



Paris, July 8, 2004

**PARIS EUROPLACE INTERNATIONAL FINANCIAL FORUM  
Paris, July 8<sup>th</sup> and 9<sup>th</sup> 2004**

**EUROPE HEADING FOR THE FUTURE  
INVESTMENT OPPORTUNITIES**

**Opening Address**

**G rard MESTRALLET  
Chairman, Paris EUROPLACE**

Ladies & Gentlemen,

It is my great pleasure to welcome you to the 11<sup>th</sup> Paris Europlace International Financial Forum, which gathers each year in Paris more than 1000 participants, international investors and representatives of financial institutions.

As our forum has become a genuine success, we have decided to associate our event with Tremplin Entreprises forum, organized by Essec and French Senate, in order to present high growth companies & new sectors of the French economy and thus create the Paris Investors' week. I am very glad to highlight the success of this “joint venture” confirmed by our contacts worldwide.

My warm thanks go to all those who have agreed to share their experience with us by taking part in the events of these two days. There are many of you, so I cannot name them all. I would like to

emphasize that this year we welcome delegations of particular importance: a Chinese delegation conducted by Mr. Liu Mingkang, Chairman of the Chinese Banking Regulatory Commission. I am very grateful to Mr Liu Mingkang and the representatives of the CRBC & the CSRC to have accepted our invitation. And representatives of the “New entrants” in Europe, and I would like to thank more especially Mr. Andrzej Raczko, Finance Minister of Poland, MM. Rozlucki, President of the Warsaw Stock Exchange and M. Rybinski, deputy governor of the National Bank of Poland. It’s also a great honor to welcome back Mr. Jean-Claude Trichet, President of the European Central Bank, who will open the second day of discussions tomorrow.

Mr. Nicolas Sarkozy, Minister of State, Minister of the Economy, Finance and Industry, will be our keynote speaker at today’s luncheon. We want to express our gratitude to him for accepting our first invitation to speak in front of the main actors of the Paris financial place as well as our international guests. We welcome his energy to win our battle for the competitiveness of Paris financial markets. Mr. Dominique Perben, Minister of Justice, will speak at the closing of our event, during the annual general meeting awards ceremony.

Our theme for these 2 days is “EUROPE HEADING FOR THE FUTURE – Investment Opportunities.” Before I give the floor to the first round table please allow me to draw some observations about recent trends in Europe and the new dynamics we are setting up to consolidate the place of Paris within the new European financial scene.

## **1 – First a word on the current macroeconomic environment**

After two years of pronounced slowdown, we are at the eve of a revival of growth in Europe. The French economy will probably grow 2.3% this year. As well, other indicators show that Euroland is about to enter a recovery phase. The present forecast for Euroland growth is 2½ percent for 2005. More importantly, both business and consumer confidence are firming up.

## **2 – My second comment concerns the acceleration of the European financial markets integration**

Significant steps forward have been taken in recent years. Under the double impetus of market forces and government authorities, the integration of European financial markets has now become a reality.

**According to the European Commission, the realization of this integrated pan-European equity and bond markets should lead to major gains in efficiency, productivity and transparency, including an increase in GDP growth of 1.1%.**

The Paris financial market has contributed actively to this process, particularly through the creation of Euronext, the first pan-European equities-trading platform, providing a single access to the Amsterdam, Brussels, Lisbon and Paris spot markets and, through Euronext.LIFFE, to the principal European derivatives markets.

Paris financial market players are actively participating in the finalization of the integration of the European financial markets. Our working group “Europe post-2005” has been set up to create a place for dialogue and reflection with the representatives of European Authorities. Paris EUROPLACE proposes strategic axes for the development of European financial markets in the different fields of: financial analysis, asset management industry, clearing & settlement, regulation and relationships between issuers and the financial markets

Market professionals claim for an acceleration of the implementation of Financial directives in France and in Europe according to the Lamfalussy process.

## **3 – The dynamics of the integration of European financial markets are amplified by the excellent performance of the euro.**

Even if the euro is not yet a reserve currency at the level of the dollar, the issuance of euro bonds is equivalent to the US debt capital market.

Over the past four years, the volume of new sovereign issues of the EU States exceeds U.S. Treasury issues.

Over this same period, the volume of international corporate issues denominated in euros has grown to 2.7 trillion euros, which is today 80% of the volume of international \$ denominated issues.

