5. France

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### A. List of Primary Dealers\(^1\)

<table>
<thead>
<tr>
<th>FIRM</th>
<th>France (FR)</th>
<th>Firm’s location</th>
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</thead>
<tbody>
<tr>
<td>Bank of America Merrill Lynch</td>
<td>X</td>
<td>Paris</td>
</tr>
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<td>Paris</td>
</tr>
<tr>
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<td>X</td>
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</tr>
<tr>
<td><strong>TOTAL</strong></td>
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<td></td>
</tr>
</tbody>
</table>

**KEY:**

- [ ] AFME/Primary Dealer Members
- [ ] AFME Members
- [ ] Non-AFME Members

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1. List of the Primary Dealers operating on the French Government Bond Market as of September 2014. For complete information please refer to the AFT’s website at [http://www.aft.gouv.fr](http://www.aft.gouv.fr)
5. France

B. Credit Rating

French debt is rated as follows:  

- Standard and Poor’s: AA
- Moody’s: Aa1
- Fitch Ratings: AA+
- DBRS: AAA

C. Debt Instruments

In 1985, the Treasury embarked upon a series of reforms designed to lay the groundwork for harmonious growth of a liquid, attractive and safe government securities market. From inception, the objective was to enable the State as an issuer to borrow on optimum conditions while offering market players standardised securities along with easy and safe access to the primary and secondary markets. The composition of government debt has been rationalised by creating three categories of standardised government securities: OATs, BTANs and BTFs. These securities, whose nominal value is €1, are distinguished by their maturity on issue.

Obligations Assimilables du Trésor (OATs, or fungible Treasury bonds) are the government’s medium and long-term debt instruments with maturities from two to fifty years. Most OATs are fixed-rate bonds redeemable on maturity. However, the Treasury also issues inflation-indexed bonds (OATi, OAT€i). OATs with residual maturities from 5 years are auctioned on the first Thursday of each month whereas OATs with residual maturities from 2 to 5 years are auctioned on the third Thursday of each month (cf. below). OAT maturities and interest payment dates are set on the 25th day of the month.

Bons du Trésor à Intérêts Annuels (BTANs or negotiable fixed-rate medium-term Treasury notes paying an annual interest) represented until 2012 medium-term government debt. From the 1st January of 2013, in order to simplify the set of products, the new medium term benchmarks are issued as OATs, like the long term issues. Existing BTAN lines continue to be tapped and thus their liquidity continue to be ensured. Existing lines of BTAN and new medium term OAT are auctioned on the third Thursday of each month. The Treasury generally issues one line of BTAN or medium term OAT with a maturity of either two years or five years, completed with one or several other BTAN or OAT (if their remaining maturity is less than five years).

Bons du Trésor à Taux fixe et à Intérêts Précomptés (BTFs or negotiable fixed-rate discount Treasury bills) are the government’s cash management instrument. They are used to cover short-term fluctuations in the government’s cash position (less than a year), mainly due to differences in the pace with which revenues are collected and expenses are paid and in the debt amortization schedule. On issue, BTFs have a maturity of less than a year. They are auctioned every Monday as part of a quarterly calendar published in advance. This calendar specifies the maturity of the BTFs to be auctioned. Every week, one BTF with a maturity of three months is issued. This issue is complemented by other BTF with a remaining maturity less than one year. Certain BTFs with maturities from four to seven weeks may be issued outside the calendar if required for cash management requirements.

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2. Credit rating as of September 2014
D. Privileges and Obligations of Primary Dealers³

a. Primary Dealership Organisation³

Primary Dealers (also called ‘SVTs’ in this document for Spécialistes en valeurs du Trésor) are the market counterparties of choice for the Agence France Trésor. Their role is to advise and assist the AFT on matters related to issuance policy and debt management, as well as on questions of a more general nature pertaining to workings of the market.

b. Primary Dealers (SVT)

These are subject to certain obligations, which include participating in auctions, placing treasury securities and maintaining a liquid secondary market. The Agence France Trésor maintains the relationships with them that is required in the furtherance of their stated missions. The SVTs agree to comply with the specifications drawn up annually since 1986. Intense discussions with the SVTs regarding these specifications led to the development of a new charter of the relationship with the Agence France Trésor (available on the AFT website). This charter seeks to fully reflect the implications of the establishment of the Agency and changes in bond market trading activities.

c. Selection of the Primary Dealers

Primary Dealers are selected by the Minister of the Economy and Finance, upon the recommendation of the Director General of the Treasury, President of the AFT. The Director General of the Treasury may, in order to prepare his recommendations, call upon the advice of a selection committee. The institutions concerned with this procedure are informed in due time and are made aware of the composition of the committee by the AFT’s Chief Executive.

d. Charter Implementing Terms

In the event of any breach of the terms of the charter, the AFT may decide to suspend the Primary Dealer, as regards all or part of its operations, for such period as the AFT shall determine, or may lower the qualitative assessment stated in the annual ranking.

In the event of any serious breach, the AFT shall propose to the Minister the suspension or de-listing of the Primary Dealer. Such suspension or de-listing is then made public.

3. All the information developed in this paragraph is publicly available on the AFT’s website at http://www.aft.gouv.fr
E. The Primary Market

The AFT prepares its transactions on the primary market with the Primary Dealers – and informs the Primary Dealers of any material changes to its borrowing calendar.

i. Auctions

Except in the case of force majeure, each SVT shall participate in all auctions. Each SVT employs every material and organisational means to ensure its participation in auctions, including when using the back-up procedure. SVTs shall materially participate in auctions for each of the three product classes – BTF, BTAN and OAT – i.e. at least and on average over the 12-month rolling period in taking 2% of volumes allotted through competitive bidding, the arithmetic mean of those three percentages on the three product classes being above 2.5%.

