

## Banque de France code of conduct for company rating activities

December 2016

At the Banque de France, the term "company rating" refers to the process of analysing the situation of companies, leading to the award of a credit "rating" which reflects a company's ability to meet its financial commitments over a three-year horizon.

This code of conduct ensures the quality, integrity and transparency of the rating process.

The Code opens with a description of the Banque de France rating, followed by the legal, statutory and regulatory provisions that apply to analysts, in particular with regard to the prevention of conflicts of interest, the rules that ensure the integrity and quality of the rating process and information on the persons who have access to ratings.

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## Introduction – Banque de France credit ratings: definition, objective and methods

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### 1.1. What are Banque de France credit ratings?

The Banque de France rating is a tool for measuring and monitoring the credit risk of non-financial corporations, i.e. industrial and commercial enterprises, with the exception of those in the financial sector (in particular, credit institutions and insurance companies). This rating also applies to other entities (legal entities under public law, mutual and professional organisations, associations and foundations, etc.) when they are significantly engaged in an economic activity. It reflects the Banque de France's assessment of the entity's ability to meet its financial commitments. This assessment is carried out over a one to three-year horizon.

The rating and the information used for the assessment (accounting statements, financing granted to the companies, payment incidents, qualitative and descriptive data, etc.) are managed in a specific information system, the **FIBEN** company database. FIBEN, set up pursuant to legal and regulatory provisions, in particular the Data Protection Act of 6 January 1978 (amended), is administered by the Companies Directorate, which reports to the Directorate General Services to the Economy and Branch Network Activities of the Banque de France.

Company ratings, when they are based on accounting records, are assigned after an analysis conducted in accordance with a methodology framework whose validity is checked on a regular basis. The Banque de France publishes performance indicators, especially in the form of default rates for each **risk class**.<sup>1</sup> Furthermore, the methodological principles that guide analysts are available in the form of brochures on the Banque de France website, <https://entreprises.banque-france.fr/>.

### 1.2. Why does the Banque de France rate companies?

The rating is recognised by the Eurosystem as an "In-House Credit Assessment System" (**ICAS**).<sup>2</sup> It allows the quality of claims held by credit institutions on non-financial corporations to be assessed for monetary policy purposes. Credit institutions are only entitled to use claims on the highest-rated companies as collateral for **Eurosystem refinancing operations**.

Ratings are made available to credit institutions, which use them in the decision-making process and to monitor and measure the quality of their corporate lending portfolio.

Ratings help the *Autorité de contrôle prudentiel et de résolution* (**ACPR** – the Prudential Supervisory and Resolution Authority) to monitor the soundness of assets held by credit institutions.

As an external credit assessment institution (**ECAI**), the Banque de France rating system may be used by credit institutions to calculate their regulatory capital requirements.

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<sup>1</sup> Companies are broken down between different risk classes, each class corresponding to a homogeneous level of probability of "default". A default is defined in Article 178 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions, resulting from the Basel III agreement.

<sup>2</sup> See the glossary at the end of this document for definitions of all the terms in bold.

Ratings give companies an outside assessment by an independent institution, the Banque de France, of their financial position, showing them where they stand on a scale of risk.

### 1.3 – Who takes the initiative of starting the rating process?

In most cases, the Banque de France is solely responsible for instigating the rating process. It receives no payment from rated companies for the ratings that it assigns and always informs companies of their rating.

Analysts do their best to work with the companies that they rate to:

- gather accounting records<sup>3</sup> particularly if the company's size warrants this ("large companies"), i.e. if turnover exceeds a given threshold,
- obtain any additional details required to make an assessment.

In return for this cooperative approach, which makes for more reliable ratings, the Banque de France undertakes to ensure that the information provided is kept solely for credit risk analysis and that the rating is distributed to a restricted audience (see points 1.5 and 4).

### 1.4 – What data are used?

Ratings take into account:

- in the case of large companies, an analysis of company accounts and, if applicable, consolidated accounts, when they are available,
- an examination of financial commitments and any payment incidents,
- the company's business environment: sector of activity, economic and financial links to other entities, and any court-related or other events affecting the company and its senior management disclosed by commercial court registries or legal publications.

