to the progressive organisation of a credit structure which appears to have been relatively diversified under Louis XVI, and which was based, in many small provincial towns, on the already numerous discounters and local banks which ensured the circulation of bills of exchange to finance trade and which gave commercial credit.

Some powerful banking houses were established in active cities such as Lyons, Bordeaux, Saint Malo, and above all Paris. Although there were leading catholic bankers who originated from France, many bankers were from foreign countries, especially Switzerland, and were protestant, such as the Hottinguers of Zurich, or the Mallets, who belonged to an old

Huguenot family, settled in Geneva. Their activities were multiple: they financed international trade, put their international credit at the service of the sovereign, intervened in the stock market and participated in the important businesses of the time: armament, maritime insurance and the first industrial enterprises. The *Caisse d'Escompte* (discount bank), created in 1776 by Turgot, was managed by the most powerful of these bankers. Banking thereby became a true enterprise, which enjoyed real prosperity during the decade preceding the Revolution, and was no longer a chancy venture.

The French Revolution, met at first with sympathy by many bankers, soon began seriously to disrupt the conditions of credit. The loss of Santo Domingo, the war with allied Europe, the flight of capital due to emigration, and the unrest and hostility shown by the people towards all big businessmen all resulted in the bankers being forced to liquidate their businesses. After the fall of Robespierre, however, on the ninth of Thermidor (27 July 1794), the needs of an economy that lacked means of payment as well as those of the state favoured a renaissance of credit and the reappearance of big bankers. Soon after the coup d'Etat of Brumaire (9 November 1799), which closed the era of the Revolution, the most powerful of these bankers founded, with the complete agreement of Bonaparte, the *Banque de France*, responsible for operations of discounting and loans on securities with the help of bills which the bank was authorized to issue. The credit structures which were then set up, however, were confronted with an often troubled economic climate due to constant wars, and it was necessary to wait for the return of peace, with the collapse of the empire, before these structures could fully evolve.

### **The period of the big bankers (c.1800-60)**

The process that led to the creation of the *haute banque* ended during the first half of the nineteenth century. This term refers to approximately 20 respected banking houses in the capital which belonged to very rich banking families; some of them such as the Mallets, who had been settled in Paris since 1713, had been in the profession since before 1789. Others, such as the Rothschilds, came towards the end of the Empire (James de Rothschild was in the capital for the first time in 1812); still others, such as the Mirabauds, settled there only after the July monarchy (1830-48). Although many of them were protestant or Jewish, of Swiss or German origin, or occasionally English or Dutch, some were also catholic, often having come from the provinces as was the case with the Periers of Grenoble. Some of these firms proved to be surprisingly long-lived.

In the nineteenth century, the heads of these firms used their personal fortunes and the capital with which their families and rich relations had entrusted them, as well as the funds which they drew from their acceptances in numerous activities. These merchant bankers played an active role in the trade of important raw and manufactured goods, such as wheat, tobacco, mercury and cotton fabrics. They financed international trade and maintained close relations with the principal money markets of Europe, in particular with the City in London. In joining together to form investment associations, they furthered the qualification of major public loans, French as well as foreign, and they contributed to the circulation of transferable securities. They launched the first savings banks and the new insurance companies; they largely financed the development of new urban neighbourhoods; they founded industrial firms, particularly in metallurgy and mining. Finally, they actively participated in the fever of railway construction, which marked the last years of the July monarchy. Many of these merchant bankers played an important political role under this regime.

James de Rothschild was by far the most powerful of these big bankers. Thanks to the solidarity that united him with his brothers, to his frenzied work, to the privileged relations he maintained in the ruling circles without ever linking up with any form of government, and to

his exceptional business sense, he was able to move with the times and build up a company that outclassed all of its rivals. He was also the promoter of the very powerful *Compagnie du Chemin de Fer du Nord* (Northern Railway Company), which would remain in the Rothschild empire until 1937. At his death in 1868 he left a fabulous fortune, for the times, of 150 million francs. Having remained a foreigner, he had not been able himself to become one of the directors (*régents*) of the *Banque de France*, but in 1855 his son Alphonse, at the age of 28, joined the board of directors, on which the most influential families of the *haute banque* were represented. They were thereby able to manage the issuing institution, working with a governor, whose post was introduced in 1806 and who was appointed by the head of state.