The AFT regularly assesses the way in which each institution performs its obligations.

At the end of each standard auction, with the exception of reverse auctions, the SVTs may submit non-competitive bids (NCBs) in accordance with the terms specified by the AFT. The AFT reserves the right to withdraw the right to submit NCBs from any SVT that has failed without cause to participate in an auction or has failed to uphold the principles of its charter.

a. Timetable of Regular Sessions

• Long term OAT auctions are held on the first Thursday of each month, except for August and December (which are optional), at 10.50 a.m. Paris time. These auctions include fixed-rate OATs and with a minimum residual maturity of 5 years.

• Medium term OAT and BTAN auctions are held on the third Thursday of each month, except for August and December (which are optional), at 10.50 a.m. Paris time. These auctions include fixed-rate OATs and with a residual maturity from 2 to 5 years.

• OATi and/or OAT€i auctions are held on the third Thursday of each month at 11.50 a.m. Paris time.

For August and December, the modalities of possible auctions are specified with the announcement of the annual financing programme.

• BTF auctions are held each Monday at 2.50 p.m. Paris time.

The timetable of auction sessions of medium and long term bonds’ auction session and settlement dates for each year is published at the beginning of the year on AFT’s website.

The timetable of BTF auction sessions and settlement dates for the following quarter is published at the beginning of each quarter on the AFT website.

b. Specific Timetable Rules

Auctions whose announcements, session, NCBs or settlement are scheduled for a day that is a legal holiday in Paris shall be covered by a specific communication from the AFT.

On an exceptional basis, in particular when the AFT relies on syndication in order to carry out a primary market operation, the AFT may depart from the publicly-announced timetable and may change the date of, or remove, a monthly auction.

An additional auction of short-term BTF may be held for cash management purposes in exceptional circumstances; it is announced to the market at least one day in advance and its settlement may take place one business day following the auction.

The AFT may change the dates of auctions throughout the year, after consulting the SVTs. The AFT then publicly announces the new timetable applicable until the end of the year.

c. Announcements Made Prior to the Auctions

In terms of BTF auctions, announcements are made the morning of the Friday preceding the auction date. The announcement includes the list of lines to be issued, a range of the amount to be issued on each line and the auction and settlement dates. The same information is given at least one business day in advance in the case of an additional BTF auction as described above.

With regards OAT and BTAN, either nominal or indexed on inflation, regardless of the hour of the session, the announcement of the auction’s features is made during the morning of the preceding Friday. The announcement of the auction includes the list of lines to be issued, a range of possible total amounts to be issued, as well as the auction and settlement dates.

Announcements are made by way of AFT press releases and through TELSAT. Such announcements are featured on the Agence France Trésor pages on the main information news wires as well as on AFT’s website:

<table>
<thead>
<tr>
<th></th>
<th>OATLT</th>
<th>OATMT</th>
<th>OAT € i/i</th>
<th>BTF</th>
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<tr>
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<td>ADJUINFLA/</td>
<td>ADJUBTF/</td>
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<td>9&lt;GO&gt;</td>
<td>10&lt;GO&gt;</td>
<td>11&lt;GO&gt;</td>
</tr>
</tbody>
</table>

d. Proceedings at Auctions

Participants in auctions send their bids to the Banque de France through the TELSAT auction system. If TELSAT is unavailable or if any participant is unable to connect to it, a staggered procedure for the sending of the bids is provided for. The Banque de France communicates the practical rules governing such auctions to auction participants. Bids are of two types:

- Competitive Bids or CBs – these must reach AFT before the cut-off time indicated above. Such bids are allotted at the offered price according to the auction mechanism;
- Non-Competitive Bids or NCBs – these are awarded under the terms communicated to the relevant SVT.

e. Settlement

Following the entry into force of the European Central Securities Depository Regulation (CSDR), all trades on the secondary market made through regulated markets will be settled at T+2, or two days after the trade date, starting on 6 October 2014.

Furthermore, from 6 October, AFT decided to settle all BTF, BTAN and OAT auctions at T+2.

f. Reverse Auctions (buy-backs of Valeurs du Trésor through auctions) and Exchange Auctions

The terms of the reverse auctions are determined by Agence France Trésor after consulting the SVTs.
g. Rules concerning Participation in Auctions

• **Price Dispersion**

The maximum amount proposed for each price (or rate) of the bidding scale for each participant in BTF auctions and in the first two issues of a new OAT or BTAN security is set as follows: €1 billion for BTF, €600 million for BTAN and fixed-rate OAT bonds and €300 million for floating-rate OATs. This is in order to ensure the smooth execution of auctions and to avoid excessive concentration of the securities among several investors upon issuance. This rule does not apply to additional auction of short-term BTF held for cash management purpose as described above. For BTF, BTAN and OAT, the minimum amount per price/rate is €1,000,000.

• **Reporting Obligation in case of Material Participation**

Any institution obtaining more than 40% of the issued volume (not including NCBs) must inform AFT. The participant discloses to AFT the identity of its main clients or the SVT's rationale if the SVT intends to retain a material fraction of the obtained volume.

h. **Publication of Results**

The AFT publishes the results as soon as practicable after the bidding deadline. Such results contain at least the following data for each line:

- Amount issued
- Limit price (or limit rate for BTF auctions)
- Exact percentage served at the limit price
- Weighted average rate
- Weighted average price (except for BTF auctions)

Results are published at the same time through the circulation systems referred to in the table under point c. The auction grids are communicated through TELSAT to participants in the auction. AFT, which prepares such information, is the only institution authorised to disclose it to other persons.

ii. **Syndications**

In the event of syndication, all Primary Dealers participate in the placement syndicate and ensure the proper functioning of the transaction according to the tasks entrusted to each of them by AFT. The syndicate's lead managers are appointed, in particular taking into account their expertise on the market segment concerned their place in the Primary Dealer ranking and their contribution to the discussions and preliminary works precedes the transaction. The lead managers have a special responsibility with regards the liquidity of the secondary market for the issued security.

