

OWNERSHIP AND VOTING POWER IN FRANCE

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July 1999

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The opinions expressed in this paper are those of the authors, and not necessary those of the institutions to whom they belong to. The authors thank M.Mourant from SBF who made available to them the CAC 40 notifications and M.Davydoff from SBF, M. Champarnaud from COB and M.Thollon Pommerol from Insee for their advice in gathering information. Claude Truy from the Bank of France gave very valuable research assistance and perspicacity in putting together the information on financial institutions.

SUMMARY

This paper provides an overview on ownership structure and voting power in France, both in terms of institutional and legal framework and of quantitative analysis. If cross share holdings in large groups were a characteristic of the French model, called «financial core», and had been extended in 1986, with the first wave of privatizations, the foundations of this model seem to be weakened. This organization has not been able to really prevent the increasing of foreign presence in French capitalization.

Looking at listed firms and CAC40 firms, and at a large dataset of unlisted firms, this paper shows that concentration of direct ownership and voting power is very high in France, even for listed and CAC40 firms. The second direct owner lags far behind the first one and the category «families» plays a major role in the detention of non-listed firms. The average ownership stakes of banks, insurance companies and other financial institutions are relatively low, except for CAC40 firms.

Keywords: block shareholdings in France, shareholder voting power, ownership, listed and unlisted firms.

JEL: G32, G34.

NON TECHNICAL SUMMARY

This paper analyses ownership and control structures of French listed and unlisted companies. In fulfillment of the European Transparency Directive of December 1988, transposed in the French Law of August 1989, an owner, acting by himself or in concert, with holdings of 5 percent or more in a French listed company must notify the company itself and the competent authorities. These disclosure rules allow us to collect voting power in listed companies. This paper also uses a very large dataset with ownership information in 1996 on over 280 000 firms, including most listed firms.

The paper is organized as follows. Section 1 describes the legal framework of firms in general and the disclosure of share ownership in particular, the two datasets used and the methodology. Section 2 presents our analysis of CAC40 firms (the largest listed firms in France) in terms of voting power. Section 3 describes the concentration and the distribution of ownership for both listed and non-listed firms. The conclusions are presented in Section 4.

The main results are the following. Concentration of direct ownership and voting power is very high in France, both for non-listed and listed firms, and even for the CAC40 firms; The largest direct owner of non listed firms owns 66 percent of the capital. The degree of concentration for listed firms is still very large, the share of the largest identified stake is 52 percent. At last the largest direct owner of voting blockholder of the CAC40 firms holds around 20-30 percent and has in fact the control of the company.

Families seem to play an important role in ownership and voting power in France, as the average ownership stakes of banks, insurance companies and other financial institutions are relatively low, except for CAC40 firms..

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1. Introduction

This paper provides an overview on French ownership structure and voting power, both in terms of institutional and legal framework and of quantitative analysis. It tries to answer to the questions: are French firms widely held or do they have significant owners (in terms of voting or cash flow rights)? Who are these significant owners: other companies, families, state, foreigners...? In which extent do ownership structure and voting power differ?

In theory, voting power may differ from direct ownership for three main reasons. One reason is the existence of multiple classes of shares (shares with no voting right or shares with multiple voting rights). Another reason is the existence of pyramids in the ownership structure of the firm. The third reason can appear through cross-share holdings.

These three explanations can be put forward in France. Multiple classes of shares do exist. Allowed since the French business law of July 1966, they can encourage faithful share holdings and limit the influence of large foreign shareholders. Pyramid structures do exist in France but have not been systematically and precisely measured. However, a recent study shows that the number of groups have exploded in France, from 1 300 in 1980 to 6 700 in 1995 (Vergeau and Chabanas (1997)).

At last, as explained by Baudru and Kechidi (1998) and Morin (1996), cross share holdings in large groups are a characteristic of the French model, called «financial core», and have been extended in 1986, with the first wave of privatizations. Nevertheless, presently foundations of this model seem to be weakened: comparing the size of cross share holdings and foreigners ownership for 10 privatized firms, they show that this organization has not been able to really prevent the increasing of foreign presence in French capitalization.