Besides these powerful bankers, in most of the towns there were local bankers, whose numbers had multiplied between the years 1830-70. At the beginning of the Third Republic there were perhaps 2000 of them, and France thereby had a banking structure of often undreamed-of wealth. These local bankers, called discounters (or even usurers, by those who complained about them) constituted a complex and hierarchical set. Their means were limited, but in cases of need they could rely on the support of the Parisian firms of which they were the correspondents, and the generally refinanced themselves through the nearest branch of the *Banque de France*. The latter, which had enjoyed an issuing monopoly since 1848 (at which time it had absorbed the nine departmental issuing banks, which had been having difficulties), committed itself in return, when the law of 1857 renewed its privilege, to opening at least one branch in each department. The bankers of good repute still had the possibility of rediscounting part of the bills of exchange that they held. When these local bankers who had been close to their clients and well integrated in the economies of their regions were eliminated, particularly after 1930, they were missed. Thus banking, which in England was already represented by large establishments in the form of limited companies with large networks of branches, remained for a long time in France a world of bankers, whether small (local bankers) or large (the *haute banque*), who relied on credit from the *Banque de France*, which was the keystone of a remarkably coherent System. This System was to be disrupted by the arrival of the big deposit banks.

### **The expansion of big banks (1860-1914)**

Although the traditional structures of credit were more or less sufficient for the usual demands of the state and the needs of trade, in times of economic crisis money became scarce and expensive. So in 1848, when a severe economic crisis was aggravated by the effects of a political revolution, some bankers went bankrupt and others stopped granting credit. It was necessary for the state and the cities to intervene in order to create discount banks, in particular the *Comptoir National d'Escompte de Paris*. Entrepreneurs, who ordinarily relied on self-financing, sometimes complained of a lack of credit for exceptional needs. Meanwhile, simple bankers, whatever their wealth may have been, had limited means which did not allow them to suddenly meet a whole new range of demands for capital. Such a situation occurred, for example, with the construction of the great railway lines in the 1850s, and again in stimulating the modernization of industry which was exposed to English competition as a result of the free-trade treaty of 1860. In such cases, the necessity was felt for other credit establishments. As early as 1827, the banker Jacques Laffitte had attempted to launch a limited partnership of commerce and industry; then some Saint Simonians, among whom were the Pereire brothers, conceived the daring project of a new 'System of banks' which was to enable the economy to benefit greatly from the miracles of credit. The realization of these ideas was limited from the very beginning, under the July monarchy, to '*caisses*', such as the *Caisse Générale du Commerce et de l'Industrie*, founded by Laffitte in 1837. These institutions, only found in Paris, which granted loans to ironworks and to the

railways, were joint stock banks which still had limited means and which tied up their capital dangerously. They, too, were swept away by the economic and political crisis of 1847/8.

It was only under the Second Empire that the role of the new banks, which were set up on extensive bases of joint stock companies, asserted itself. The year 1852 saw the birth of the *Crédit Foncier* (mortgage bank), which would finance the transformation of the large cities, particularly of Paris, and then set about granting loans to Egypt before confining itself to credit for municipalities as well as granting mortgage loans to private individuals. But it was not the agricultural credit institution which was hoped for by some.

The same year, 1852, the Pereire brothers, strengthened both by the backing of Napoleon III - who had himself been influenced by Saint Simonianism - and by the assistance of the *haute banque*, created the *Crédit Mobilier* - which under their direction quickly became a powerful and dynamic bank. Following the example of the *Société Générale de Belgique*, this institution made itself, both in France and abroad, into a promoter of large firms of all kinds, which made up a veritable financial group including mining developments; big credit institutions such as the Imperial Ottoman Bank or the Austrian Mortgage Bank; railway companies and French as well as foreign insurance companies; the *Compagnie Générale Transatlantique*; building contractors and companies in charge of facilities for large cities. The *Crédit Mobilier* did not receive government authorization, however to increase its bond issues as it had hoped, and it tied up too much of its capital in loans to the *Compagnie Immobilière* (real-estate company), a subsidiary that had unwise involvements in Paris and Marseilles. In 1866/7, the *Crédit Mobilier* was shaken by a severe crisis, the Pereires were forced to resign at the request of the *Banque de France*, which was very hostile towards them, and the great company went into decline.

