

The Central Registration of Bank Credits in France

The registration of bank loans by a central organisation offers advantages which it is unnecessary to dwell on at length:

1) Each debtor being included in a general index, the register constitutes a uniform basis for national and regional loan statistics, for each branch of economic activity. This document on the economic conjuncture is of obvious interest both to authorities charged with the control of credit and to the lending banks.

2) The table of loans contributed by each bank is a useful complement of balance-sheets furnished to the bodies responsible for controlling the banks.

3) Finally, in countries where it is the custom for a firm to have accounts in more than one bank, the Central Register establishes the overall debit position of each firm and informs each of the banks concerned, either on demand of the latter or — as is the case in France — automatically. Thus a dangerous excess of credit can be avoided, which without the Central Register would be revealed, too late, at the creditors' meeting following bankruptcy.

The first two of these arguments in favour of central registration of Bank credits are not the most weighty: in the absence of a formal registration of loans, the economic statistics can be obtained with the collaboration of the banks, and the control organisation very often has its own means of investigation — requests for information and inspections — by means of which it is able to keep some systematic check on debtors. It is the third reason, the extreme usefulness to the banks of information showing the degree of indebtedness of this or that customer so that they, acting in full knowledge, can police the distribution of credit, which is the essential justification for the creation of a Central Register of Loans.

In France, where firms exploit the competition between banks, and where the latter protect themselves by voluntarily syndicating some of the very big risks, it is quite usual for a firm to have several bankers. This splitting up of loans makes communication between banks particularly necessary, and it is from the initiative of the banks, with, naturally, wholehearted collaboration of the Central bank and other authorities, that the Central Register was born (1). The reader will no doubt find a description of the preparatory work for the Central Register, the hesitations and obstacles which preceded it, and its teething-troubles, as instructive as a description of the actual administrative arrangements.

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During the war, at the time of the Vichy government, the banks of the private sector were, like other businesses, grouped in a corporation under the aegis of a Committee (2) composed of their chief executives, all of whom had been profoundly affected by their experience in the years of crisis 1930-1936. Though not quite so critical in France as elsewhere, this last period was marked by a dangerous immobilisation of banking assets and by some important incidents. Too often an insolvency statement by a customer of both banks gave the banks a nasty shock for, working independently of each other, they had involved themselves in a position where their total claims largely exceeded the assets. Already in October 1931, after the resounding bankruptcy of the financier Oustric and the costly liquidation of the "Banque Nationale de Crédit", the attention of the fiftieth congress of the Banking Organisation had been drawn to the possibility of creating a Central Register of Bank Credits, but the bankers were not psychologically ready for action on these lines. All that was done in the following years was

(1) Some may regret that the cautious individualism of French bankers did not yield, more simply, to bilateral exchanges of credit information, as is common in the U.S.A. We record the facts without shedding many tears, for the system of the Central Register appears to us on balance decidedly superior to all other methods. We understand that the problem does not arise in Great Britain where a firm's borrowing is normally confined to one bank.

(2) Called "The Committee of the professional organisation of banks" — to which no one representing the Bank of France was called (at least ex-officio).

to resort to expedients adapted to particular circumstances: in some places specialising in trades particularly affected by the world depression (cotton at Le Havre, wool at Roubaix, skins at Mazamet) agreements were concluded between the banks, entrusting to the local branch of the Bank of France the duty of centralising information on loans to the trades concerned. These agreements remained entirely voluntary and there were some dissentients. In 1936, a first attempt at generalisation in Algeria and Tunis, then in Morocco, met with more success.

It was only in 1943, when too quiet days of business left time for reflection and for planning for the future, that under pressure from the heads of the banking corporation, a serious study on a national scale was set in motion. Inside the corporation, but in co-operation with the Bank of France, some exchanges of views took place concluding in a plan according to which *authorised* loans would have been declared as soon as agreed, modified or withdrawn, and the *amounts outstanding* on a given date should be declared once a year only. Generally the idea was well received, but there was some slight opposition, and several amendments were suggested. The opposers, very few in number, were prompted by the fear of seeing the Central Register exploited for the purposes of empire-building bureaucrats. They feared the reaction of the customer against a violation of business secrets. Confident that they were sufficiently able to supervise their debtors they sometimes went so far as to find the Central Register "scarcely able to give them any real support".