In terms of corporate governance, agency problems may arise in a company when there is a separation of ownership and management. This situation often occurs when there is a separation of direct ownership and voting power: controlling shareholders who directly influence corporate decisions may not act in the interest of minority shareholders and may lead to expropriation of minority shareholders. Theoretically Grossman and Hart (1988) and Harris and Raviv (1988) showed that the rule «one share-one vote» maximises the cost of control for a managing team which would lower the public value of the company. Moreover they suggested that the rule «one share-one vote» is optimal in many cases not so much because it gives

shareholders the right incentives to take decisions but rather because it forces someone who wants to obtain control of the company to acquire a share of the company's dividend stream commensurate with this control.

The European Transparency Directive of December 1988, which imposes notifications as soon as an owner acquires a significant stake of a firm's capital or ceases to have one, has been transposed in the French law of August 1989 regarding safety and transparency of financial markets. Thus, this 1989 law amends the French Business Law of July 1966, which already included disclosure rules.

The empirical analysis is held on two datasets. One collects data on voting power (direct and indirect voting rights) in the CAC 40, the top 40 firms ranked by market capitalisation of common equity at the end of 1995. The second one collects information on direct ownership available in August 1996, in a very large sample of 283, 322 firms, including 674 listed firms and in particular the CAC 40 firms. The first part of the paper describes the legal framework (section 1.1), the construction of the datasets (section 1.2) and the methodology (section 1.3). Section 2 looks at the degree of concentration and the distribution by block holder of voting power on the CAC40 firms. Section 3 focus on direct ownership instead of voting rights, but on a much larger universe; comparison of capital structure and concentration between the large sample, listed firms and CAC 40 firms are therefore possible. At last main conclusions are drawn (section 4).

1.1 Legal framework: the transposition of the European Transparency Directive in the French law

According to the French law n° 89-531 of August, 2nd, 1989, any natural person or legal entity acting by himself or *in concert*, who comes to own, directly or indirectly, more than 5 per cent, 10 per cent, 20 per cent, 1/3, 50 per cent and 2/3 of the capital of a company (listed on the official list or on the second market or belonging to the over-the counter market, with its head office on French territory) or comes to cross down these thresholds, must notify the company itself in a delay of fifteen days and the «competent authorities» in a delay of five active stock market days. The «competent authority» was the SBF (*Société des Bourses Françaises*) and now is, since its creation in 1996, the CMF (*Conseil des Marchés Financiers*) (transposition of the article 4 of the European Directive). An example of a notification published by the SBF is given in appendix 1.

Thus, this French law n° 89 modifies the article 356-1: creation of a new threshold of 2/3, restriction of the application to listed target companies only¹ and introduction of the principle that *concerted action* must be taken in account in appreciating the level of direct and indirect ownership.

Moreover, this new law introduces three new articles in the French Business Law. The new article 356-1-1 substitutes the account in shares by one in voting rights. When the number of voting rights does not correspond to the number of shares, or when the number of shares is equivalent to the number of voting rights but their distribution does not coincide, the percentages of thresholds to notify are calculated in terms

of voting rights. This device takes into account the existence in France of multiple classes of shares (see appendix 2).

The new article 356-1-2 defines voting rights (directly and indirectly) to be taken into account for the calculation of the stake and defines the control (transposition of the articles 7 and 8 of the European Directive). The assimilated shares or voting rights of the concerned shareholder to be taken into account are:

- Shares or voting rights owned by other persons on behalf of the concerned shareholder;
- Shares or voting rights owned by companies which are controlled by the concerned shareholder, with the control defined as in the article 355-1 (see below);
- Shares or voting rights owned by a third party with whom the concerned shareholder takes *concerted action* (see the new article 356-1-3);
- Shares or voting rights that the concerned shareholder (or the other persons previously mentioned above) can purchase by his own initiative according to an agreement.

The new article 356-1-3 of the Business Law defines persons taking *concerted action*. These persons have entered into an (written, verbal, tacit) agreement with the aim of purchasing or selling voting rights or exerting their voting rights in the view of a common policy towards the company. Such an agreement is presumed to exist:

- Between a company, the chairman and the executives;
- Between a company and the other companies which it controls (vertical agreement);
- Between companies controlled by the same persons (horizontal agreement).

