

## THE ASSOCIATION OF GLOBAL CUSTODIANS

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February 10, 2004

M. Vincent Mazauric  
Direction de la Législation Fiscale  
Sous Direction E  
139 rue de Bercy TELEDON 503  
75572 Paris Cedex 12  
France

### **Re: French Tax Relief Issues for Non-Individual Beneficiaries**

Dear Monsieur Mazauric:

On behalf of the Association of Global Custodians ("Association"), we are writing to express concern over certain recent legislative changes in France affecting the tax reclaim process for non-individual beneficiaries and to express the Association's support of the position paper recently published by the International Custody Tax Liaison Group of the British Bankers' Association ("BBA") which addressed these changes.<sup>1</sup>

The Association is an informal group of nine custodian banks with affiliates and branches in numerous countries that provide global custody services to cross-border institutional investors.<sup>2</sup> Members of the Association provide global custody services to investors investing in France and are often in the position of needing to comply with the tax relief procedures in your country. The recent legislative changes in France, resulting in the abolition of Avoir Fiscal reclaims for non-individual beneficiaries for dividends paid in 2004, will result in the loss of at source withholding tax relief for such

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<sup>1</sup> Position paper entitled, "BBA/ICTLG Position Paper -- French Tax Relief Arrangements," dated December 8, 2003 ("BBA Position Paper"). A copy of the BBA Position Paper is attached to this document.

<sup>2</sup> The members of the Association are listed on the letterhead above.

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beneficiaries where agent banks in France are used. As set forth in detail in the BBA Position Paper, the ultimate outcome of this change is an increase in the administrative burden on, among others, foreign intermediaries acting on behalf of foreign investors in France and a decrease in the efficiency of the tax relief process.

We ask that the French tax authorities review and amend the current tax relief process for non-individual beneficiaries to allow these investors the benefits of reduced treaty rates of withholding tax at source. As set out in the BBA Position Paper, we believe that without the appropriate changes, all parties involved in the current tax relief process (e.g., intermediaries, tax authorities and French custodians) will be hampered in their ability to efficiently apply for or process at source tax relief for non-individual foreign investors. As suggested in the BBA Position Paper, there are possible alternatives to the current process and the Association would be in favor of the suggested proposal set forth in the BBA Position Paper.

For the reasons noted above, and as set forth in more detail in the BBA Position Paper, we are anxious to see a change in the current tax regime in France with respect to securing tax relief for non-individual foreign investors entitled to treaty benefits. To the extent we can assist in moving this initiative forward, we will be happy to provide more information or discuss our position further. If you have questions or comments, please contact the undersigned.

Sincerely,

Handwritten signature of Patrick C. Costello in black ink, with a horizontal line at the end of the signature.

Patrick C. Costello  
Chair, Tax Issues Committee  
Association of Global Custodians

cc: Paul Tipping (BBA)

Attachment - BBA/ICTLG Position Paper -- French Tax Relief Arrangements,  
December 8, 2003