From that time on, the leading banks were the *Crédit Lyonnais* and the *Société Générale*, founded in 1863/4. Following the *Crédit Industriel et Commercial* (founded in 1859), they began a major innovation which would allow them to tap national savings. They took to hunting down deposits by imitating the leading English banks: they were made up of a whole network of branches and utilized the services of door-to-door salesmen. They resorted to advertising in order to emphasize the high interest and numerous services they offered to their depositors, such as - in addition to other services - handling securities and providing cheque books, both of which had become legal in 1865. These efforts enabled them to overcome the reticence of savers and acquire a rather large clientele. On the eve of the First World War, the *Crédit Lyonnais* was the leading French bank, with more than 600 000 account holders.

At the beginning, these credit institutions boldly used the capital, which they centralized in the form of deposits generally on current account, in risky speculations and in long-term loans to finance genuine industrial investments. They acted as veritable 'all-purpose banks'. The original title of the *Société Générale* was '*Société Générale* for furthering the development of commerce and industry in France'.

This industrial policy proved to be dangerous, however, and the banks were imperilled by massive withdrawals at the time of the war of 1870 and by serious crises that broke out during the 'Great Depression' from 1873 to 1896, particularly in 1882 and 1889. Naturally cautious, and aware of these risks, the founding president of the *Crédit Lyonnais*, Henri Germain, made the decision in 1870, which was reaffirmed in 1882, to limit the bank to short-term loans: the only use for current account deposits, in his protective view. His example was followed by the *Crédit Industriel et Commercial* (C.I.C., which had the distinctive characteristic of having no branches in the provinces, but only largely autonomous subsidiaries) and later by the *Société Générale*. The deposit banks thereby came to specialize in discounting operations as well as advances on securities and loans on securities on the stock carried over. At the same time, they differed from the large investment banks: although

they were also set up as limited companies, the latter, which had no branches in the provinces and drew their resources primarily from large, fixed-term deposits or from issuing bonds, acquired interests in other firms and granted them long-term loans. The principal investment banks were the *Banque de Paris et des Pays-Bas* (1872), the *Banque de l'Indochine* (1875), and the *Banque de l'Union Parisienne* (B.U.P), set up at the beginning of the twentieth century by several families of the protestant *haute banque*.

On the eve of the First World War, France thus had relatively diversified banking structures. The investment banks and the *haute banque* concerned themselves particularly with forward operations, large financial transactions. Bills of exchange, which had multiplied and held a more important position than in other countries, constituted the main support for short-term credit. This 'discountable material' was also sought after by local bankers (who also took part in limited partnerships), by the large deposit banks and by the *Banque de France*, which practised not only rediscounting but direct discounting as well. The economy therefore had abundant and relatively inexpensive commercial credit at its disposal.

Nonetheless criticism was raised. The large deposit banks, whose clientele included many foreign securities, such as the 'Russian loans', became the objects of a violent campaign, which culminated in the period from 1906 to 1910. The 'financial oligarchy' was accused of diverting national savings abroad at the expense of development at home. These banks' neglect of agriculture was deplored and finally led the state to favour the formation of agricultural savings banks at the end of the nineteenth century, (the banking acts of 1894, authorising the creation of agricultural credit companies, and of 1899, creating regional credit companies). Finally, small entrepreneurs and craftsmen complained of difficult access to bank loans, so the finance minister, Caillaux, created a commission in 1911 which was responsible for filling this gap in the banking System by preparing a law that would favour the development of the 'banques populaires'. The law was passed in 1917. Although banks were still widely held in low esteem, they were nonetheless able to attract a relatively large clientele and develop their operations considerably. In 1914, the *Crédit Lyonnais* was comparable in size to the largest banks of the City in London.