The DMO announces the decision of a syndication through an announcement. There is no specific method of sale and up to 2014, there was no retention when the offer is placed. During the sale procedure, the key stages of the operation and their results are communicated to all market participants through dealers, until the pricing, and through the publication of usual allocation statistics on the AFT website, after the pricing.
F. Secondary Market

i. Interdealer Market

Through their market-making, Primary Dealers support the liquidity of the overall market for French Treasury securities. More specifically, each Primary Dealer materially participates in transactions on the “grey” and secondary markets for French Treasury securities and ensures a consistent coverage of the entire range of products issued by AFT, as well as the repo market.

The Primary Dealers agree to make firm quotations to customers and to other Primary Dealers in respect of all French Treasury securities (BTF, BTAN, OAT, stripped bonds, indexed OAT and BTAN) and repurchase agreements involving French Treasury securities.

In order to guarantee market transparency, Primary Dealers display, on an ongoing basis, the buyer and seller prices of French Treasury securities.

Finally, Primary Dealers supply executable prices for customers and other Primary Dealers in respect of the main French Treasury securities, on an ongoing basis, through a multilateral trading system and in accordance with such system’s rules and practices.

The Primary Dealers are responsible for keeping AFT informed of decisions concerning the multilateral trading systems in which they participate. Primary Dealers also ensure that the best treatment is given to French debt in such systems. In general, AFT values being informed of work concerning the organisation of financial markets that is carried out by the industry associations to which the Primary Dealers belong.

a. Multiplatform Environment

ICAP/Brokertec and MTS France are platforms selected by the SVT Market Committee.

Platforms Selection Procedure

Organisation of the Primary Dealers’ Market-Making Activity on the Selected Platforms

The SVT Market Committee provides a one-year accreditation, for trading platforms, which satisfy the following criteria:

1. The trading platform is a MTF (‘Multilateral Trade Facility’) within the meaning of the MiFID directive (Article 4(1) (15)). The platform must transmit information on the prices and transactions on the market’s French bonds at a reasonable price.
2. All the securities issued by the Treasury must be quoted and negotiable on the platform i.e. all the BTFs, BTAN, OAT, index-linked securities, and all the strips.
3. Only the following are authorised to trade on the platform and to trade debt securities issued by the French State:
   - Investment services suppliers with SVT status, which respect to the SVT Charter (cf in the appendix)
   - On default, investment service suppliers with ‘Primary Dealer’ status in at least three countries in the euro zone and respecting the same quotation obligation than the SVT.
4. The platform must include a minimum of three Participants who are committed to performing their quotation obligations for a minimum period of three months;

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6. For more information please refer to the appendix at the end of this chapter
7. For all the markets on which ICAP/Brokertec operates please see its website http://www.icap.com
8. More information see the MTS France website http://www.mtsfrance.com
5. The platform allows access to all Participants, (for any type of order), under its own conditions, but at a reasonable price. (A participant's decision of whether or not to select the platform to perform its quotation obligations must not be a condition for access to the Platform or to some of its services).

6. The platform supplies the Market Committee, via the Secretariat, with the list of its Participants on the French bond segments, and undertakes to immediately inform it of any modification to this list.

7. The platform must provide the reports stipulated above, in compliance with the procedures stipulated in this section.

8. The platform uses a system to track and control transactions and provides all the means and information required for the system to operate correctly.

9. The platform authorises the AFT to perform any control, either directly or through a third party, instructed by it, in order to check that the platform is respecting the above criteria.

10. The platform provides to the Marker Committee through the Secretariat, the price grid applying to the various participants, according to their commitments towards the said platform.

11. The platform must guarantee equal access for the system to all participants

12. The platform executes an agreement with all participants that are permitted to quote on its system.

13. The platform commits itself to comply with the Market Rules.

14. The platform complies with the real time name-give-up.

The “Accredited Platform” status is granted for a year, and each condition must be continuously inspected (except condition number 4 which is verified at the end of each year). The Market Committee can withdraw the platform’s Accredited Platform status if operating breaches are found.

b. Admission Procedure

Platforms seeking accreditation file an application dossier with the Market Committee, which will decide on the accreditation, based on the eligibility criteria in the previous article, within a maximum of two months.

ii. Repo Market

In addition to the quality of the systems offered by the Paris market, the secondary market in French government securities has also benefited from the rapid development of a modern and efficient repo market in Paris since 1994, following the sharp growth in such transactions in recent years.

This success has improved the fluidity of the government debt spot market by offering investors a means of financing their positions, or making attractive and safe short-term investments in French government securities. Repos can be used to refinance portfolio securities in the short term. Reverse repos can be used to generate safely interest on funds available for short periods, generally for less than one year.

Modernisation of the Legal Framework

The legal definition and neutral tax status of repos has made such credit transactions completely safe: a repo is a repurchase agreement between a seller and a buyer, usually of debt securities, whereby the seller agrees to repurchase and the buyer to re-sell the securities at an agreed price and at a stated time. In addition to the irrevocable commitment by both parties to settle the transaction, delivered securities repo transactions involve exchanges of cash and of securities at the beginning and at the end of the transaction.
Market-Making in Repos against Government Securities

The large volumes traded on the Repo Market reflect the feeling of enhanced safety and transparency. SVTs continually display prices for standardised maturities and amounts. This enables investors to be constantly aware of the state of market conditions. These benchmarks are published in the form of ranges of rates that reflect the terms and conditions upon which bulk or cash repo transactions are negotiated, and under which the buyers who lend their cash accept all types of government securities lent by the sellers, covering the four maturities quoted on screen. Thus, the fixed-rate Treasury repo has become a benchmark rate on the money market: it fluctuates between the “blank” interbank money market rate and the BTF rate for the same maturity.