Most of the critics did not object to the creation of a Central Register. They said it would be useful to have a declaration of credits at risk, not only from establishments subject to the corporation's authority (private banks) but also from public or semi-public dispensers of loans: the Bank of France, Crédit National, Caisse des Dépôts et Consignations, Crédit Agricole, the network of people's banks, etc. This was immediately accepted as reasonable.

Others observed that, of the two concepts, the opening and the utilisation of a credit, the first was sometimes ill-defined and was from some aspects less interesting. When, for example, a line of credit was arranged, against which bills might be discounted, the use of the credit depended upon the drawing of suitable bills, and the nominal amount of the credit was really only a ceiling. In such

cases it was appropriate to declare not the formal opening amount of the credit but also the maximum outstanding during a given period.

Most of the multiple branch banks refused all declarations of loans to regional organisations and preferred declaration direct to Paris. They not only feared a lessening of prestige and independence in the locality (their prerogatives appeared to them to be more assured in the national plan) but also a progressive weakening of the authority of head offices over the branch managers when latter were called to deal directly with the local officials of the Bank of France. Provisionally, but with regret, they were allowed to have their own way.

Contradictory comments were made with regard to the communications which the Central Register would have, not to receive from but to *make to* the banks. The bankers, especially the most important among them, were anxious to ensure that information emanating from the Central Register should not serve the purposes of competition. It was therefore agreed that the Central Register should communicate only the total position of the debtor without showing the amount relating to individual banks. At the same time, the Bank of France made things easier by its decision to reduce its private banking business (3).

Other bankers wanted the registration of outstanding credits, originally intended as once a year, to be more frequent. We shall see that this view was conceded too late.

To-day these retrospective observations are less interesting in their detail than in their total, in that they depict the state of mind of bankers in the presence of a novelty. The bankers were frequently over-fearful, especially in what concerned professional secrecy.

It is little exaggeration to say that the very opponents, to whom the Central Register "could not be useful" now became those who would reproach it for having too much discretion. The criticisms

(3) Although under no statutory compulsion to suppress its contacts with a direct clientele, the Central Bank did of its own accord decide to allow this part of its business to dwindle. There is no doubt that, among other reasons, the creation of the Central Register and its operation by the Bank of France was the principal cause of this relinquishment, now almost complete.

were not, however, at all sharp, and all died down very quickly. As La Fontaine said long ago:

Le premier qui vit un chameau
S'enfuit à cet objet nouveau.
Le second s'approcha; le troisième osa faire,
Un licou pour le dromadaire (4).

However that may be, the plan of 1943 was very near to implementation. If June 1944 had not seen all France transformed into a battlefield we should probably have had the Central Register of loans about that date.

Before coming to the next phase of negotiations between banks and to the establishment of the register, let us briefly examine one of the arguments advanced by certain opponents: the question of professional secrecy.

In France, until 1941, no clause permitted the application of Article 378 of our Penal Code to the banking profession. The prevailing doctrine and the legal view alike held that the banker was not bound by the professional "secret", violation of which would make him subject to the penal code, but that he was bound to observe professional "discretion", violation of which would be ground for civil action for damages.

The Banking Law of 1941, confirmed on this point by that of December 2nd, 1945 (art. 19), introduced into our positive law a principle analogous to that of Art. 10 of the Italian decree-law of March 12th, 1936. All who participate in the control of banks are thereby subject to the professional "secret", and in some respects the Central Register could certainly be reckoned as participating in control: in some though not in all respects.

This new law appeared, in effect, to give systematic reinforcement to a long-established habit. The exchange of credit information became itself subject to the rules bankers had followed in pursuit of their mutual interest, the interest of their depositors, the interest of their solvent debtors whose reputation could only gain

(4) He who a camel first did see
From this new sight did straightway flee
The second drew nigh; the third though wary,
Made a halter for the dromedary.

by a degree of publicity, and indeed in pursuit of the general interest.

There was thus no real contradiction when the law of 1945 created for banks a special kind of professional secrecy (very restricted in its application), at the same time as, by decision of the National Council of Credit and various Government decrees the Central Register was established.

