



» **Print**

This copy is for your personal, non-commercial use only.

French banks cry foul over potential savings swoop

Fri, Nov 5 2010

* BNP, SocGen lash out at possible Livret A clawback hike

* Banks worried about funding costs, Basel threat -analyst

By Lionel Laurent and Matthieu Protard

PARIS, Nov 5 (Reuters) - Flush with profits but preoccupied with tougher funding requirements, France's top banks are taking a stand against government plans to possibly claw back even more of their clients' deposits for social housing and benefits.

At stake are billions of euros of lucrative deposits that risk-averse French savers pour into their cherished "Livret A" regulated savings accounts every year, a big chunk of which goes to state bank Caisse des Depots for relending.

A rise in the re-lending rate, currently at around 65 percent but which is under review by the government, would pose a headache for banks as they face funding uncertainties and tighter liquidity requirements under the international Basel III banking rules.

"This type of deposit has a material impact on liquidity ratios ... There is also a profit impact because these deposits are cheap to collect," said Christophe Nijdam, an analyst at Alphavalue.

"It is why the banking lobby has fought tooth and claw on proposed liquidity ratios under Basel ... With a possible rise in interest rates in 2011 there is a big challenge ahead for bank refinancing costs," he added.

France's biggest listed bank BNP Paribas (BNPP.PA: [Quote](#), [Profile](#), [Research](#)) and smaller rival Societe Generale (SOGN.PA: [Quote](#), [Profile](#), [Research](#)) have both opposed a potential hike in the re-lending rate of banks' Livret A deposits, which in 2009 increased by 16.6 billion euros (\$23.48 billion).

While presenting third-quarter results this week, BNP Chief Executive Baudouin Prot said a low redistribution rate was "indispensable" and said he would prefer it at 50 percent.

He echoed earlier comments made by SocGen's chief executive Frederic Oudea, who said a rate hike would weigh on banks' ability to lend.

With the French regulator in dovish mood and the wider economy so dependent on bank financing this is a fight that the banks may well win, Alphavalue's Nijdam said.

"I would be rather inclined to believe ... they will win the argument once again," he said, referring to the final package of Basel reforms as another lobbying victory after they were seen as less tough than feared. (\$1= .7071 euros) (Editing by Greg Mahlich)

© Thomson Reuters 2010. All rights reserved. Users may download and print extracts of content from this website for their own personal and non-commercial use only. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is expressly prohibited without the prior written consent of Thomson Reuters. Thomson Reuters and its logo are registered trademarks or trademarks of the Thomson Reuters group of companies around the world.

Thomson Reuters journalists are subject to an Editorial Handbook which requires fair presentation and disclosure of relevant interests.

This copy is for your personal, non-commercial use only.