The data are cross-checked and verified to provide a rating that reflects the specific context of each company. The rating is updated whenever any significant new information is added to FIBEN, in particular upon receipt of the annual accounting documents of large companies. The same holds true when any information is deemed to be out-of-date. All non-permanent information is given an expiry date. Once this date is reached, the data in question must be verified or no longer used.

In FIBEN, each rating comes with the date on which it was assigned, the date of the most recent update and a code that summarises the reason(s) for the company's position on the rating scale.

### 1.5 – Who has access to ratings?

The chief executive of a rated company will be informed of the firm's rating once it has been attributed. In addition, he or she is entitled to request access to the rating and the underlying information. Provided they respect the confidentiality of the data, the following may also access ratings:

<sup>3</sup> The company is asked to provide its accounting records. If it does not, its bank will be asked to do so, or, if necessary, the court registry if the company is legally required to file its accounts with this body. Accounting records are transmitted to the Banque de France either in electronic form (<https://entreprises.banque-france.fr/cotation-des-entreprises/transmettre-son-bilan-la-banque-de-france>) or on paper.

- analysts and management at branches in the Banque de France network,<sup>4</sup> the Companies Directorate, which is based at the head office and administers FIBEN, and the General Inspectorate of the Banque de France in charge of auditing the aforementioned departments,
- Banque de France and ACPR departments that deal with monetary policy and prudential supervision,
- the following institutions and organisations mentioned in Article L. 144-1 of the French Monetary and Financial Code (*Code monétaire et financier*) and that have signed a membership agreement giving them full or limited access to FIBEN online services:
  - credit institutions and financial organisations, particularly financing companies,
  - insurance companies, mutual insurers and provident institutions that invest in loans and similar securities in accordance with the French Insurance Code, Mutual Insurance Code and Social Security Code, respectively,
  - organisations that administer supplementary occupational pension activities (supplementary occupational retirement funds, supplementary occupational pension mutual insurers or unions, supplementary professional retirement institutions) – see executive order No. 2017-484 of 6 April 2017 on the creation of organisations involved in supplementary occupational pension activities and the conversion of supplementary retirement schemes into annuity units (Art. 3),<sup>5</sup>
  - management companies meeting the conditions referred to in Article 1 of Decree No. 2015-1854 of 30 December 2015,<sup>6</sup>
  - crowdfunding intermediaries if they conduct intermediation activities within the meaning of Article L. 548-1 of the Monetary and Financial Code for interest-bearing and non-interest bearing lending activities,
  - investment service providers and equity investment advisers if they offer minibons (interest-bearing notes in return for a loan) mentioned in Article L. 223-6 of the Monetary and Financial Code,
  - insurance companies authorised in accordance with the conditions set out in the Insurance Code, to carry out credit insurance and surety activities, provided that their actions involve companies,
  - regional councils if they grant public assistance to companies – see Law No. 2016-1691 of 9 December 2016 on transparency, the fight against corruption and the modernisation of the economy (Art. 54).<sup>7</sup>

All units of the Banque de France that are likely to make investments (real-estate, IT, etc.) are prohibited from accessing company ratings when selecting service providers. The Banque de France itself does not engage in proprietary trading in the securities of rated private companies.

<sup>4</sup> Or in the network of the IEDOM in the case of the overseas departments and the overseas collectivities of Saint Pierre and Miquelon, Saint Barthélemy and Saint Martin. [www.iedom.fr](http://www.iedom.fr)

<sup>5</sup> Subject to the enactment of an implementing decree.

<sup>6</sup> The provisions set out in Article 1 of Decree No. 2015-1854 are as follows:

1. The management company has been authorised by the *Autorité des marchés financiers* (the French financial markets authority) to manage debt as part of its business plan;
2. The management company manages debts as part of its administration of a collective investment fund, or develops that activity within a 12-month period. The company annually provides a summary document to the *Autorité des marchés financiers* disclosing its debt management activities.

<sup>7</sup> Subject to the enactment of an implementing decree.

## 1.6 – Who are the analysts?

The analysts are Banque de France employees who work in the Companies Departments of the **branch network** across France. They enhance credit risk assessments with their financial expertise and in-depth understanding of the economic regions and sectors in which companies are based or are active. The Companies Departments are given a portfolio of companies that they monitor and contact whenever necessary for the purposes of their analysis or if requested by the chief executive.

All analysts receive initial training that enables them to exercise their own personal judgement by applying a standardised methodology and procedures. High-level ongoing training is provided to keep knowledge and skills regularly updated.