The banks were officially enjoined to declare the position of their customers and were authorised to receive information of the total indebtedness of each customer. But supposing that the Central Register had been simply the fruit of a free agreement between bankers, would it be rash to expect that jurisprudence — if jurisprudence there had been — would in all probability have favoured the institution under the civil and penal law? Would it not be considered, in the general interest, that the precautions inherent in the existence of a Central Register would nowadays be implicit — and healthily so — in all loan contracts? In truth, subtle arguments on the legal aspect of the question did not determine the attitude of the banks and of the regulating authority in France; one is bound to admit, that in this country any legal action, especially civil action, seems most unlikely. Who could, in practice, appeal for damages? Not the good customer himself confiding to his banker the facts furnished by the Central Register (and other data still more confidential) but only the customer who wishes to dissimulate, to deceive those from whom he seeks a loan: *nemo turpitudinem suam allegans creditur*, a court of law would reply.

A Central Register has functioned in Austria since 1906, in Germany since 1934, in French North Africa since 1936 and in France itself since 1946. The judicial foundations of these bodies are, or were, more or less vaguely established by positive law. But, if I am not mistaken, the courts of none of these countries have ever had to pronounce on the compatibility of the Central Register with professional secrecy or discretion. This silence is eloquent enough.

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After the upheaval of 1944-45, the Committee of the banking corporation gave place to a new organisation endowed with regulative powers, the *Conseil National du Crédit*, established by the

law of December 2nd, 1945 and presided over by the Governor of the Bank of France.

Soon the bankers, keenly aware of the advantages to be gained by the institution of a Central Register, were supported in this wish by the desire of new authorities to have at their command an instrument bearing so closely on the control of credit. Without more ado, the old plan was revived, touched up a little, and at its inaugural meeting on March 7th, 1946, the *Conseil National du Crédit* ratified (5) the creation of a "Central Service for Loans". This Central Service was to be run by the Bank of France in its Paris office, and was to work on the following principles:

1) The "authorisations" of credit are declared once only at their opening and are considered as remaining valid save for modifications or annulment subsequently declared.

2) The "utilisations" (amount of credit actually used) are declared at the end of each quarter at the amounts outstanding at these dates.

Authorised or utilised amounts at risk are divided into 15 categories, some of them corresponding to the form of credit (discount of bills or overdrafts for example), others corresponding to the use to which the borrowed funds were to be put (export credits, the financing of stocks, of public contracts etc.).

As there could be no question, for practical reasons on which there is no need to dwell, of declaring all the loans down to the smallest, the minimum size of credit to be declared was fixed at 5 or 10 million francs (10m. for commercial bills discounted, 5 m. for other loans).

All the declarations, even those of provincial banks (6), were to be made directly at the Central Register, at the Bank of France

(5) Agreement having been reached between the Bank of France and the other banks the Central Register was put in train about the middle of 1945. Subsequently, government decrees under the law of December 2nd, 1945 confirmed where necessary, the official character of the Central Register (art. 12 and 14 of Decrees etc.).

(6) The arrangements of course apply equally to French banks and parastatal institutions and to foreign banks operating in France for customers resident in France. On French territory the general rule is that foreign banks have exactly the same duties — and the same rights — as French banks.

in Paris, and in order to obtain information of the overall position in the banks of a given debtor, a bank must make an exact and specific request in Paris. For such a step to be admissible the debtor must be a customer of the bank making the enquiry.

The system immediately showed itself to be unwieldy. Centralisation at Paris delayed declarations and their scrutiny. The necessity for an express demand to be addressed to Paris discouraged recourse to the documentation at the Centre. A banker wants to know the position of a customer at the time when he has to make a decision, often immediately. If he has the information on the spot he makes use of it, but if not, the competitive pressure to get on with the business will more often than not lead to his doing without it.

The classification of loans under fifteen heads was very complex. The lack of homogeneity in the criteria of classification made for confusion and made it difficult to compare the credit risks declared at the Centre with the figures shown in the Balance Sheets of the banks.

The declaration at a given moment of "authorised" credit gave in the long run a false picture of the credit potential of a customer, for succeeding statements of modification or annulment were often omitted. (Indeed, the interval of three months between two statements of utilised loans, although shorter than the one-year period originally fixed, still seems excessive, given the shifting character of bank credits).