It is easy to see how the government securities market benefits from all this: the development of the Paris repo market has helped make French government securities even more liquid, and therefore to lower the cost of government debt.

iii. Strips Market

The STRIPS segment opened in 1991.

Responding to requests from Primary Dealers, the Agence France Trésor has authorised new rules on stripping and reconstituting fixed-rate French Treasury bonds (OATs). The new procedure will introduce a “fungible zero-coupon certificate”, a single certificate with no distinction between principal and interest.

When an OAT is stripped, it is divided into a set of these new certificates, which have the same face value (€0.01) but different maturities calibrated on the cash flows from the original bond. All same-maturity certificates will be fungible with each other. They can also be put back together to reconstitute either the original OAT or a synthetic bond composed of certificates from different OAT issues.

The new stripping/reconstitution rules came into effect on 23 November 2009. Prior to this, an OAT was strippable into a principal-only certificate (PO) representing the bond’s principal repayment flow at maturity (with a €1 face value), and a set of interest-only certificates (COs) representing accrued interest flows with due dates corresponding to the coupon payment dates of the original OAT (the face value of an CO was €0.25).
G. Monitoring and Control of the Resources Dedicated to the SVT Operations

The AFT may conduct on-site and off-site controls concerning the Primary Dealers’ compliance with their obligations or may procure such controls by the General Secretariat of the Autorité de contrôle prudentiel et de Résolution (ACPR).

In connection with the controls carried out by the ACPR at the AFT’s request and on the AFT’s behalf, the ACPR shall have access to all necessary information. The ACPR shall, in particular, check the reliability of the statistical information sent to AFT and shall report to AFT on the results of such investigations. The Primary Dealer hereby authorises the ACPR to carry out its investigations not only in its establishment in France, but also in all other establishments involved in Primary Dealer operations. The Primary Dealer shall, if necessary, ensure that such authorisation is approved by the supervisory authorities of the country or countries concerned, where applicable.

The SVT shall provide annually to AFT the overall risk limits allotted to traders in French Treasury securities as well as the extent to which they are used.

Each month, the Primary Dealers shall report to the AFT on their operations on the secondary market for French Treasury securities. The Primary Dealers shall transmit to that end all information required by:

• The harmonised reporting document on European secondary debt markets prepared by the bonds and bills sub-committee of the European Union’s Economic and Financial Committee, which is made available on the website of the European Commission’s ECFIN Directorate;

• The document entitled “specific activity report on securities repurchase operations,” which is available at the same address.

These reports, validated by the Primary Dealer manager or the Primary Dealer permanent representative, must reach the AFT on the 13th working day of each month at the latest. The AFT may ask for an additional specific report, whether on a regular or ad-hoc basis. In particular, the AFT takes into account, in the evaluation of the quality of its relationship with each SVT, the SVTs that provide the detail by bond, by type of counterpart (which remain anonymous) and by country of transactions on the secondary market.

The compliance officer shall commit in writing as to the reliability of the process for the preparation and transmission of these statistics. The compliance officer agrees that such a process is aimed to ensure that the preparation of statistics are providing a fair and true picture of the market-maker’s operations with customers, transactions related to the management of the interest rate risk of the Primary Dealers’ book, and the Primary Dealers’ proprietary trading.

The AFT agrees to protect the confidentiality of the information transmitted by the Primary Dealers. Save as otherwise indicated; the information aggregated by the AFT is communicated to the Primary Dealers purely for internal use. The AFT reserves the right to use some of these aggregated items of information in connection with the promotion of French Government debt securities and the Government’s general communication policy. Aggregated information does not allow identifying counterparts.

The AFT communicates to each Primary Dealer every month, at the latest on the 23rd working day of that month:

• An aggregated report on all counterparties, based on the harmonised format described above; and

• A summary report indicating its market share and its place in the auctions and on the secondary market (cash and repo) and per type of product (in particular OATi and stripped bonds).
AFT provides quarterly to each SVT:

- A summary report indicating its market share and place in the auctions and on the secondary market by product type
- A summary report indicating its market share on gross sales by geographical zone and by product type. SVTs authorise transmission to AFT of data on their CDS (credit default swap) activity on French bonds.

SVTs authorise transmission to AFT of data on their CDS (credit default swap) activity on French bonds.
H. Provision of Information and Advisory Services

Market Information and Advice
The SVTs inform the AFT daily, on market developments, the volume of transactions that they carry out, or even, when they deem it relevant, on the nature of their customers and their own positions.

Strategic and Economic Information, Advice and Research
The SVTs systematically forward the production of all of their analysis and research services to the AFT, when it concerns matters that are useful to the understanding of the sovereign bond market or affecting the French Republic’s credit quality, in particular:

- Monetary policy and the macroeconomic and financial environment, in particular in the euro area and in France;
- Public finance in the countries of the euro area;
- Structural policies in the main industrial countries, and in particular developments affecting the French Government sector;
- Implementation of the exceptional rescue plans for economic and financial operators in the main industrialised countries; and
- Asset allocation strategies of the main classes of investors.

The SVTs provide the AFT free access to all analysis and research concerning the functioning of financial markets; fixed income markets with their various compartments (sovereign and quasi-sovereign, corporate, derivatives including volatility), foreign-exchange markets, commodity markets, and other markets.

The AFT equally informs the SVTs of any topics or projects for which it anticipates receiving from the SVTs specific support in terms of research and advice. Such information may be furnished during the annual assessment meeting.