Analysts are grouped together in Companies Departments to promote collective decision-making. Coordination – both at the regional level between units and at the national level between regions – helps to spread best practices, pool experience and, where necessary, create specialisations in certain areas.

## 1.7 – How is the rating awarded?

The Banque de France rating is a rating across the economic cycle with a three-year horizon that tends to limit the impact of short-term factors (fall in turnover, decline in profitability, etc.).

It is assigned on the basis of an expert assessment, i.e. after the case has been examined by an analyst according to a set of methodological rules grouped under a regularly updated repository. Its method of allocation excludes the use of fully automated rating processes and/or based exclusively on financial data.

The analyst carries out a case-by-case and in-depth assessment of the financial structure of the rated companies, in accordance with the financial expertise rules in the rating repository. In addition, these rules are modelled using a special rating assistance application, which, by guaranteeing that the rules are complied with and that the available data are entirely made use of, validates the decision of the analyst. Company ratings may also be influenced by so-called "qualitative" factors, in accordance with the methodological rules of the rating repository, such as, in particular, developments on the market on which it operates, its position on this market, its relationships with its customers and suppliers, the soundness of the shareholder base, the strategy of the management team, medium-term projects and outlook, the financial flexibility of the company, the transparency of communication, its corporate social and environmental responsibility policies, etc.



## Ethical rules that apply to employees involved in company rating activities

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Analysts are subject to the legal, statutory and regulatory provisions that apply to all Banque de France employees. The management standards governing rating activities provide additional assurance as to the professional integrity of analysts.

All Banque de France analysts undertake to assign ratings honestly and independently of all other influences or personal interests, and to use all the expertise at their disposal to guarantee a high-quality rating process.

The measures listed below describe the provisions that analysts must follow in the event of a potential conflict of interest. The examples provided cover the most commonly-encountered cases but other types of situations may also arise.

### 2.1 – Rules applicable to all Banque de France employees

As employees of the Banque de France, analysts must refrain from divulging confidential information that they hold and are bound by professional secrecy requirements under Articles L. 142-9 and L. 164-2 of the **Monetary and Financial Code**.

Article L. 142-9 notably states that:

"Banque de France employees shall be bound by professional secrecy.

They are prohibited from taking or accepting any holding or any interest in, or remuneration whatsoever, whether in an active or advisory capacity, from any public or private enterprise of an industrial, commercial or financial nature, unless dispensation is granted by the Governor. These provisions shall not apply to the production of scientific, literary or artistic works."

Article L. 164-2 stipulates that violating secrecy requirements is a criminal offence punishable by penalties set out in Article 226-13 of the French Penal Code (*Code pénal*), subject to the derogations provided for in Article 226-14 of said code.

Analysts are also subject to the Banque de France's Code of Ethics, drawn up by the General Council of the Banque de France and approved by the Minister for the Economy, Finance and Industry.

Article 2 of the Code sets forth the general obligations of employees, some of which are mentioned below:

"Employees shall refrain from performing transactions, taking action or behaving in ways that are detrimental to or might damage the reputation of the Bank or any natural or legal persons connected with it."

Article 3 on benefits, gifts and invitations states that:

"Employees shall neither directly nor indirectly benefit from the relations they maintain with natural or legal persons connected with the Bank, nor shall they take advantage of the influence that their position at the Bank may bestow upon them. They shall not request or accept any benefits, gifts or invitations, or any

promises thereof: they may only accept those of modest size that are given in the context of normal professional relations and are not liable to affect their impartiality."

Article 5 on conflicts of interest includes the requirement that:

"Employees shall avoid any situations liable to result in a conflict of interest. A conflict of interest is taken to mean any situation in which the interests of employees or of their relatives or close friends are at odds with the interests of the Bank and could affect or appear to affect the independent, impartial and objective exercise of their duties."

"Persons being recruited and employees shall mention personal relations that may give rise to conflicts of interest."

Article 7 reminds employees of their professional secrecy obligations and the penalties in case of non-compliance:

"Employees are reminded that the disclosure of non-public information to a third party – including to family members, close friends, acquaintances or representatives – even if the third party is bound by professional secrecy, is punishable, under Articles L. 142-9 and L. 164-2 of the Monetary and Financial Code, by the sanctions set out in Article 226-13 of the Penal Code regarding professional secrecy, except where otherwise stated under French law.