### **The times of trial (1914-45)**

French banks were next faced with a long period of difficulties, beginning with the disruptions due to the First World War. As soon as the war broke out, the deposit banks were assailed by demands for withdrawals. The government decreed a moratorium in order to allow them to pay back deposits only gradually, and their public image was seriously impaired. After the First World War, the restoration of deposits was difficult: many savers were impoverished by inflation and by the refusal of the USSR to recognize the debts of tsarist Russia, and the crises of the franc between 1923 and 1926 caused a flight of capital abroad. The banks' own capital was also eroded by inflation. Deposit banks began limiting themselves to granting very short-term credit by buying massive quantities of treasury bills. The banking houses of the *haute banque* often contented themselves with managing their previous positions. Investment banks intervened mainly in central and Eastern Europe and in the colonies. As for local banks, they enjoyed a certain renaissance during the 1920s and they often helped industrial firms to finance their investments. But these banking structures remained fragile, and it was only with the stabilization of the franc by Poincaré between 1926 and 1928 that the credit institutions were able to rebuild their resources. From the beginning of the Great Depression, local banks and new ones that had daringly loaned to industrialists during the boom of the 1920's became victims of a freezing of their credits and were exposed to massive demands for withdrawals on their deposits. Bankruptcies occurred in 1930 and 1931, and the number of banks was reduced by a quarter. Only one large bank, the *Banque*

*Nationale de Crédit*, founded in 1913, threatened to collapse. The Treasury (*Trésor*) helped it to liquidate and it was replaced by the *Banque Nationale pour le Commerce et l'Industrie*. The others, which had kept large liquid reserves, succeeded in overcoming the banking crisis. It was thereby not as serious as in the United States or in central Europe, but the banks came out of it weakened, and their size had diminished considerably: in 1936 the largest English bank, the Midland Bank, was a match for the seven leading banks of France put together.

This decline of the private sector was compensated for by increased state intervention. The state had had the *Caisse des Dépôts et Consignations* at its disposal since 1816, the main resource of which was the capital of the savings banks, and which supported the Treasury by buying annuities and treasury bills. In the 1930s, it was also responsible for rediscounting bills representative of medium-term credit. In 1918, the authorities created the Post Office cheques System, which expanded slowly. In the 1920s, the banking structures of the public or mutualistic sector multiplied: the people's banks (*banques populaires*) and the agricultural savings banks enjoyed real expansion (following a law of 1920 creating 'l'Office national de Crédit Agricole', which ultimately turned into Caisse Nationale); the *Crédit National* founded in 1919, first financed the reconstruction of the war-devastated regions; then it specialized in long-term loans. In 1936 the *Front Populaire* 'reformed' the *Banque de France*: the bank directors (*régents*) were eliminated and from that time on the issuing institution was closely controlled by the government. In the same year, the *Caisse des Marchés de l'Etat* was created, responsible for credit to companies that worked for public markets, and thus it competed in the rearmament effort in France.

During the Second World War, the banks suffered from the collapse of the economy and the pressures of the occupying forces. The Vichy government put an end to the liberal regime in which the banks in France had always functioned: the law of 13 June 1941 defined and regulated the banks and set up institutions which would largely be maintained, under different names, after the Liberation (*Commission de Contrôle des Banques, Conseil National de Crédit*). There were 550 banks in France at the time.

