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France Ring-Fences Proprietary Trading Activities

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On July 27, 2013 , new legislation was promulgated in France aimed at the ring-fencing and regulation of certain banking activities. In particular, the reform:

- addresses the separation of lending activities and retail financial services from proprietary trading activities; and
- introduces a strengthened supervisory framework, including, critically, bail-in and other resolution powers.

The reform requires large French banks to operate proprietary trading activities in dedicated non-banking affiliates, separated from financing activities and customer services in order to reduce the risks incurred by depositors.

Commentators have observed that the separation would have a minimal impact on the majority of French banks, given the limited nature of the ring-fenced activities, which are substantially narrower than what would have been required by the US Volcker Rule, the EU Liikanen report or the UK Vickers report.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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