The SVTs organise meetings and support an ongoing dialogue between AFT and their teams of economists and strategists. The teams of each SVT must include an economist specialised in French issues whose primary geographic location is Paris. Such an economist shall regularly visit the AFT. The AFT is made available to the SVTs in order to provide explanations and comments concerning the French economic policy or, more broadly, European policy in the areas included in its mandate. If necessary, the AFT organises contacts between the SVTs and the relevant teams of French administrative authorities.
I. Appraisal of the Activity of Primary Dealers

An annual meeting is organised between the AFT and the Primary Dealer. The Primary Dealer manager and the Primary Dealer permanent representative participate in such meeting. The objective of this meeting is, on the basis of the assessment criteria defined by the charter, to assess the service supplied by the SVT during the previous year, as well as anticipated changes for the forthcoming year. Such meeting gives rise to the preparation of a written report.

The assessment of the Primary Dealers relies on the factoring in of all tasks forming part of their operations and on the implementation terms of these tasks as defined by the charter and its schedules. Three factors are used in order to assess the relative efforts of each Primary Dealer. The first factor relies on participation in the auctions. The second assessment factor relies on the operations on the secondary market. The last factor taken into account is an assessment by the AFT of the quality of the relationship maintained with the PD. Each year, the AFT discloses the results of its assessment in the form of a ranking, under terms which the Primary Dealers are informed of beforehand. For the purposes of ranking the Primary Dealers, three assessment factors are taken into account with the following weightings: 40% corresponding to participation in the primary market, 30% corresponding to operations on the secondary market and 30% corresponding to the qualitative assessment.

The AFT indicates, each quarter, to each Primary Dealer, its position on the primary and secondary markets. AFT informs, if necessary, the Primary Dealers of changes in its assessment of the quality of services supplied.

i. Assessment of Primary Dealers’ Performance in the Primary Market

a. Principle

The ranking of the Primary Dealers is obtained by adding the points resulting from the application of three criteria:

• Primary Dealers’ operations on the primary market (40 points in total);
• Primary Dealers’ operations on the secondary market (30 points in total) assessed on the basis of three sets of figures: overall volumes handled by the Primary Dealer on the secondary market, volumes handled with final customers and volumes handled in relation to specific products (repos, OATs and BTANs linked to a price index, strips);
• Quality of the service supplied by the Primary Dealers (30 points in total), assessed from three standpoints: operational quality; quality of advice; proximity and stability of relationships with the issuing State.

Points are allocated to the Primary Dealers on a pro rata basis of their market share, whether actual (primary or secondary operations) or reconstituted (qualitative assessment). For instance, a Primary Dealer having a 5% share of the primary market will obtain 2 points (40 times 0.05) for the primary market component. The allocation method as well as the weighting coefficients can be reviewed at any time by AFT and the Primary Dealers.

b. Detail

Operations on the primary market are assessed on the basis of the Primary Dealers’ market share in auctions and buyback operations. The rating obtained by each Primary Dealer corresponds to 40 times the weighted market share obtained at auctions and redemptions. Such market share is defined up to four decimal places. Weighting coefficients correspond approximately to the duration of the benchmark securities for the maturity area to which such coefficients apply.
Such weighting coefficients are as follows:

For BTF, BTAN, OAT (excluding Indexed bonds)

<table>
<thead>
<tr>
<th>Maturity</th>
<th>&lt;3.5 mth</th>
<th>3.5 mth - 1 yr</th>
<th>1-2.5 yr</th>
<th>2.5-7 yr</th>
<th>&gt;7-12 yr</th>
<th>&gt;12-17 yr</th>
<th>&gt;17-43 yr</th>
<th>&gt;43 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coeff.</td>
<td>0.5</td>
<td>1</td>
<td>2</td>
<td>4.5</td>
<td>8.5</td>
<td>11</td>
<td>15.5</td>
<td>21.5</td>
</tr>
</tbody>
</table>

For floating-rate products: all coefficients of the above chart are multiplied by 1.5

<table>
<thead>
<tr>
<th>Maturity</th>
<th>&lt;3.5 mth</th>
<th>2.5-7 yr</th>
<th>&gt;7-12 yr</th>
<th>&gt;12-17 yr</th>
<th>&gt;17 yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coeff.</td>
<td>3</td>
<td>6.75</td>
<td>12.75</td>
<td>16.5</td>
<td>23.25</td>
</tr>
</tbody>
</table>

Coefficients are identical for redemptions made through reverse auctions. A coefficient equal to 1 is used for over-the-counter buy-backs, regardless of the security.

For an exchange auction, except if specified by the AFT, the weighted market share is determined by the volume in principal bought by the SVT, to which is applied a coefficient equal to the absolute value of the difference between the coefficients relative to the bond issued and to bond bought back.9

c. Supply of Advisory Services regarding the Issuance Policy

The Primary Dealers provide the AFT with an opinion on the contents of primary transactions:

- Prior to the publication of the annual financing program;
- During the week preceding each BTF auction, Primary Dealers are required to participate in a teleconference or, if the AFT so decides, in a meeting at the AFT’s premises;
- Within the weeks preceding each BTAN and OAT auction, the Primary Dealers are required to participate in a meeting on the premises of the AFT or, if the AFT so decides, exceptionally, in a teleconference organised by the AFT.
- As an example, the coefficient to apply for an exchange between fixed-rate bonds with maturities respectively of 5 years and 30 years is 11 (difference between 4.5 and 15.5) and the coefficient to apply for an exchange between fixed-rate bonds with maturities respectively of 25 years and 30 years is 0 (difference between 15.5 and 15.5)

In connection with its assessment of the Primary Dealers’ contribution to the smooth progress of primary transactions, AFT takes into account adequate participation in meetings and consistency between opinions expressed and transactions carried out.