Even if progress has been slower in equities, the overall rise in importance of the euro zone will then naturally lead to the gradual strengthening of the Euro as a global currency for financing, investing and for trading.

#### **4 – In this environment, the Paris financial market offers key advantages**

Trends in our markets since the shift to the euro have confirmed that:

**\* First of all, Paris is home to many of the world's largest international companies.** The 2003 edition of Fortune magazine's "Global 500" indicated that across the 19 industry sectors surveyed, 6 French companies (in building materials, Energy, construction, entertainment, food and drug stores industries) were the world leaders in their respective industries.

**\* International investors' access to the capital of European companies is greatly facilitated by Euronext, which is today the leading European Exchange in terms of transactions.** Cumulative volume in 2003 is close to 1360 billion euros. Reform of the Cash listing on Euronext Paris will take place on January 2005 with the creation of a single listing including a total of 670 stocks, new Small and Mid Caps Indices and a new label for Financial Analysis Research teams.

**\* Paris is one of the most important asset management center, in Europe with 1.6 trillion euros in funds under management.** The professionals of the French asset management industry demonstrate a

remarkable capacity to innovate, whether in terms of management techniques or tax-incentive product design such as Life insurance accounts, French equity saving plan (PEA), Venture capital funds (FCPR/FCPI) and Employee saving and pensions funds (FCPE, PERP, PERCO).

\* Today, **French fixed income markets** offer a broad diversity of signatures and many investment opportunities. A growing number of companies are issuing debt instruments in Paris. The last figures from the BIS show that with 200 billion dollars in outstanding, **France is first in Europe for international corporate bond issues.**

**All of these valuable assets are confirmed all the more since we measure foreign investors' involvement in our markets.** In 2003, purchases of French securities by non-residents have grown from 30 to 90 billion euros, a 200% increase. International investors hold almost one third of the market capitalization of the Paris Bourse. The Paris financial market is second in Europe in terms of the presence of foreign banks and financial institutions.

**5 – To meet international requirements for market transparency, a major step was taken by the French Parliament by voting the “Financial Security Act,” on year after the Sarbanes-Oxley Act in the United States.**

More specifically, this legislation simplifies the organization of the Paris financial market, **by setting up a single regulator for market and financial activities**, called the “*Autorité des Marchés Financiers*”. The Financial Security Act provides for changes in both the audit of accounts and corporate governance. The central role of the Annual General Meeting, the focal point for the expression of shareholders' views on management decisions, is confirmed. Regulation of statutory auditors has been tightened, particularly as concerns banning them from serving the same client both in audit and consulting functions.

## **6 – Altogether, a new dynamics is ongoing to reinforce the Paris market's positioning in Europe**

We are today setting up a partnership gathering both the City of Paris and the Region Ile de France to support its efforts towards promoting Paris as a financial center.

This strategy is based on a partnership among professionals – grouped together in Paris EUROPLACE, public authorities and local governments. They have chosen to work on these following top priority areas:

- to expand relations between issuers and financial markets in order to support the implementation of measures to improve the financing of the innovation and growth companies.
- to promote the financial innovation as regards savings financial products and thus, foster the pole of asset management
- to enhance contribution of the Paris financial market to the work programs of the European Commission
- to support in a stronger way the Paris financial Place at the international level
- to adapt in a permanent way the regulatory and fiscal environment.

This last area remains a permanent focus of the attention of both professionals and Public authorities. It has led to substantial improvements including the fiscal framework for “impatriates”, which was adopted beginning of 2004 and is already used by many French and foreign banks and businesses, which need to employ international teams in Paris. This ongoing effort towards improving our fiscal and regulatory environment is being pursued on a permanent basis.

Moreover, the participants in the Paris market have recognized that research makes an essential contribution to the financial professions, and therefore they launched the Europlace Institute of Finance at the beginning of 2003. The main mission of the Institute is to offer financial support to research programs crossing professional and academic interest. Amongst our main areas of interest, the risk

assessment, valuation of portfolio strategies and efficiency of the securities markets.

It is time to give the floor to the participants of the first round table, discussion aiming at analyzing the asset management industry trends in Europe.

I wish you all a most useful and enjoyable Paris EUROPLACE International Financial Forum!