Confidential information shall only be disclosed within the Bank to employees whose positions so require.

Employees must also exercise discretion with regard to facts, information or documents, confidential or otherwise, which may come into their possession in the conduct of their professional activities.

Employees shall continue to be bound by professional secrecy with regard to all information acquired during the course of their duties and not yet made public, even after they have ceased to work for the Bank."

Article 8 specifies the provisions with regards to the use of information not in the public domain.

"Employees shall not use non-public information obtained during the course of their activities for direct or indirect personal benefit.

They shall refrain, in particular, from carrying out personal transactions involving currencies, securities, financial products, contracts or goods of any kind or form, including gold, about which they possess non-public information acquired in the course of their duties.

Employees shall not carry out indirectly, notably via an intermediary, any transactions that they themselves are not authorised to carry out. Moreover, they shall not use non-public information to recommend to third parties to carry out transactions or encourage them to do so."

In addition, article 9, which covers the provisions that apply to employees who are likely to come into contact with insider information, includes special rules for: "staff whose professional activities provide them with access to non-public information on companies, and notably on companies whose shares are listed on a regulated market" (paragraph 9-1-2). A regularly updated list is kept of employees who are subject to these provisions. For company rating activities, they include:



- at the head office, the Director General Services to the Economy and Branch Network Activities, his/her deputies, the Director and deputy director of the Companies Directorate, assistants and project managers for accounting issues, and heads of divisions and their deputies within the Companies Directorate. Also affected are the heads of the Business Information System Administration, Central Credit Register and Business Analysis Methodology divisions as well as all analysts who are likely to come into contact with cases brought before the Large Exposures Rating Committee and staff of the General Inspectorate of the Banque de France charged with auditing the network;
- the manager and deputy manager of each branch network unit, along with employees who have access to "non-public information about companies".

In accordance with Article 9-1-5 of the same Code, these employees must furnish the Ethics Officer with a comprehensive list of all securities and financial or market instrument accounts opened in their name or for which they are sole or joint decision-maker, in addition to an authorisation releasing the holders of these accounts from their duty of professional secrecy vis-à-vis the Ethics Officer and the persons charged with ensuring the application of these provisions. In addition, any changes to their account holdings of requiring declaration must be reported to the Ethics Officer within 15 days.

In addition, by virtue of Article 9-2, all employees, even those who are not covered by Article 9-1 of this Code of Ethics, but who acquire non-public information, either directly or indirectly, on an occasional basis or otherwise, may have their transactions reviewed by the Ethics Officer.

The Banque de France's Code of Ethics was made known to staff through the General Council's regulatory decision (*arrêté*) No. A-2016-01 of 12 April 2016.

## 2.2 – FIBEN management standards help to guarantee analyst integrity

Analysts have a single, clearly-stated goal: to determine the rating that best reflects the company's creditworthiness, i.e. its ability to meet its financial commitments over a three-year horizon.

The Banque de France rating process is based on two management principles that shield analysts from conflicts of interest associated with business dealings or financial incentives, where such relations exist between the Banque de France and rated entities:

- companies do not pay to be rated. Users finance the rating process. FIBEN clients are billed for consultations at a published tariff. Meanwhile, the Banque de France's budget covers costs connected with using ratings to carry out the tasks assigned to the central bank, notably those detailed in Articles L. 141-1 *et seq.* of the Monetary and Financial Code;
- analysts are not paid based on the volume of companies that they rate, nor does their pay depend on their rating decisions.

## 2.3 – Principles and due diligence for analysts as regards independence and the prevention of conflicts of interest

The activity of assessing corporate credit risk is governed by the statutes of the Banque de France, which ensures an independent decision-making process.

Article L. 141-1 of the Monetary and Financial Code stipulates that:

*"In the exercise of the missions that it conducts as part of the ESCB, the Banque de France, represented by its Governor, Deputy Governors or any other member of the Monetary Policy Council, shall neither seek nor accept instructions from the Government or any other body".*

In the same vein, analysts must carry out their work without heed to recommendations, invitations or advice that might be offered by parties who are not involved in the rating process for a given company. If such an attempt is made, the analyst sends written notification to his or her immediate superior, detailing the time and place and the identity of the person who, in the analyst's view, sought either implicitly or explicitly to influence the rating decision. In the most serious situations, the head of the network unit will send written notification to the Director General of Services to the Economy and Branch Network Activities of the Banque de France.