As experience had provided a reasonable basis of assessment of the administrative burden falling on the Bank of France and other banks, a reform was put into force in March 1948:

1) Provincial banks and branch offices of Paris banks were attached to 138 regional loan registers administered by the local branches of the Bank of France, each of these Bank of France branches being thereby enabled to centralise credit information on all firms in its sector. The Bank of France did not, however, cease to bring the regional registrations into the national statistics. For this purpose, declarations by the provincial banks were made in duplicate, the second copy being sent to Paris by the local centre. This document also allowed the recording in one office of all the loans granted in different places to one beneficiary.

2) The number of categories of credits was reduced to five (7) each corresponding henceforth to one item or group of items in the typical bank balance sheets.

3) Authorisations and uses of credits were declared simultaneously, as they stood at the end of the month, and the declarations became monthly.

4) The minimum sizes of credit for declaration remained at 5 and 10 million francs in Paris, but were reduced to 2 and 5 million in the provinces.

5) Bankers no longer had to *demand* from the centre statements of the position of their customers. The overall amount of authorisations and uses of loans of a firm was systematically furnished by the Central Register to any banker who had granted a loan or credit to that firm. It could be brought to the notice of any other banker producing a request to open an account for the same firm.

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Following this reform, and the lowering in the provinces of the minimum declared, the number of recorded borrowers mounted sharply from 9,000 in 1947 to 26,000 in 1948, and the amount of registered loans from 300 to 650 milliards. Since 1948 the Central Register service has developed constantly as the following tables show.

On the average each borrower is named in declarations by two bankers in Paris; in the provinces this proportion is lower. These are of course, only averages: there are many borrowers who have recourse to only a single bank, while others go to as many as five or six.

In ten years the number of registered borrowers has almost quadrupled. A number of changes have tended to produce this result: 1) the minimum amount above which declaration became obligatory has in effect changed as the purchasing power of money has changed; 2) the network of credit establishments covered has

(7) Or six, including guarantees and endorsements. The categories were as follows: Commercial bills, Loans guaranteed by the *Caisse des Marchés de l'État*, medium-term loans rediscountable by a public Finance corporation (Crédit National) other loans eligible at the Bank of France, ineligible loans, and lastly guarantees and endorsements given by the banks.

MONTHLY RETURN (in millions) OF DECLARATIONS AND IDENTIFIED BORROWERS

	1948	1949	1950	1951	1952	1953	1954	1955	1956
Declarations:									
Paris	13	15	16	20	23	26	30	33	37
Provinces	31	39	43	55	63	72	83	95	113
<i>Total</i>	44	54	59	75	86	98	113	128	150
Borrowers:									
Paris	5	6	7	9	10	12	13	15	17
Provinces	21	25	29	35	43	49	57	66	78
<i>Total</i>	26	31	36	44	53	61	70	81	95

AMOUNT IN MILLIARDS OF FRANCS OF IDENTIFIED LOANS
(at the end of the year)

	1948	1949	1950	1951	1952	1953	1954	1955	1956
Authorised credits:									
Discount	374	577	760	1,081	1,290	1,445	1,638	1,833	2,079
Other loans	670	928	1,101	1,895	1,903	2,318	2,762	3,281	3,825
<i>Total</i>	1,044	1,505	1,861	2,976	3,193	3,763	4,400	5,114	5,904
Used credits:									
Discount	236	332	457	697	729	780	889	989	1,163
Other short term	327	458	519	705	932	1,020	1,120	1,198	1,362
Medium term	90	170	189	238	393	567	751	1,044	1,397
<i>Total</i>	653	960	1,165	1,640	2,054	2,367	2,760	3,231	3,922
Of which:									
Paris	427	574	665	933	1,213	1,404	1,665	2,002	2,472
Provinces	226	386	500	707	841	963	1,095	1,229	1,450
<i>Total</i>	653	960	1,165	1,640	2,054	2,367	2,760	3,231	3,922
Plus: endorsements and guar- antees by the banks . . .	167	193	209	232	293	339	349	369	465

become more comprehensive; and 3) under the supervision of the Bank of France the discipline of the system has been progressively tightened. The amount of recorded credits has more than quintupled reflecting both an increased number of registrations and the growth in economic activity.

The financial structure of the country shows itself in the preponderance of Paris and its immediate environs: in this area 63% of loans are made, while seventeen of the most important towns in the provinces are represented by 16%, and the rest of the country (121 local credit registers) account for only 21% altogether. Naturally the biggest loans are found in Paris, where the average per borrower is 145 million francs against only 18 in the provinces.