Persons taking *concerted action* are jointly under the obligations of the law.

The article 355-1 describes several cases of control: legal control and control in facts, presumption of control, and indirect control.

A person or a legal entity controls a firm:

- When he owns directly or indirectly a fraction of capital giving him the majority (more than 50 per cent) of the voting rights in the annual meetings of a firm (*legal control*);
- When he owns the majority of the voting rights because of an agreement with other partners or shareholders (*legal control*);
- When he determines *in facts*, by the voting rights he owns, the decisions in annual meetings of a firm (*control in facts*);

The control is *presumed* when a person or a legal entity owns, directly or indirectly, a fraction of the voting rights superior to 40 per cent and no other partner or shareholder owns directly or indirectly a fraction superior to his.

Whether it is *legal* control or control *in facts*, this control can be direct or indirect. The indirect control exerts indirectly from one firm to another through one or several firms. So, a firm A holds directly no share in the firm C but controls it indirectly because of the shares it owns in the firm B, which owns by itself shares in C.

Examples

In terms of voting rights, A owns respectively 60 per cent of B and C. B and C own each 30 per cent of D. Therefore, the 30 per cent owned respectively by B and C are owned indirectly by A. So, A owns indirectly 60 per cent of D and controls it.

A owns respectively 30 per cent of B and C. B owns 60 per cent of D, and C owns 40 per cent of D. In this case, A has no direct or indirect stake in D.

On the basis of articles 356-1 and 356-2, public companies (*sociétés par actions*) should inform their shareholders of their ownership distribution. More precisely, the annual report must mention (art 356-3):

- The identity of natural persons or legal entities owning more than 5 per cent, 10 per cent, 20 per cent, 1/3, 50 per cent, 2/3 of the capital or of the voting rights;
- The modifications which occurred during the fiscal year, in particular those being the subject of notifications;
- The names of controlled companies and the share of capital of the company they own.

This obligation concerns public companies. The listed companies can fill up this obligation: they have this information because of the notifications. But, on contrary, non-listed companies do know their direct shareholders (because of the nominative shares) but often don't know their indirect shareholders, and so usually don't fill up this obligation.

At last, a company can impose in its articles a lower minimum threshold, down to 0.5 per cent. In this case when a natural person or a legal company crosses this threshold, it must notify the company but does not have to notify the competent authority.

1.2 Data

This paper is based on two datasets on ownership and voting power.

a) The first dataset collects voting rights by block holder (directly, indirectly and in *concert*) for the top 40 firms ranked by market capitalisation of common equity at the end of 1995. This dataset has been constructed from the information available in the annual reports (see 1.1). When this information was not available or incomplete, it has been completed with the notifications themselves published by the SBF (see appendix 1).

These publications are not standardized and are sometimes pretty raw. Some hypotheses have been made to classify blockholders into six different categories: Individuals, State, Banks and Insurance companies, Employees, non-financial Firms, Foreign) notably when *concerted action* exists. In particular, in privatized firms, shareholders belonging to a stable shareholder structure - structure which used in 1987 with the first wave of privatizations «to ensure that a controlling block of the voting rights are put in the hands of a relatively small group of other companies»² - has been considered as taking *concerted action* and therefore as a unique block holder.

b) The primary source used to built the second dataset is the information collected by the French Central Bank, called *Fiben* (*Fichier Bancaire des ENTreprises*) supplemented by *Bafi Base Financière* in order to make up for data concerning financial firms.

The database *Fiben* deals with information of different kinds of nature (descriptive qualitative data but also accounting data) on 2 320 000 firms, 1 280 000 managers, 150 000 annual balance sheet data, 495 000 judicial incidents, 18 000 decisions of judicial bans. This data set is not public but is used by the Central Bank for its own purposes and is sold to the banks.

The descriptive information on firms and managers is updated by the bulletins of legal notices (*Journaux d'annonces légales*), commercial courts (*Greffes des Tribunaux de Commerce*), contacts with credit institutions, or information given by firms. Since April 1991, the different branches of the Bank of France have introduced data about the capital distribution of firms belonging to their district. No information is available on voting rights. Sources are meetings reports, legal notice reports (*journaux d'annonces légales*), firms, tax balance sheet. Information from other datasets is not used.