Analysts engaged in a rating exercise must also take care not to consult with, or respond to requests from, other Banque de France units that are not involved in rating the company.

The rules and regulations that apply to Banque de France staff state that analysts and employees generally *"are prohibited from taking or accepting any holding or any interest in, or remuneration whatsoever, whether in an active or advisory capacity, from any public or private enterprise of an industrial, commercial or financial nature, unless dispensation is granted by the Governor"*. In other words, except in very rare cases, analysts cannot be placed in a situation where they take part in rating a company in which they have an interest. If, however, there is a conflict with the analyst's personal interests or the interests of people associated with him or her (see 2.1 above), the analyst must send written notification of this to the unit head and, if necessary, to the Ethics Officer. The analyst's superior must then take the analyst off the case in question. In the event of particular difficulties arising, the superior will refer the matter to the Ethics Officer.

The rating decision must not take account of professional or financial relations between units in the Banque de France network or head office and a company or one of its senior managers. Most importantly, the rating decision must not be linked to any credit mediation process,<sup>8</sup> sales of services, particularly **GEODE**, a diagnostic service that is offered by business portfolio officers and performed by specially-trained analysts. If a GEODE service order has been signed in the last two years, neither the GEODE analyst nor the business portfolio officer may validate the rating decision regarding the company in question, and responsibility for the rating decision must be assigned to someone else.

## 2.4 – Precautionary measures for managing conflicts of interest

If a conflict of interest is identified, various procedures are activated to guarantee that there is a sound basis for the rating. Banque de France in-house regulations stipulate that the case must be brought before a rating committee if a conflict of interest has been duly identified.

The Large Exposures Rating Committee, which is chaired by the Director General of Services to the Economy and Branch Network Activities of the Banque de France, is called in when large nationwide groups are concerned. In other cases, the matter is brought before the appropriate Regional Rating Committee, which is chaired by the Regional Director.

If an unreported conflict of interest is discovered, the Director General of Services to the Economy and Branch Network Activities may refer the matter to the Large Exposures Rating Committee, potentially based on a proposal by a Regional Director; or the Regional Director may refer the matter to the Regional Rating Committee, potentially based on a proposal by a unit director.

<sup>8</sup> If a company rated by the Banque de France is engaged in a mediation process, its rating is temporarily frozen until the end of the process. The separation between rating and mediation activities, and the freeze on the rating, imply that the information gathered through mediation is not used to assign the rating during the course of the mediation process.

The Large Exposures Rating Committee always intervenes with a view to making a ruling.

As part of a control review, the Regional Rating Committee examines the situation of certain companies that have bought a GEODE analysis service to make sure that no conflict of interest has influenced the rating issued to the entities concerned.

After each meeting, a statement is drawn up containing the committee's opinions on each case, along with the chairman's final decision.



## Integrity and quality of the rating process

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Formal decision-making channels, reasoned, traceable decisions and a clearly identified quality control function all contribute to the integrity and quality of the rating process.

### 3.1 – Formal decision-making channels

The Director General of Services to the Economy and Branch Network Activities of the Banque de France, who has ultimate responsibility for rating activities, delegates responsibilities to Regional Directors, who in turn may sub-delegate.

Decision-making channels are designed to meet two key needs: to identify responsibilities clearly via a structured system of managerial delegation; and to ensure reliability by having no fewer than two analysts compare ratings.

The credit rating is assigned by an analyst under the responsibility of the director of the relevant unit of the Banque de France. Any rating that relies on accounting data is assigned according to a double review principle. To be validated, it must be examined by a confirmed analyst who has been properly delegated to this effect, a supervisor or an experienced manager.

However, for the simplest cases, the first stage of the rating process is conducted using a special rating application which incorporates companies' internal rules of analysis. The resulting rating proposal must, however, be validated by an analyst. When the rating chosen by the analyst does not correspond to the rating proposal, it must be specially justified.

In addition, a rating is never decided on during an interview between analyst and company executive: the outcome of the interview must always be compared with the quantitative data in the company file before the rating is assigned.

Regional and National Rating Committees have been set up to handle complicated or sensitive cases where implicit or explicit pressures could affect the analyst's decision (see 2.4). In addition, all analysts are subject to a mandatory rotation procedure that ensures that the same company is not rated for more than four consecutive years by the same analyst.

