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**O**n January 1<sup>st</sup> 2002, France along with eleven other European countries entered the era of the euro. The changeover to the new currency has been a success thanks to five years of groundwork prepared by banks. Three years to the day after the successful changeover on the capital markets, 60 million individual bank accounts, 36,000 ATMs and 750,000 point-of-sale terminals bid farewell to their old currency...

And yet... Although the arrival of the euro was essential and highly symbolic, it is still only one step down the road towards Europe. The single currency is not enough to create a European single market for banking and financial services. Admittedly, the financial markets are already very integrated, but retail banking remains extremely fragmented in Europe. Behaviours, products, the use of means of payment and regulations vary widely from one country to the next. It is nevertheless Brussels that is laying the foundations of the legislative and regulatory framework for banking and financial institutions. For this reason, FBF set up a team in October 2002 in the Belgian capital in order to strengthen its presence at all levels of the European decision-making process.

French banks are in fierce competition with their counterparts in Europe and the rest of the world. They have proven their capabilities and have recognised competitive advantages in the investment banking, corporate banking, capital market and retail banking segments. Their success is essential for growth and employment in France, as attested to by the examples of Japan and Germany today: economic health is a prerequisite for the stability of a country's banking and financial sector. And vice versa.

## IT TAKES MORE THAN THE EURO TO BUILD EUROPE

In order to develop, French banking and financial institutions above all need a favourable environment at the national level, i.e. an environment unhampered by a tighter regulatory framework than its neighbours and excessive tax and social security contributions. The issue at stake is the future of the French social and economic model. Does France want to retain its competitive edge in the future? Does

France want to find the means needed to preserve and develop its high value-added activities? These are essential factors given that the location of head offices and, more generally of "strategic decision-making centres" goes hand in hand with maintaining a high level of employment and exercising an influence over regulation in all areas – economic, social and accounting.

At the European level, banking institutions require an honest and fair competitive environment, i.e. a market with the same rules for all participants, and thus favour the creation of a "level playing field" in Europe. They therefore oppose a Europe where this harmonisation would be abandoned in favour of simple compliance with the law of the country of origin and mutual recognition, which would eventually encourage the flight of businesses towards the least regulated countries, particularly those with laxer consumer protection standards.

Much remains to be done to create a European single market for banking and financial services, all the more so if Europe is not simply reduced to a market but indeed viewed as the embodiment of its own distinct values. At a time when Europe is expanding and is seeking its identity, French banks are convinced that they have a role to play in defining the European economic and social model, based on principles of harmonisation, transparency and stability.