Press release

The attractiveness of French law to govern debt securities

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"French law, an attractive choice of law to govern debt securities": Report of the Paris EUROPLACE Working Group

Arnaud de Bresson, Managing Director of Paris EUROPLACE, and Marc-Etienne Sébire, Partner at CMS Francis Lefebvre and Chairman of the Paris EUROPLACE Working Group composed of debt securities specialists (issuers, banks, law firms, ...), present a new report on the attractiveness of French law to govern debt securities.

While French law has already convinced several foreign issuers, the report explains the reasons of its attractiveness. In the post-Brexit and Capital Markets Union context, which lead continental issuers to seek an alternative to English law to govern their debt securities and keep the benefits of a law of the European Union, the subject is topical.

French law is already overwhelmingly chosen by issuers

French law already governs a considerable volume of debt securities: €4,200 billion outstanding at the end of April 2022, including €1,640 billion of French law bonds issued on a standalone basis or under EMTN programmes, €2,080 billion of *obligations assimilables du Trésor* (OATs), €165 billion of *bons du Trésor*, €230 billion of short-term commercial paper (NEU CP), €45 billion of medium-term commercial paper (NeuMTNs), and €30 billion of Euro PP.

The report gives a comprehensive overview of French law which, thanks to successive reforms, offers issuers and investors a modern and reliable securities law, with:

- the advantages of dematerialisation,
- the option for issuers to identify their bondholders,
- the possibility to register securities in a distributed ledger technology (blockchain),
- the great flexibility that prevails to organise the relations between the issuer and the bondholders,
- the adaptability to the development of sustainable finance (Green Bonds, Social Bonds, Sustainability Bonds and Sustainability-Linked Bonds),
- the strengths of the NEU CP market, the commercial paper governed by French law, and
- the development of the Euro PP market.

French law brings many advantages

Beyond securities law, the choice of French law to govern debt securities brings the advantages of French law in general, and in particular:

- the automatic recognition of judgments of the French courts within the European Union (contrary to judgments of English courts since Brexit),

- the ability to draft the documentation in English,
- the attractiveness of the new International Chambers of the Commercial Court of Paris and the Paris Court of Appeal; and
- the qualities of French contract law.

Arnaud de Bresson, Managing Director of Paris EUROPLACE, reminds the context of the work: « *This report, which is the result of work carried out by representatives of banks, issuers, law firms, professional associations and public authorities, demonstrates the benefits of using French law for issuers, for their bond issues, the development of their EMTN programme and their short term financings, in general.* »

Marc-Etienne Sébire, Partner at CMS Francis Lefebvre and Chairman of the Paris EUROPLACE working group that drafted the report, explains « *In the same way that ISDA chose French law as a continental alternative to English law to govern its master agreement for derivatives, issuers, whether French or foreign, have many advantages in choosing French law, a modern and reliable law, to govern their new debt issues.* »

Guillaume Eliet, CEO of Euroclear France added: « *French law is becoming a natural choice for bond issuers wishing to borrow in Europe. The confidence of market participants in the use of French law is reinforced by the robustness and efficiency of our market infrastructures, foremost among which is the central securities depository Euroclear France. In the end, this means more security and better service for issuers and investors.* »

Stéphanie Besse, Global Head DCM Corporate at Natixis, added: « *Developed with the active participation of all parties, this report summarizes the many benefits of choosing French law to govern debt securities for borrowers and investors.* »