### 3.2 – Reasoned, traceable decisions

Rating decisions are based on:

- an analysis of economic data and objective information gathered from the registries of commercial courts, credit institutions and the companies themselves,
- a shared methodology that stipulates how each type of information is to be factored into the decision.

Anyone who consults a company rating in FIBEN will also see a summary indicator that gives the main contributing factors in the assigned rating.

Analyses and associated materials are stored in accordance with statutory time requirements, particularly those arising in connection with the Data Protection Act of 6 January 1978 (amended).

### 3.3 – Quality control

Quality control is set nationally and then rolled out at the level of each region and unit in the network. A first level of control is built into the entire rating process, ensuring that distributed information is reliable. Teams of specialists perform a second level of control designed to check the overall appropriateness of the rating as well as the quality – particularly the freshness – of data that went into the rating decision.

#### *National quality control*

The Companies Directorate's quality control programme includes systematic checks on information gathering. These checks, which are built into IT processes or are based on queries or individual unit inspections, verify data completeness and reliability. The results of rating activities<sup>9</sup> are also subject to ex post analyses that chiefly aim to assess the predictive ability of ratings on a three-year horizon. These performance measures of the rating system are completed by indicators of the long-term stability of ratings. This information is posted every year on the website of the Banque de France. Regular studies are carried out using information feedback from regions (see below) to make sure that companies presenting the same level of risk receive the same rating.

The Companies Directorate also devises quality control solutions for units and Regional Directorates. It uses a battery of indicators to track implementation of these solutions. It also relies on periodic inspections by network auditors, who report to the General Inspectorate of the Banque de France.<sup>10</sup>

To bolster the quality control system, the Companies Directorate also provides branch network units with a help desk to which all analysts have access.

#### *Regional quality control*

In accordance with the delegation system, the Regional Director is responsible for the quality of the rating process deployed by the region's units. Aided by specialists, the Director makes sure that control mechanisms are being properly implemented and that best practices are being shared.

The Regional Director's tasks include making sure that uniform practices are applied across the region and that these practices comply with the rating rules set out in the national manual of procedures.<sup>11</sup> At least once a year, the Regional Executive Committee, which the Regional Director chairs, compares the structure of ratings in the region against those observed at the national level, based on an analysis using the methodology established by the Companies Directorate. The chief aim is to ensure that any deviations reflect actual differences in economic conditions across regions. A finer-grain analysis is carried out at the level of each unit in the region.

<sup>9</sup> Quality controls naturally look at the ratings of companies that have been analysed on the basis of their accounting records. Stringent, mainly computerised controls are also carried out on smaller companies that were rated based on descriptive and qualitative data.

<sup>10</sup> Network auditors have the rank of Inspectors and are independent of operational management. They report to the Comptroller General.

<sup>11</sup> Rating repository.

*Local quality control*

Daily, weekly, monthly and non-periodical statements are made available to every unit in the network to verify the quality of data recorded in FIBEN. Each month, units also carry out several automated procedures to check rating quality ex post and to make sure that any new information has been taken into account.

Special checks are carried out when the rating is recorded in FIBEN, to make sure that the entered rating is consistent with the supporting evidence and valid information in the system. Alerts are addressed through verification or corrective measures.



## Communication of the ratings and transparency

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Access to company ratings is strictly regulated. Users, first and foremost rated companies, can access documentation covering the data used, the methodological principles underpinning the rating process and the predictive ability of assigned ratings.

### 4.1 – Access granted to employees of the Banque de France and the General Secretariat of the *Autorité de contrôle prudentiel et de résolution* (ACPR)

Only authorised employees of the Banque de France<sup>12</sup> and the General Secretariat of the ACPR may access company ratings. *Personal* accreditation is granted to people who need it to conduct banking supervision, discharge the duties assigned to the Banque de France, or administer FIBEN and provide data to authorised third parties.

The Companies Directorate establishes the accreditation rules based on the standards drawn up by the Banque de France's IT Security Officer and the Risk Unit: Analysis and Consolidation Assistance of the Banque de France.<sup>13</sup> The Risk Manager of the Companies Directorate performs careful monitoring to ensure the security policy is being properly applied.