The database called *Bafi* (*Base Financière*) is available at the Banking Supervision Authority (*Commission Bancaire*) and concerns especially financial firms. As *Fiben*, this database is not available to general public.

The data set put together for this study covers the information available in August 1996 for 283,322 firms. The list of listed companies has been collected from the official publication of the SBF-*Bourse de Paris*, called la *Cote Officielle*.

For each firm, identified by its number *SIREN*, its industry classification, its size, and its owners (firms, banks, individuals, the float...) are recorded (see table 1 for the shareholders' classification and appendix 3 for the distribution of firms by sector and size)³. Then, the capital's percentage for which the owner is unknown has been computed by difference, and called *unknown* thereafter. 112,644 firms have some capital for which the owner is unknown. This unknown percentage can have very different meanings, and there is not available information to choose among them (Float, institutional investors, non residents, but also small

shareholders than can be firms, banks, mutual funds or insurance companies). In some cases, *Float* is clearly identified. In others, it is not and this unknown capital may be held by small unidentified shareholders. Therefore no assumption can be made without further information.

Table 1: Classification of the shareholders in the Bank of France Dataset

	NAF code	French label
Banks	65	<i>Intermédiation financière (dont OPCVM* : 652E)</i>
	671	<i>Administration de marchés financiers, gestion de portefeuille, autres auxiliaires financiers</i>
Insurance	66	<i>Assurance</i>
	672	<i>Auxiliaires d assurances</i>
Holdings	714J	<i>Administration d entreprises</i>
Firms		all other firms (i.e. not banks, insurance and holdings) identified by a <i>SIREN</i>
Foreign		all firms (financial and non financial) identified by a foreign <i>SIREN</i> (starting by a digit 2)
Float		<i>Public (ensemble des petits porteurs)</i>
State		<i>Etat</i>
Employees		<i>Salariés</i>
Individuals		<i>Famille, personnes, indivision, succession, divers</i>
Unknown		computed by difference between the percentage of capital held by all above listed criteria and 100

1.3 Methodology

To analyse these two datasets, either in terms of voting power or in terms of capital structure, the same methodology has been used. The central point concerns the inclusion or not of the zero stakes in the computation of concentration and distribution by blockholders⁴. The other one is the possible aggregation of investors by categories. Therefore, we will specify every time how the medians and averages are calculated. In this paragraph, we explain the three possibilities of defining the share of a block holder.

The firm i belongs to the I population.

The capital of this i firm can be held by different classes of investors j .

I_j is the number of **firms** that have at least one investor from the j **category** in their capital.

I_{jl} is the number of **investors** (owners) in the j category of investors because each firm can have several investors in the same j category.

Several investors l belonging to the same j category can hold stakes in the same i firm. The percentage is noted PCT_j^i . For each firm i , one can aggregate all the percentages of the different investors l from the same category j , as if there was only one investor per firm in that category.

$$PCT_j^i = \sum_l PCT_{jl}^i$$

Definitions of three different means

The mean of the percentage of capital held by an investor can be computed several ways, each one having a different meaning. The three different means are computed using the three different denominators defined above: the total number of firms (I), the number of firms that have an investor from the category j (I_j), the number of investors in a j category (I_{jI}). They allow answering different types of questions.

The first mean allows answering the question: On average, what is the percentage of capital held by a category of investors? The sum of these different means over all the categories of investors equals 100.

$$Mean_all_j = \frac{\sum_{i \in I} PCT_j^i}{I}$$

The second mean answers the question: What is the average percentage of capital held by a category of investors, when that category of investors is a stakeholder of the firm? In that case, the denominator is not the total firms number (I), but the total number of firms having that category of investors as owners. To compute that mean, one has to aggregate for a firm, all the different investors from the same category, as if there was only one investor per firm in that category.

$$Mean_cat_j = \frac{\sum_{i \in I_j} PCT_j^i}{I_j} = \frac{\sum_{i \in I_j} \sum_l PCT_{j_l}^i}{I_j}$$

The last mean answers the question: What is the average percentage of capital held by an investor of a category? In that case, the denominator is the total number of investors in a category.