### **Between the state and the market (since 1945)**

In 1945 the government of General de Gaulle nationalized the *Banque de France* and the four leading commercial banks that had national networks: the *Crédit Lyonnais*, the *Société Générale*, the *Comptoir National d'Escompte de Paris* and the B.N.C.I. The same law retained the main elements of the Vichy regulations and established an impenetrable barrier between the deposit banks, which had to give greater importance to the use of liquid assets, and the investment banks, which had avoided nationalization and were able to make long-term investments. The state had thereby taken the essential aspects of credit in hand. For 20 years or so the nationalized banks devoted themselves to collecting short-term savings and supporting treasury issues, but they played only a secondary role in financing the reconstruction and modernization of the economy. It was the Treasury that mainly financed the first Plans, and it was the *Caisse des Dépôts* that aided the local communities and financed the construction of moderate, working-class housing. The actual banks made up a cartelized sector in which they avoided competing with each other. They hardly increased the number of their branch offices between 1945 and 1959; they contented themselves with managing, without risk, the resources that were naturally increased by the inflation at that time and by the efforts of the state to favour the use of cheques. At the time of the fifth Plan, however, when the pursuit of expansion required a considerable effort of investment, recourse was made to competition between the large banks. To this end, the 'Debré laws' of 1966/7 appreciably reduced the distinction between the investment banks and the deposit banks. They allowed the latter to increase the range of their resources (by receiving deposits for more than

two years, for example) and especially to increase to a great extent their stock-sharing activities. All deposit banks were authorized to open new branch offices at will and to compete with each other; institutions from the public sector as well as from the private sector were also permitted to strengthen the ties that united them. Finally, Michel Debré prompted the merger between the C.N.E.P. and the B.N.C.I., which resulted in the largest French bank, the *Banque Nationale de Paris* (B.N.P.).

The credit System quickly responded to these solicitations. While the mutualistic firms pursued their sustained growth, the nationalized banks showed a new dynamism: in a matter of a few years they doubled their number of branch offices; almost all French families made use of some form of banking services, (following, *inter alia*, in 1968 the 'Matignon agreements' which led to wages being paid on a monthly basis as well as the obligation to deposit wages in bank accounts). These banks offered firms and private individuals a range of more and more diversified products (long-term and medium-term credit, export credit, project financing, personal loans, housing assistance, mutual funds, and so on). Their deposits tripled between 1966 and 1976, and since that time bank money has represented four-fifths of the total amount of money in circulation.

At the same time, the commercial banks enjoyed a veritable renaissance and launched into new undertakings. The *Banque de Paris et des Pays-Bas* (*Paribas*), which had incorporated the *Compagnie bancaire* from 1966 to 1973, and the *Compagnie de Suez*, which had bought the *Banque de l'Indochine* in 1972, were the centres of two very powerful financial groups. They confronted each other in 1968/9 over the control of the C.I.C. Ultimately, according to the terms of an agreement reached in 1971, *Suez* obtained control of the C.I.C. and gave up the B.U.P. to *Paribas*, which merged that company with the *Crédit du Nord* - an acquisition from 1968.

The oil crisis of 1973 had repercussions, somewhat delayed, for the French banks. In 1982, a new wave of nationalisation arose, brought about by Pierre Mauroy. The investment banks were nationalized this time, like all banks with French capital that held deposits totalling more than a thousand million francs. From then on almost all-banking structures fell within either the public or mutualistic sectors.

The influence, which the state long exerted over this system, did not prevent the landscape of the banking industry from changing. Big banks drew closer to Insurance companies; the largest of them engendered the formation of complex financial groups, and expanded further worldwide. Through extensive computerisation of their operations, French banks' management made substantial progress. In particular, it is worth noting the primacy of French banks in the area of credit cards, the largest and the most efficient of their kind at the time, a consequence of the new global networks which interconnected the various banks. In 1980 four French banks ranked among the top twenty worldwide in terms of deposit level: *Crédit Agricole*, *BNP*, *Crédit Lyonnais* and *Société Générale*. However, to increase their profitability, they still needed to improve their insolvency ratios substantially, as well as their equity level.

### **A new banking revolution**

Twenty years ago, the French banking industry was still extremely regulated and divided; the French State was still very much in control. However, for a variety of reasons it has undergone substantial changes ever since, particularly in the course of the last few years.

First, the banking law of 1984, which placed all banks whatever their status under the same set of rules, was the starting point of a succession of moves that effectively abolished credit specialisation, and which led to the deregulation of the banking system. As of 1999, the savings banks (*Caisse d'épargne*) assumed the status of co-operative banks, now on a par with

Crédit Agricole, and in 2002, mutual banks became members of the French Banking Association (Fédération bancaire française or FBF). As a consequence of credit liberalisation, all these institutions entered into competition on their domestic market, under equal terms, with practically no restriction at all.

