



France Introduces Measures to Alleviate Legal Constraints on French Companies

BY [MOUNIR AIT BELKACEM](#) & [SEBASTIEN CREPY](#)

In the aftermath of the financial crisis, the heavy legal constraints tying down French companies have become a serious concern for the French government. As a result, one of the French government's key priorities is to simplify the rules governing French companies. This reform is meant both to enhance the productivity and the competitiveness of the French economy and to boost business operations by alleviating constraints affecting French companies' day-to-day management.

Among the various measures adopted to this end, a Simplification Council for Companies (*Conseil de Simplification pour les Entreprises*) (the "**Council**") was created in early 2014 with the mission of proposing strategic guidelines to the French government for the purpose of simplifying companies' obligations and upgrading their activities.

50 of the Council's recommendations have been implemented in the government bill relating to the simplification of companies' lives (*Projet de loi relative à la simplification de la vie des entreprises*) (the "**Bill**") which was adopted by the French Council of Ministers on June 25, 2014, and should be reviewed by the French Parliament on July 22, 2014. The Bill contains a number of measures aimed at boosting the competitiveness of the French market by simplifying the applicable legislation. These measures affect various areas of French corporate law through a reduction of the duties faced by French companies in order to allow for greater flexibility in their management.

The most important simplification measures concern French corporate law:

- the number of initial shareholders required to incorporate a private joint-stock company will go from seven to three. This measure aims at facilitating and stimulating the incorporation of these companies, which are an important means of gathering sufficient funds to start-up a business;
- the ratification process for certain decisions taken solely by the manager of French limited liability companies (*SARL*), such as the decision to amend the company's articles of association in order to comply with mandatory law requirements and to relocate the company's registered office, will become more flexible. This measure will give the manager greater leeway to run the company, and will enable him to respond more quickly to changes required by the course of business;
- the declaration of compliance will be removed for mergers and spin-offs which do not fall under the scope of European Union Law (e.g., domestic mergers and spin-offs of French simplified joint-stock companies (*SAS*) and limited liability companies (*SARL*)). In order

to help foster great synergies and create important economies of scale, it is hoped that this reform will allow the merger market to become more competitive;

- the process of voluntary winding-up of companies with an insignificant number of assets or employees will be simplified, provided that creditors' rights are preserved and the risk of litigation mitigated;
- the scope of the lease of shares in professional corporations (*sociétés d'exercice libéral*) will be broadened. Currently, only employees and associates are entitled to lease their shares in professional corporations, and the Bill proposes to grant any professionals the right to do so. This innovative provision is welcome since the lease of shares enables the tenant to vote in the company's general meetings without having to pay the full price for the ownership of the shares, thereby facilitating the taking over of businesses;
- a merger between the French Agency for International Investments (*AFII*) and the French Agency for International Business Development (*UBIFRANCE*) is scheduled. This merger will facilitate exporting French companies' business and create more consistency between export and investment policies in the French market; and
- the authorizations required for the construction and the operation of transmission pipelines for gas, hydrocarbons and chemicals will be delivered more quickly. The time saved by companies in such a promising field should help boost initiatives and speed up the completion of crucial projects.

The Bill also affects other areas of law which impose unnecessary duties over French companies. Various measures related to tax law aim at reducing the administrative burdens on businesses by simplifying an important number of disclosure requirements. The removal of such cumbersome prescriptions will likely accelerate the pace at which French companies are able to run while significantly reducing administrative costs.

In 2016, the transposition of two European directives should simplify Public Procurement Law. Such process will streamline the current legislative framework governing public-private partnerships in order to ensure legal certainty and effectiveness of such operations. These important changes will promote the development of such partnerships which create important economic activity.



If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings Paris lawyers:

Mounir Ait Belkacem
33.1.42.99.06.87
mouniraitbelkacem@paulhastings.com

Sebastien Crepy
33.1.42.99.04.41
sebastiencrepy@paulhastings.com

Paul Hastings LLP

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