$$Mean_inv_j = \frac{\sum_{i \in I_j} PCT_{j_l}^i}{I_{jI}}$$

Example

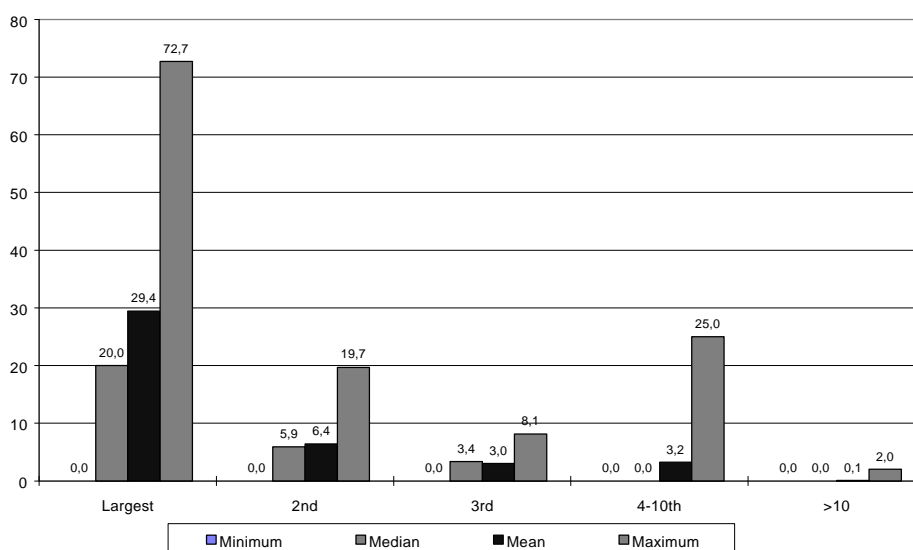
There are 283,322 firms in the dataset. Among them, 1,324 have at least one insurance firm (*j*) as an owner. On average, insurance firms hold **0.3 per cent** of the capital of all firms (first mean). Insurance firms are identified 1,749 times as investors. If an insurance company holds stake, it holds on average 41.7 per cent of firms (second mean). But, on average the amount hold by insurance companies when they hold stakes is 54.2 per cent (third mean).

2. Voting power and the CAC 40 firms

2.1 Concentration and distribution of voting power

The sum of all the known or identified voting blocks (C_all) amounts around 40 per cent (37.4 per cent in median and 42.1 per cent in average). The largest voting blockholder holds about 20-30 per cent (20.0 per cent in median and 29.4 per cent in average). It has not the absolute control by himself (more than 50 per cent of the voting rights), but has the majority of the known voting blocks (control in facts), given a total of known voting blocks around 40 per cent.

Figure 1 voting blocks by rank for listed CAC40 companies



Source: Annual reports

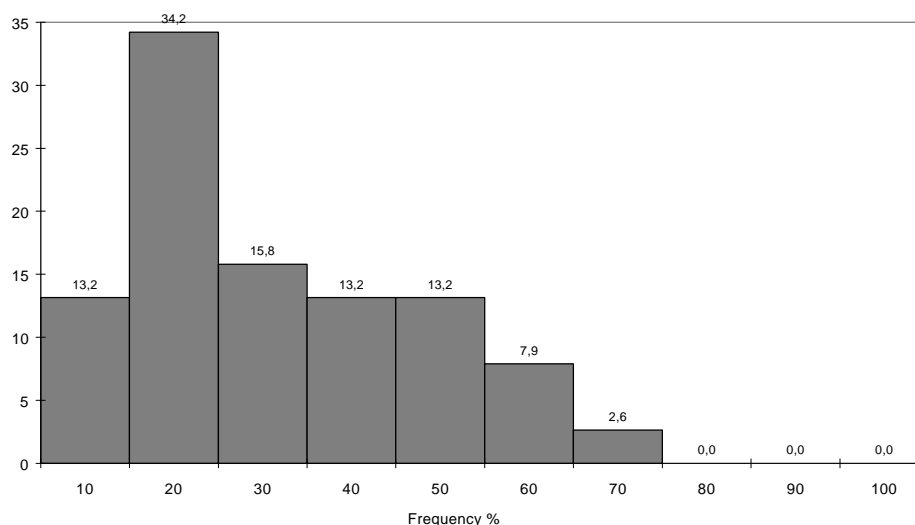
Notes: Zero stakes are not excluded.