The AFT convenes a semi-annual meeting of the Primary Dealers in order to assess market developments. The AFT may involve, in such periodical meetings, representatives of investors selected by AFT or Primary Dealers’ trading, origination or sale operations are represented at a proper responsibility and expertise level.

ii. Assessment of SVTs’ Performance on the Secondary Market

This assessment relies on the statistical data provided by the Primary Dealers according to the harmonised European format, supplemented with the report on repo transactions.

9. As an example, the coefficient to apply for an exchange between fixed-rate bonds with maturities respectively of 5 years and 30 years is 11 (difference between 4.5 and 15.5) and the coefficient to apply for an exchange between fixed-rate bonds with maturities respectively of 25 years and 30 years is 0 (difference between 15.5 and 15.5)
The following is not taken into account and is therefore assigned a weighting equal to zero:

- Purchase and sale transactions made through auctions and OTC buy-backs with the AFT, which are taken into account in the primary ranking;
- Transactions carried out during syndication.

On the contrary, repo transactions carried out with the AFT are taken into account in the secondary market's performance. 30 points are thus allocated to all Primary Dealers in order to account for their operations on the secondary market. Such points are allocated according to the Primary Dealers’ performance on each of the segments described in the chart below:

<table>
<thead>
<tr>
<th>SEGMENT</th>
<th>ASSIGNED POINTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal bonds</td>
<td>19 points</td>
</tr>
<tr>
<td>Inflation-indexed bonds</td>
<td>6 points</td>
</tr>
<tr>
<td>Stripped bonds</td>
<td>3 points</td>
</tr>
<tr>
<td>Repos</td>
<td>2 points</td>
</tr>
</tbody>
</table>

The points assigned to a Primary Dealer are obtained by multiplying its market share on each segment, rounded to two decimal places, by the number of points assigned for that segment. This market share is a weighted average in which the weighting coefficients depend upon the maturity and nature of the security and on the counterparty.

For purchases and sales of OAT, OAT indexed, BTAN, BTAN indexed and BTF, market share is calculated on the basis of a weighted average per maturity, by applying the following weighting coefficients:

<table>
<thead>
<tr>
<th>Maturity coeff.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maturity</td>
</tr>
<tr>
<td>&lt;1 yr</td>
</tr>
<tr>
<td>1-3 yr</td>
</tr>
<tr>
<td>&gt;3-5 yr</td>
</tr>
<tr>
<td>&gt;5-7 yr</td>
</tr>
<tr>
<td>&gt;7-10 yr</td>
</tr>
<tr>
<td>&gt;10-15 yr</td>
</tr>
<tr>
<td>&gt;15 yr</td>
</tr>
</tbody>
</table>

Coefficients are as follows for stripped bonds:

<table>
<thead>
<tr>
<th>Maturity coeff.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maturity</td>
</tr>
<tr>
<td>&lt;1 yr</td>
</tr>
<tr>
<td>1-3 yr</td>
</tr>
<tr>
<td>&gt;3-5 yr</td>
</tr>
<tr>
<td>&gt;5-7 yr</td>
</tr>
<tr>
<td>&gt;7-10 yr</td>
</tr>
<tr>
<td>&gt;10-15 yr</td>
</tr>
<tr>
<td>&gt;15 yr</td>
</tr>
</tbody>
</table>

Finally, transactions carried out with an end-customer type counterparty (“customer” in the harmonised European format) are assigned a coefficient equal to 2.5 times that assigned to interdealer transactions.

<table>
<thead>
<tr>
<th>Counterparty</th>
<th>End Customer Counterparty</th>
<th>Interdealer Counterparty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coeff.</td>
<td>Maturity coeff. x 2.5</td>
<td>Maturity coeff. x 1</td>
</tr>
</tbody>
</table>

For repo transactions, the total volume of transactions carried out by the Primary Dealer are divided by the total transaction volume carried out within the relevant month.
d. Qualitative Assessment of Relationships between SVTs and Agence France Trésor

The Primary Dealer’s operational quality, quality of advice and close relationship are assessed on the basis of the criteria defined in the chart below. All of these criteria correspond to undertakings provided for in the charter governing relationships between the AFT and the Primary Dealers.

Operational criteria are rated from 0 to 3 or 4. Rating 2 corresponds to standard service. The advisory services rating criteria range from 0 to 2 or 3. Rating 1 corresponds to standard service.

The proximity and continuity of the relationship are assessed through a cluster of interrelated indices that do not give rise to a detailed rating.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Criteria</th>
<th>Rating</th>
<th>Reference to the charter</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operational Quality</strong></td>
<td>- Smooth functioning of primary operations (advice, security, participation).</td>
<td>/4</td>
<td>A-1-a,b,c)</td>
</tr>
<tr>
<td></td>
<td>- Liquidity services on the secondary market.</td>
<td>/4</td>
<td>A-2</td>
</tr>
<tr>
<td></td>
<td>- Security of clearing and settlement operations.</td>
<td>/3</td>
<td>B-1-b)</td>
</tr>
<tr>
<td><strong>Quality of Advice</strong></td>
<td>- Market information and analysis</td>
<td>/3</td>
<td>A-3-a) / C-1</td>
</tr>
<tr>
<td></td>
<td>- Operational research/ modelling</td>
<td>/2</td>
<td>A-3-b)</td>
</tr>
<tr>
<td></td>
<td>- Economic research - market information and analysis.</td>
<td>/2</td>
<td>A-3-b)</td>
</tr>
<tr>
<td><strong>Proximity and Stability of the Relationship with the Issuing State</strong></td>
<td>- Quality and continuity of contacts at all levels; compliance; presence in France and contribution to financial centre projects; ability to cooperate with AFT on strategic projects.</td>
<td>/10</td>
<td>A-5 / B-1-a) / B-2</td>
</tr>
</tbody>
</table>
5. France