Indeed, since the introduction in 1989 of a solvency ratio (Cooke ratio), the globalisation of financial services within Europe, which took place between 1993 and 1999, at the initiative of the European Commission, and the creation of the European single currency at the beginning of 2002, French banks have been faced with growing competition from foreign banks.

Furthermore, in 1987, under the Chirac government, several major banks were privatised including Société Générale, Crédit Commercial de France, Paribas and Suez; a year later Caisse Nationale de Crédit Agricole became a mutual bank. After a pause, the privatisation process resumed in 1993 with the privatisation of BNP, and of Crédit Lyonnais in 1999. This denationalisation process came to an end with the privatisation of Banque Hervet in 2001, and with the sale of the State's 10% share in Crédit Lyonnais in 2002.

Finally, newly privatised banks had to face a most troubled economic trend. During the nineties, several major crises developed throughout the world. The French economy met with a substantial recession in 1993, while Asia faced a major financial crisis in 1998 and the property market was also seriously disrupted during that period. Consequently, the major financial crisis, which reached its peak in 1997-1998, hit Crédit Foncier, Crédit Lyonnais, CIC and Société Marseillaise de Crédit particularly severely.

Banks had to face strong competition which resulted in substantial changes in the industry, all the more so since overdue reforms had also been delayed as a consequence of state-control. Large-scale acquisitions and takeovers took place, concluding in a full-scale reorganisation of the banking sector in France:

- In 1996, Crédit local de France merged with Crédit Communal de Belgique and gave birth to a new entity: Dexia, a Belgian company, while Crédit Agricole, a mutual society, took over Indosuez;
- In 1997, Société Générale purchased Crédit du Nord from Paribas, while Crédit National bought Banque Française du Commerce Extérieur (BFCE), giving birth to Natexis;
- In 1998, Banques Populaires took over Natexis, and in April of the same year, Crédit Mutuel took control of Union Européenne du CIC;
- Since its privatisation BNP had developed a strategy of external growth, and in 1999 launched a takeover bid on both Société Générale and Paribas; after a sixth month-battle it concluded in May 2000 only with the merger of BNP and Paribas.
- In June 2000, CCF, which several investment trusts had previously tried to acquire, was finally taken over on a friendly basis by the British group HSBC, while Banque Hervet, which had been sold in 2001 to CCF, became part of the same group.

Overall, however, the banking sector concentration has made quick progress: in 1984, there were 1556 banks in France, a 50% decrease in the number of banking institutions operating at the turn of the century. In 1999, there were only 1000 left. Moreover, the current move to reorganise the banking system has not come to an end, as shown by the competition between

Crédit Agricole and BNP Paribas to take control of Crédit Lyonnais, which finally resulted in the merger of Crédit Agricole and Crédit Lyonnais in 2003, and also merger projects under consideration among Banques Populaires and Caisses de Crédit Agricole.

Meanwhile, French banks, which still ranked in 1997 between 101<sup>st</sup> and 240<sup>th</sup> in the world profitability league tables, had made substantial progress by the end of the crisis. Due to their strength in retail banking, they found themselves more able to keep up a proper level of profitability than a number of foreign banks, despite the increasing risks. Globally, they have successfully weathered the desintermediation process in the last decade, and should benefit from the new reintermediation trend, following the recent collapse of the stock markets.

French banks must still improve their profitability if they wish to resist foreign competition properly. At the same time under European rules and constraints they will have to abandon some of their traditional practices, such as free check servicing, to offset the absence of any interest-bearing sight accounts. Finally, French banks will have to adjust to new conditions resulting from the competition of new market players, offering new services through the Internet, so far granted exclusively to traditional banks. French banks need to adjust quickly and develop new channels to distribute their products, even though it seems that the old relationship between the customer and his branch manager has not yet come to an end. However, they have already been able to meet similar challenges successfully in the past.

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