On the 31st December 1956, adding to the 3,922 milliard short and medium-term loans registered at the Centre nearly two milliards of long and medium-term loans granted, independently of the banks, by certain State organisations (especially by the Funds for Economic and Social Development) the total becomes 5,940 milliard francs, of which 2,320 were at short term and 3,620 at long or medium term. This total thus recorded constitutes about 80% of the 7,530 milliards of credits of all kinds outstanding at this date in the entire French economy. This percentage, stable for several years, must be taken for what it is: loans used by large or medium firms are known in entirety, while loans granted to small firms are not by any means all registered.

Such are the results to which we shall return. First let us see briefly by what means they are obtained.

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Each bank declares its loans on standard forms supplied by the Bank of France, one being used for each borrower (two copies in the provinces, the second being sent by the local branch of the Bank of France to the Central Register in Paris). Declarations relating to the end of each month must be rendered by the 15th of the following month.

In the provinces the local credit registration offices managed by the branches of the Bank of France (8) limit themselves to

(8) The Bank of France has 260 branches but only 138 have credit registration offices. These 138 between them cover the entire territory. There is some talk of carrying decentralisation further by making every branch of the Bank of France a credit registration office.

recording the figures received on the debtor-cards showing month by month the trend of the loans of a firm. This work, generally done by hand, only occupies one or two clerks at the most in the biggest branches.

Paris thus finds itself in possession of about 150,000 monthly registrations covering both the capital and the provinces. The declarations are then completed by the addition of a numbercode — always the same for a given debtor — composed of an index referring to the trade category of the firm (155 categories) and of an individual personal index in the category. Then the declarations are transferred to punched cards (I.B.M. system).

After that three series of operations take place:

1) The assembling of declarations affecting each debtor, and the making — entirely by machine — of a form summing up the position of the debtor. The number of the copies of this form is made to equal the credit bankers plus one. This last copy is destined for the credit registration office of the Bank of France, and it alone carries, besides the name of the debtor and his total borrowings, an analysis by lending banks. The other forms only give the total and are sent on to the interested banks who receive their file of forms towards the end of the month (if they are Paris banks) or at the beginning of the following month (if they are in the provinces) (9).

2) An analysis of the total of loans by trade categories, a task generally completed some thirty days after the end of the month to which the declarations refer.

3) The punched cards reproducing the declarations are finally re-sorted according to lending banks, in which form they are filed away. It is then easy to obtain a list of borrowers from such and such a bank whenever the Control Commission wants it.

Until 1951 all this work was done by hand; but it was obvious from the beginning that the day would come when the increase in the number of registrations and the need for processing the new documents each month would make mechanisation imperative. At

(9) The monthly statements of certain debtors, marked because of their particular importance, are also reported to Paris on hand-written permanent cards which make it possible to follow the course of their borrowings from one period to another.

present in Paris 75 clerks are employed by the Central Office (10). In the provinces, where the task is both simpler and less continuous, the clerks share their time between the ordinary work of the Bank of France and that of the local credit offices; hence it is difficult to calculate the exact number employed — perhaps it is thirty or forty. The I.B.M. equipment in Paris consists of a score of punching and checking machines, five complete sets of apparatus for tabulating, reproducing, classifying and sorting, and three copying machines.

The cost of this work is borne entirely by the Bank of France which bears the burden (quite a heavy one) in the general interest.

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What can one say of the results? The system is neither watertight nor 100% reliable, but nevertheless, judged with the open mind appropriate in examining all human institutions, this system would appear to be one of the most remarkable and most useful innovations in the development of French banking during the last ten years.

The declaration of *authorised* credits must be interpreted with precaution. The idea of the authorisation of credit in France is imprecise (11) apart from certain classes such as import credits where it is quite precise. A banker sometimes allows his customer to draw funds for a special operation, without having previously fixed a maximum. On the other hand, a firm may be anxious to obtain, for all its purposes, credit authorisations exceeding its real needs, without having any definite intention of using them in the near future. Especially when it has several bankers it does not scruple to obtain from each the largest credit possible, although it has no expectation of using simultaneously all the financial facilities thus obtained. It is rare for a banker to refuse to pledge himself

(10) Besides mechanised work properly so-called, they see to the inscription of code-numbers on the declarations, the numerous steps required by the credit departments of the Bank of France, and correspondence with the banks on the many questions of detail that inevitably arise in handling any task of this kind.

