

Bank Reform Law Paves Way for FATCA Agreement

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Reprinted from *Tax Notes Int'l*, August 5, 2013, p. 510

COUNTRY DIGEST

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A new French bank reform law promulgated on July 26 introduces measures to implement international agreements for the automatic exchange of tax information that are currently under negotiation — notably, the intergovernmental agreement with the U.S. to implement the Foreign Account Tax Compliance Act.

The law on the separation and regulation of banking activities also is intended to increase the transparency of the activities of banks operating in tax havens and to protect consumers against unfair bank charges.

To ensure greater transparency, identify tax avoidance strategies, and combat money laundering, the law requires the annual publication by banks¹ and large companies² of information about their business activities country by country, including:

- the names of the relevant entities;
- the type of activity;
- turnover;
- the number of employees;

¹In the appendix to their consolidated financial statements or within six months after the end of their financial year.

²No later than six months after the end of their financial year.

- net income;
- income tax liability; and
- any government grants received.

This requirement will apply from financial year 2013 for the names of the entities, type of activity, net banking income and turnover, and number of employees working full time, and from financial year 2014 for the profit or loss before tax, the amount of income taxes owed by the entities, and the government grants received.

Banks and companies subject to the new obligations are advised to carefully scrutinize transactions with countries on the Financial Action Task Force's list of noncooperative countries and territories.

The law also empowers the Task Force Against Money Laundering and Terrorist Financing (TRACFIN) to suspend the operations of entities suspected of money laundering or terrorist financing and broadens TRACFIN's capacity to transmit information to the judicial authorities.

Further, it creates a systematic regime for reporting to TRACFIN based on objective criteria, particularly the nature of the operations, the countries in which operations are conducted, and the legal entities involved, and provides for annual reconsideration of the list of noncooperative countries and territories. ◆

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