J. Contacts

i. Debt Management Office

Ministère de l’Economie, de l’Industrie et de l’Emploi
Agence France Trésor (AFT)
Télédoc 287
139 rue de Bercy
France-75572 Paris Cedex 12
Tel: +33 1 40 04 15 00
Fax: +33 1 40 04 15 93
www.aft.gouv.fr

Ambroise Fayolle
CEO
ambroise.fayolle@aft.gouv.fr
Tel: +33 1 40 04 15 01

Maya Atig
Deputy CEO
maya.atig@aft.gouv.fr
Tel: +33 1 40 04 15 02

ii. Primary Dealers Contact Details

<table>
<thead>
<tr>
<th>FIRM</th>
<th>CONTACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>BANK OF AMERICA MERRILL LYNCH</td>
<td>Loïc Guilloux</td>
</tr>
<tr>
<td>112, avenue Kléber - BP 2002</td>
<td>DCM</td>
</tr>
<tr>
<td>75761</td>
<td>+33 1 53 65 55 31</td>
</tr>
<tr>
<td>Paris Cedex 16</td>
<td><a href="mailto:loic.guilloux@baml.com">loic.guilloux@baml.com</a></td>
</tr>
<tr>
<td>France</td>
<td></td>
</tr>
<tr>
<td>BARCLAYS</td>
<td>Raoul Salomon</td>
</tr>
<tr>
<td>34/36 avenue de Friedland</td>
<td>DCM</td>
</tr>
<tr>
<td>75383</td>
<td>+33 1 44 58 31 03</td>
</tr>
<tr>
<td>Paris Cedex 8</td>
<td><a href="mailto:raoul.salomon@barclayscapital.com">raoul.salomon@barclayscapital.com</a></td>
</tr>
<tr>
<td>France</td>
<td></td>
</tr>
<tr>
<td>BNP PARIBAS</td>
<td>Frederic Lasry</td>
</tr>
<tr>
<td>10 Harewood Avenue</td>
<td>Trading</td>
</tr>
<tr>
<td>London NW1 6AA</td>
<td>+44 (0)20 7595 8229</td>
</tr>
<tr>
<td>United Kingdom</td>
<td><a href="mailto:frederic.lasry@uk.bnpparibas.com">frederic.lasry@uk.bnpparibas.com</a></td>
</tr>
<tr>
<td>3 Rue d’Antin</td>
<td>Nathalie Fillet</td>
</tr>
<tr>
<td>75002 Paris</td>
<td>+33 1 42 98 72 83</td>
</tr>
<tr>
<td>France</td>
<td><a href="mailto:Nathalie.fillet@bnpparibas.com">Nathalie.fillet@bnpparibas.com</a></td>
</tr>
<tr>
<td>Bank</td>
<td>Address</td>
</tr>
<tr>
<td>-----------------</td>
<td>----------------------------------------------</td>
</tr>
<tr>
<td>CITIGROUP</td>
<td>1-5, rue Paul Cézanne F-75008 Paris France</td>
</tr>
<tr>
<td>COMMERZBANK</td>
<td>23 rue de la Paix 75002 Paris France</td>
</tr>
<tr>
<td>CREDIT AGRICOLE-CIB</td>
<td>Broadwalk House 5 Appold Street London EC2A 2DA United Kingdom</td>
</tr>
<tr>
<td>CREDIT SUISSE</td>
<td>25, avenue Kleber F-75784 Paris Cedex 16 France</td>
</tr>
<tr>
<td>DEUTSCHE BANK</td>
<td>3, avenue de Friedland 75008 Paris France</td>
</tr>
<tr>
<td>GOLDMAN SACHS</td>
<td>120 Fleet Street River Court London EC4A 2BB United Kingdom</td>
</tr>
<tr>
<td>HSBC</td>
<td>Avenue des Champs Elysée 103 F-75008 Paris France</td>
</tr>
<tr>
<td>JP MORGAN</td>
<td>125 London Wall London EC2Y 5AJ United Kingdom</td>
</tr>
<tr>
<td>Financial Institution</td>
<td>Address</td>
</tr>
<tr>
<td>-----------------------</td>
<td>---------</td>
</tr>
<tr>
<td>MORGAN STANLEY</td>
<td>20 Bank Street, Canary Wharf, Floor 02, London E14 4AD, United Kingdom</td>
</tr>
<tr>
<td>NATIXIS</td>
<td>47, Quai d’Austerlitz, 75648 Paris Cedex 13, France</td>
</tr>
<tr>
<td>NOMURA</td>
<td>1 Angel Lane, London EC4R 3AB, United Kingdom</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>ROYAL BANK OF SCOTLAND</td>
<td>135 Bishopsgate, London EC2M 3UR, United Kingdom</td>
</tr>
<tr>
<td>SANTANDER</td>
<td>Av de Cantabria, Boadilla del Monte, Madrid, 28660, Spain</td>
</tr>
<tr>
<td>SCOTIABANK EUROPE</td>
<td>Bishopsgate 201, 6th Floor, London EC2M 3NS, United Kingdom</td>
</tr>
<tr>
<td>SOCIETE GENERALE</td>
<td>17 Cours Valmy, F-92987 Paris-La Défense Cedex, France</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### UBS

<table>
<thead>
<tr>
<th>Address</th>
<th>Contact</th>
</tr>
</thead>
</table>
| 69 Boulevard Haussmann  
F-75008 Paris  
France          | Marc Deroudilhe  
Trading  
+33 14 88 83 382  
marc.deroudilhe@ubs.com |