(11) It is true that the necessity of declaring authorisations to the Central Register, as well as various measures of credit restriction adopted by the Bank of France, now tends to make "authorisation" a more precise step than it used to be.

to a customer simply on the pretext that the customer has not exhausted the credit open to him elsewhere: this would be too heroic in a strongly competitive business.

Thus it would be quite inappropriate to pretend to measure the potential supplementary credit which is at the disposal of a firm simply by looking at the margin between the authorisations and utilisations declared at the Centre. We must not however go to the other extreme by considering superfluous the declaration of the authorisations, though it is perfectly true that they are infinitely less significant than the utilisations, whether one is assessing the situation of a debtor, or that of a bank or, in the national statistical framework, the dangers to which the currency is exposed. In fact, the attention of the users of the Central Register is never fixed very long on authorisations but is essentially directed to the utilised loans.

If we consider now the *utilisations* declared we must remember that one of the five headings under which they are classified, that of commercial discount paper, is not amenable to precise accounting in the banks. In a country such as France where the discounting of bills forms an important kind of credit, the maturing of bills exactly at the end of a month (which is the date for declaration) can give rise to doubt as to how the item is to be reckoned although there may be no lack of good faith on the part of people making the declarations. When the declarations are actually made, some may just have been paid off, while others are not yet settled.

This uncertainty of procedure has been reduced, but not eliminated, by a recent order of the Bank of France whereby, on the one hand banks declare used credits, *maturity being assumed reached*, and on the other hand substituting for the declaration of the "ceiling" on discounts (which experience has shown to be nonsensical) that of credits which are being used but of which the full term has not expired. Thus, although there is not, and cannot be, absolute accuracy, one does know the amount of bills of exchange which no longer appear in credits at risk, although a certain proportion of them may yet come back unpaid.

The registration by the Central Register of used credits is not, as we have seen, complete. It ignores the very numerous small loans which are no less risky than others and which amount to about 20% of the total of bank credit. This cannot be remedied without overweighting the system of declarations to an intolerable

degree. But the shortcoming is less serious than might be supposed, for the very large majority of users of small loans apply to only one bank.

Naturally, the banks are well aware that loans recorded by the Central Register do not constitute the total debts of their customers. In an interesting lecture given in 1950 by the first Director of the Central Register, M. Rattier (from which comes a large part of our information, the latter estimated bank credit at only 25 or 30% of the short-term debts of firms. In France, besides mercantile credit, many solicitors arrange loans, and the Insurance Companies do a lending business in connection with transactions of certain public departments, particularly the Customs Administration. The methods of payment of certain taxes and of the contributions to the Social Security funds also put the Treasury in the position of creditor to firms; at the time M. Rattier was speaking, it was reckoned that, in half of the bankruptcies, these creditors, protected by legal rights in front even of mortgage rights, absorbed the whole, or nearly the whole, of the assets of the bankrupts.

The banking authorities were concerned at this position and besides insisting on a shortening in the payment delays allowed, deliberately or not, by Public Offices, they also demanded that the Treasury should declare at the Central Register debts due to itself. Such a formality (with the details of which we need not concern ourselves) would have necessitated relief by the legislature of the obligation of professional secrecy to which Treasury officials are very strictly held. The question is being studied and there is some hope of a satisfactory solution. Thus the current position is that there are acknowledged imperfections in the Central Register system. Nevertheless all those using it are undoubtedly satisfied.

Bank customers are now well aware of the existence of the central service. While not daring to affirm that they rejoice in it, we may say that they tolerate it. In fact the novelty has not aroused any reaction.

The banks unanimously appreciate the complementary security which the Central Register gives them and undertake with a good grace the by no means negligible work entailed in the monthly declaration. There is no longer a well-run bank which does not provide, on the forms submitted to head office when it arranges a credit, a column for the figures communicated by the Central Register. It seems probable that each month the information sup-

plied by the Central Register has become more and more the object of systematic and careful examination in the banks, and that the control of lending has been thereby strengthened. There has been no complaint to support any supposition that information derived from the Central Register would give rise to unfair competition.