The head office Risk Manager and IT Security and Data Access Managers in branch network units carry out regular checks to make sure that current accreditations are appropriate.

The staff of the General Secretariat of the *Autorité de contrôle prudentiel et de résolution* is composed of Banque de France employees. Pursuant to Article L. 612-19 of the Monetary and Financial Code, it is subject to the ethical rules established by the College of the ACPR based on a proposal by the Secretary General of the ACPR, and is also subject to the ethical rules applicable to Banque de France staff. Where applicable, in view of its participation in the functions of the Banque de France, SGACPR staff may be subject to the statutes of the Banque de France. In addition, according to Article L. 612-17 of the same code it is bound by professional secrecy.

<sup>12</sup> Plus IEDOM branch and head office employees responsible for running FIBEN.

<sup>13</sup> Like the Banque de France's audit departments, the IT Security Officer and the Risk Unit: Analysis and Consolidation Assistance report to the Comptroller General.

## 4.2 – Access granted to FIBEN member organisations

An article in the FIBEN membership contract specifically addresses data confidentiality.

### 4.2.1. Credit institutions

Data supplied by the Banque de France and the reports and documents related to their processing are subject to the rules of professional secrecy applicable to staff members of credit institutions under Article L. 511-33 of the Monetary and Financial Code.

Subject to the rights of communication conferred on the supervisory authorities of credit institutions, data must only be used in the normal course of the member's business and exclusively for professional purposes and solely within the framework of his/her corporate relationships.

The member is specifically prohibited from:

- sharing outside the institution any raw, aggregated, restated or transformed data, including in the form of an assessment or a summary indicator from the database; consulting and reusing information from the FIBEN database is however possible for these institutions falling within the scope of Title I, Book V of the Monetary and Financial Code via the member's IT system, subject to the prior consent of the Banque de France and the signing of a specific amendment to the contract;
- taking decisions based on confidential information held in the database on behalf of external organisations that do not fall within the scope of Title I, Book V of the Monetary and Financial Code.

Direct or indirect financial links between the member and one or more business intelligence agencies (financial information, company ratings, business information) must be declared to the Banque de France by mail.

The member also agrees not to make public, notably through publication in the press, any information obtained from the Banque de France.

The member agrees to fully comply, and ensure that its staff fully complies, with this duty of secrecy and to take all necessary measures to that end.

### 4.2.2. Other FIBEN members

The other members may or may not be subject to an obligation of professional secrecy.

In all cases, members formally recognise that the data supplied by the Banque de France as well as the reports and documents prepared on the basis of those data are strictly confidential. The provisions cited above in section 4.2.1 are generally applicable in the same terms.

The insurance companies, mutual insurers, provident institutions, crowdfunding intermediaries, investment service providers, equity investment advisers, and management companies mentioned in the second paragraph of Article [L. 144-1](#) of the Monetary and Financial Code must sign an agreement with the Banque de France defining their obligations, particularly in respect of data confidentiality.<sup>14</sup> These data can only be used within the framework of the legal and regulatory provisions in force at the time of the activity giving access to the information.

<sup>14</sup> See Articles 2 and 3 of Decree No. 2015-1854 of 30 December 2015 on the methods of communication by the Banque de France of data related to the financial position of companies to certain entities mentioned in Article L. 144-1 of the Monetary and Financial Code.

Information on the financial position of companies cannot be distributed outside of the member institution except with the prior consent of the Banque de France and the signing of a specific amendment to the contract giving express authorisation.

The distribution of this information within the member institution is only permitted for debt management purposes. It is in full compliance with the rules and procedures on managing conflicts of interest, notably provided for in the General Regulations of the *Autorité des marchés financiers*.

With regard to insurance companies carrying out credit insurance and surety activities, in addition to their data confidentiality commitments, they also agree to take whatever steps are necessary to ensure that FIBEN data cannot be reused by their clients in their dealings with their own customers.

### 4.3 – Access granted to chief executives

When a company is given a rating based on an analysis of its accounting records, the competent network unit head, or his proxy, writes to notify the company's legal representative of the rating. In the same letter, the unit extends an invitation to hold an interview. If the legal representative contests the rating, or asks for clarification, the unit will organise a meeting to go over the factors that went into the company's rating.

