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French Banks Safety Plan

If you are still worrying about the safety of your money in France, then perhaps President Sarkozy's statement made yesterday, will give you a little more confidence. At least he isn't 'closing the stable door after the horse has bolted' – he is doing this just in case and before anything happens to the French banks. This, together with the fact that the housing market in France is only just beginning to be effected so that prices are much more negotiable, should give you the confidence to proceed now if you wish to purchase a property in France. Penny Zoldan

President Sarkozy rolled out a 360-billion-euro plan to shore up French banks

14 Oct. 2008 PARIS - President Nicolas Sarkozy on Monday rolled out a 360-billion-euro plan to shore up French banks, offering loan guarantees and capital to avert collapse in the eurozone's second economy.

France will underwrite up to 320 billion euros in loans between banks until December 2009 to overcome a credit crunch that is threatening to bring the economy to a grinding halt.

The government will also make available 40 billion euros in fresh capital, throwing a lifeline to any French bank threatened with collapse, Sarkozy said, after an emergency cabinet meeting.

"By offering a state guarantee, we hope to put an end to the crisis of confidence," Sarkozy told a news conference at the Elysee palace.

"If the banking system were to collapse, it would not be the banks that would be the first victims, but the French themselves -- their savings and their jobs -- and this is what we do not want."

"I believe that at this time there were no other reasonable choices."

The package from France, the eurozone's second economy after Germany, mirrored measures taken in other European countries to confront a financial

storm that has sent stocks reeling and brought money markets to a halt. Sarkozy and other leaders of the 15 countries that use the euro currency agreed at an emergency summit in Paris on Sunday to simultaneously take measures to support banks, decongest credit and restore investor confidence.

The stock markets gave a thumbs up to the broad action plan as governments lined up to unveil massive rescue funds that in Europe were expected to top one trillion euros.

The Paris Bourse's CAC 40 index bounced up more than eight percent after Sarkozy unveiled the package at around 1330 GMT. It shed 22 percent of its value last week, the worst fall since the index was created.

Sarkozy said the state loan guarantee would be charged to banks at commercial rates and that banks that take up the offer would have to sign up to certain "ethical" obligations including curbs on executive pay.

A state investment agency is to be set up to manage government stakes in banks, including the share that France now holds with Belgium and Luxembourg in Franco-Belgian bank Dexia, which lends heavily to French municipalities.

"Money is not circulating anymore. We have to create the conditions to get it moving again. The greatest danger is not to take risks, it is to do nothing," Sarkozy said.

The president offered to put public funds "at the disposal of any bank that asks" amid rumours that one of the country's largest was in trouble. Shares in bank Societe Generale fell 15 percent in early trading Monday, forcing the company to deny it was in need of recapitalisation and to blame "malicious rumours" for the rush to sell stock.

"We are putting funding at the disposal of any bank that asks for it, Societe Generale no more nor less. Now it's for the banks that I will meet tomorrow to decide whether they need support," he said.

Sarkozy is to meet for the third time in two weeks with banking and insurance chiefs at the Elysee palace on Tuesday and a bill on the financial rescue plan is set to go before the French parliament this week.

The president has pledged that no French bank will be allowed to collapse and that savers will not lose "a single euro" in the global turmoil unleashed by the collapse of US investment giant Lehman Brothers a month ago.