### Central Bank

**Banque de France**

<table>
<thead>
<tr>
<th>Address</th>
<th>Contact</th>
</tr>
</thead>
</table>
| 31 rue Croix des Petits Champs  
75001 Paris  
France | infos@banque-france.fr  
Tel: +33 1 42 92 42 92 or +33 1 64 80 20 20  
www.banque-france.fr |
K. French Market Appendices

Quoting Obligations
The following rules have been worked out by AMTE (Association des Marchés de Taux en Euro, an affiliate of ICMA).

i. BTF
a. Maturity Bands
Each category of BTF admitted on the Market is distributed in three maturity bands:
- 0 to 3 months maturity band;
- 3 to 6 months maturity band;
- 6 to 12 months maturity band.

b. Quotation Obligations
The Participants’ quotation obligations take effect on the working day following their adjudication and are decided in accordance with three parameters:
- The minimum size to be displayed (trading lot): €10 million;
- The maximum band expressed in basis points: 3 basis points (bp) for the “benchmarks” (last issued BTF for each maturity) and free for the “liquids” (other BTF than the “benchmarks”);
- The length of the quotation: five hours a day.

<table>
<thead>
<tr>
<th>Maturity</th>
<th>Benchmark Spread (bp)</th>
<th>Liquid Spread (bp)</th>
<th>Benchmark Lot (Mln €)</th>
<th>Liquid Lot (Mln €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 months</td>
<td>3</td>
<td>Free</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>6 months</td>
<td>3</td>
<td>Free</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>12 months</td>
<td>3</td>
<td>Free</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

Each Market Maker is obliged to insert proposals on 6 lines of BTFs: the last 2 issued on the 3 months, on the 6 months and on the 1 year maturity buckets (so 1 benchmark and 1 liquid for each of the maturity bucket); BTFs are allocated and renewed according to the BTF issuance and tap calendar, and according.

c. Renewing the Quotation Obligations
The quotation obligations for the BTF are renewed without notice as follows: the new BTF must be quoted from its first day of auction. It ceases to be quoted on the day it is replaced by a new line, without the Participant receiving any other notice. The oldest line is replaced by the new line.

ii. BTAN, OAT and Other Variable Rate of Financial Instruments
a. Classifications
The BTAN, OAT and other variable rate Financial Instruments admitted on the Market are divided in accordance with the following maturity bands and categories.

The BTAN, OAT and other variable rate Financial Instruments admitted on the Market are divided into four categories:
• The ‘benchmarks’ – these are the Financial Instruments of reference (benchmarks) with 2, 5, 10, 15, 30 and 50 year maturities, regularly selected by the Market Committee;
• The ‘liquids’ – these are the most liquid Financial Instruments which are not ‘benchmarks’;
• The ‘regulars’ – these are Financial Instruments which are traded regularly with a reduced liquidity;
• The ‘variables’ – these are variable rate Financial Instruments.

Each category of BTAN, OAT and other variable-rate Financial Instruments admitted on the Market is divided into maturity bands:

• Maturity Bands A: from 1 to 3.5 years;
• Maturity Bands B: from 3.5 to 6.5 years;
• Maturity Bands C: from 6.5 to 11.5 years;
• Maturity Bands D: from 11.5 to 17 years;
• Maturity Bands E: from 17 to 35 years;
• Maturity Bands F: greater than 35 years

b. Quotation Obligations

The Participants’ quotation obligations are established in accordance with three parameters:

• The minimum size to be displayed (trading lot);
• The maximum band expressed in cents of price (spread);
• The duration of the quotation: five hours a day.

The secretariat of Market Committee informs the Platforms if a new benchmark security is launched by the Agence France Trésor. This security must be quoted by all the Participants from the working day after the security’s first auction. The next month, it replaces the ‘benchmark’ with the same maturity which immediately joins the liquids category.

The quotation obligations are defined in accordance with following table (lots in millions of Euros, spreads in euro cents, or basis points depending on the detail).
On the basis, each Participant must display proposals for:

- Six ‘benchmark’ Financial Instruments;
- Nine ‘liquid’ or ‘regular’ Financial Instruments;
- Three ‘indexed’ Financial Instruments.

### c. Renewing Quotation Obligations

The AMTE attributes the Financial Instruments to each Participant in a random draw with a renewal at the start of each month by informing each Platform of its Participants.

The groups of financial investments are constituted in equal numbers to the number of Participants: each group comprises different categories of Financial Instruments with different maturity windows to respect a balance in quotation difficulty.

#### iii. Principal Certificates and Coupon Certificates

**a. The List of Stripped Securities Subject to Quotation Obligations**

The Participants concerned select the certificates, which are subject to quotation obligations. The Participants can modify this product selection on an ordinary majority of votes cast by any written means (letter, e-mail or fax). The list of securities subject to quotation obligations will be modified on the request of Participants for Stripped Securities or on the Market Committee’s proposal.

**b. Quotation Obligations**

The Participants’ quotation obligations for stripped securities are decided in accordance with two parameters:

- The minimum size to be displayed (trading lot): €10 million for Principal Certificates and €5 million for Coupon Certificates;
- The maximum band expressed in basis points: 3 basis points.

Each Participant for stripped securities must respect the quotation obligations for the two Principal Certificates belonging to the ‘benchmark’ category.

**c. Renewing Quotation Obligations**

The allocation of quotation obligations for Participants of Stripped Securities for the two (2) Principal Certificates belonging to the ‘Benchmark’ category referred to in the above paragraph is attributed by the Market Committee and renewed every month.

Any modification to the quotation obligations for Stripped Securities is decided by the Participants for these products, based on an ordinary majority of the votes cast. The committee must be informed of any modification as quickly as possible.