Analysts often convene a meeting either before the rating is assigned, to obtain information about the company's financial position ("pre-rating meeting"), or afterwards, to draw the senior manager's attention to the reasons for a rating revision ("post-rating meeting"). All these meetings are "rating meetings". In addition, analysts may arrange a telephone interview to collect qualitative information and question the company's chief executive about any changes in accounting data observed over the past year.

The legal representative of a company may also consult through a dedicated internet portal information recorded in FIBEN about the company (see <https://i-fiben.banque-france.fr/>).

The chief executive also has the right to access and rectify company data, in accordance with the Data Protection Act of 6 January 1978 (amended).

### 4.4 – IT personnel access to FIBEN and FIBEN data

The Banque de France handles all aspects of processing FIBEN information, from data collection to external distribution. It owns the dedicated IT systems used to run these applications.

Project owners report directly to the Companies Directorate, while IT teams (project managers and system and network managers) report to the General Secretariat (Organisation and Information Systems). Banque de France employees who take part in these activities are subject to the professional secrecy and ethics rules described in point 2.1.



The staff of IT service companies that are called in to do work do not have access to the data.

In addition, the supplier signs an agreement in which it undertakes to abide by an obligation of strict confidentiality that lasts even after the agreement expires. Anyone working on behalf of the service provider must also sign a document that reiterates the obligations under the agreement signed by the employer.

#### **4.5 – Publication of methods and activity reporting**

The Banque de France publishes:

- the principles underlying its analysis and rating methodology plus the overall organisation of its rating activities in a reference document,
- the overall performance of the rating system as measured using various indicators, including default rates for each rating and transition matrices,
- information about overall activity in an annual report.

All of these documents are available on the Banque de France website:

[www.banque-france.fr](http://www.banque-france.fr).

## Glossary

ACPR	The Autorité de contrôle prudentiel et de résolution (ACPR – the Prudential Supervisory and Resolution Authority) is the supervisory body for banking institutions and insurance companies operating in France. It is chaired by the Governor of the Banque de France and discharges its duties with the support of the General Secretariat of the ACPR.
BANQUE DE FRANCE DEFAULT	As part of the Banque de France's recognition as an ECAI (External credit assessment institution), a Banque de France default is deemed to occur either in the event of corporate failure or if there are multiple payment incidents involving trade bills, e.g. where the company fails to make full or part payment at the due date for reasons that cannot be attributed to a dispute.
BRANCH NETWORK	The Banque de France network comprises branches (usually located in the administrative centre of the <i>département</i> ) and specialised offices. Some of these offices – the ones situated in major employment zones – have Companies Departments.
CORPORATE FAILURE	When the commercial court rules that a company is in receivership or compulsory liquidation.
DEFAULT	For the Banque de France's ICAS status, a default corresponds to the definition set out in Article 178 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.
ECAI	External credit assessment institution In a decision of 19 June 2007 of the Commission bancaire, the Banque de France was listed as an external credit assessment institution.
EUROSYSTEM	The Eurosystem consists of the European Central Bank and the national central banks of the countries that have adopted the euro as their single currency.
FIBEN	The Banque de France's company database ( <i>Fichier Bancaire des Entreprises</i> )
GEODE	GEODE ( <i>Gestion Opérationnelle et Dynamique des Entreprises</i> ) is an economic and financial diagnostic service that provides an assessment of a company's situation. It is supplemented with simulations of the financial impacts of management decisions, such as investments. It is designed to give chief executives access to the information and expertise that the Banque de France has accumulated by building and managing databases of financial, economic and strategic information <a href="http://www.expertise-geode.fr">www.expertise-geode.fr</a>

ICAS	An "In-House Credit Assessment System" – a credit risk assessment system used by a national central bank and accepted by the Eurosystem as part of the ECAF (Eurosystem Credit Assessment Framework).
IEDOM	<i>Institut d'émission des départements d'outre-mer</i> (the French overseas departments note-issuing bank) <a href="http://www.iedom.fr">www.iedom.fr</a>
IPE	<i>Incidents de paiement sur effets de commerce</i> (trade bill payment incidents).
MONETARY AND FINANCIAL CODE	A set of legislative and regulatory provisions regarding money and financial and banking activities.
REFINANCING OPERATIONS	Monetary policy operations and collateral for intraday credit in TARGET, the real-time gross settlement system.
RISK CLASS	A risk class corresponds to a homogeneous level of probability of default over a given time horizon.