The Bank of France itself has found in the Central Register a support so valuable that it would now hardly know how to manage without it. A brief account of its methods of intervention will perhaps make more intelligible to the foreign reader the interest the Bank has in the Central Register.

Whilst other central banks are almost confined to government paper or to drafts of a special nature (bank acceptances, seasonal agricultural paper, etc.) the Bank of France commonly rediscounts for bankers, both bills drawn by a great number of firms in the course of ordinary commercial transactions, and notes representing advances to the same firms (analogous to American promissory notes). It assigns then a ceiling of rediscounts for each bank, but it remains very particular about the solvency and the real needs of the firms which have put their names to this paper. A few figures show how this activity is more developed in France than in the central banks of other countries; in 1956 the Bank of France rediscounted bills to the number of thirty millions for a total sum of thirteen thousand milliard francs. At the end of the year its portfolio contained 1,800 milliard francs of credit for private business, equalling 58% of the fiduciary circulation.

On the other hand, each bank must hold against its short-term liabilities a minimum of 60% of sight or highly liquid assets (the coefficient of liquidity). Certain assets, from their very nature, help to form this 60% of liquidity (cash, Treasury bills, ordinary commercial bills) but others are only eligible by a special agreement with the Bank of France. When, therefore, a bank negotiates with a customer a credit which, though not directly arising from an ordinary commercial transaction, is nevertheless represented by a draft (a crop credit or one for financing industrial making etc.) it can ask the Bank of France to recognise it as "eligible paper", although there may be no question of immediate rediscount. This recognition constitutes for the banks an assurance of replenishment of their cash should this prove necessary, and it authorises the banks, in the meantime, to include the paper among their rediscountable

paper, for the purposes of calculating liquidity. Demand for these eligibility recognitions are numerous.

Finally, the banks are obliged to obtain the authorisation of the Bank of France before they can grant a firm a loan of more than 500 million francs.

These regulations give rise to the keeping of detailed dossiers and the amount of work involved can be appreciated when it is realised that at the Bank of France the work occupies 120 to 130 clerks in Paris (12); besides those in the provinces. These officials have in their files a million and a half commercial information cards and scores of thousands of more detailed dossiers relating to the more important business (balance sheets, trading accounts, etc.).

Quite apart from the control of banks and research into general administration, the great interest attached by the Bank of France to the Central Register will be readily appreciated by anyone who knows the French background. Certainly the system, of which this is one of the main parts, imposes responsibilities and discipline on its subjects. But there is nothing to be afraid of in this, for the system is much less authoritarian than appearances may suggest. The Bank of France prefers to persuade rather than forbid, and the information it obtains and delivers through the Central Register is a good example of the spirit of collaboration which is developing in its frequent and conciliatory contacts with the other banks.

We cannot conclude this exposition without referring to a secondary, though not negligible, matter. The large banks with multiple branch systems, though they continue to discount bills for their customers at all their branches, are more and more concentrating their bill portfolios in their head-branches situated in some thirty important towns. Each of these head-branches is responsible for supplying with funds (usually by telegraphic transfer) the subsidiary branches located within its district. This system helps to economize cash requirements and reduces to a minimum the need for rediscounting at the Bank of France. Rediscounting at the latter is in consequence likewise concentrated in a few towns. At the same time the Central Bank is relinquishing, as we have seen, its private customers. The result of this twofold development, which

(12) Exclusive of the Bank of France and Central Register employees occupied in the mechanical processing of the documents.

seems unlikely to be reversed, is that a number of the branches of the Bank of France have lost their traditional character; their managers have naturally resented the loss of the business which, rightly or wrongly, they considered the most honourable part of their task. On the other hand, branches where rediscount survives have to handle bills drawn in distant places, and investigation of these bills at a distance is of course difficult. However, any disadvantage of this kind is offset by the institution of the local Registers. The Provincial managers of the Bank of France have under their eyes, in the absence of the instruments of credit themselves, the record of the bank loans in their area. This affords them scope for new initiatives, and they are able to develop the collection of economic and financial information, to the advantage of Paris, of the rediscounting branches, and of their colleagues in the other banks who willingly co-operate.

To those who knew conditions in French banking not long ago, it is obvious that to-day, thanks to the Register of Loans, there is a new atmosphere of confidence and professional cohesion. This is not the least of the advantages of an institution which, though still young, has become firmly embedded in the system.

Paris

A. ROUX