The second largest blockholder lags rather far behind the first one, with median and average stakes around 6 per cent. Even if the computation of the share of the second blockholder is restricted to firms with identified second owners (three-quarter of the sample) these median and mean are still rather low, below 9 per cent. So the second largest blockholder holds around 15 per cent of the known voting blocks⁵.

Further ranks do not attain 5 per cent of the total voting rights on median and average.

The histogram of the maximum voting block indicates one clear peak at 10-20 per cent: one third of the CAC40 firms have a first voting blockholder between 10 and 20 per cent. As already written, this peak corresponds to the control of the known voting blocks. In only a quarter of the CAC40 firms the largest blockholder owns a stake superior or equal to 50 per cent. In around 40 per cent of the CAC40 firms the largest blockholder holds a stake in excess of 33.3 per cent, which is the mandatory bid threshold.

Figure 2 Histogram of the largest voting block in the CAC 40 Companies



Source: Annual reports

In around half of the CAC40 firms the three first voting blocks (C3), the five first voting blocks (C5) and of all the known voting blocks (C_all) hold between 25 and 50 per cent of the voting rights. The distribution of the five first voting blocks (C5) is very closed to the all known voting blocks (C-all)'s one, showing that for most firms, there are no more than five voting blocks identified.

Table 2 Frequency distribution of the largest voting block (C1), the 3 first voting blocks (C3), the 5 first voting blocks (C5) and all the known voting blocks (C_all)

Range	C1		C3		C5		C_all	
	Frequen cy	Cum. Pct.	Frequen cy	Cum. Pct.	Frequen cy	Cum. Pct.	Frequen cy	Cum. Pct.
0-4, 999	1	2,63	1	2,63	1	2,63	1	2,63
5-9, 999	4	13,16	0	2,63	0	2,63	0	2,63
10-24, 999	18	60,52	8	23,68	4	13,16	4	13,16
25-49, 999	6	76,31	18	71,05	22	71,05	21	68,42
50-74, 999	9	100,00	11	100,00	11	100,00	12	100,00
75-89, 999	0	100,00	0	100,00	0	100,00	0	100,00
> = 90	0	100,00	0	100,00	0	100,00	0	100,00

2.2 Distribution of voting power by blockholder

The largest voting block category is banks and insurance companies with an average of 13.4 per cent of the total voting rights. Firms are the second most important category with an aggregate stake of 11.5 per cent. Individuals are the third category with an average stake of 7.2 per cent.

Table 3: Voting blocks by blockholder type (percentage of capital held by a category of investors)

	Individuals	State	Banks- insurance	Employees	Firms	Foreign
Min.	0	0	0	0	0	0
Median	0	0	4,8	0	3,5	0
Mean	7,2	4,8	13,4	1,2	11,5	4,1
Max	69,5	72,7	64,7	8,5	56,5	65,8

Note: See 1.3 for the methodology. Statistics here correspond to the first concept (median_all and mean_all).

But when an investor of the category is present as a blockholder, individuals with an average of 30 per cent hold the largest blocks. Then comes the State with an average of 18.3 per cent, who has nearly in mean the control of the known voting blocks; it reflects the fact that privatization is not yet finished. Come after, rather at the same level, firms, foreign and banks and insurance companies.

Tableau 4: Voting blocks by blockholder type (percentage of capital held by a category when present as blockholder)

	Individuals	State	Banks- insurance	Employees	Firms	Foreign
Number of blockholders of this type	9	10	55	17	34	15
Min.	3,6	0,8	0,4	0,2	0,7	0,7
Median	29,0	8,2	5,7	2,2	5,3	5,8
Mean	30,2	18,3	9,3	2,9	12,3	10,2
Max.	69,5	72,7	64,7	8,5	56,5	65,8

Note: See 1.3 for the methodology. Statistics here correspond to the third concept (median_inv and mean_inv).

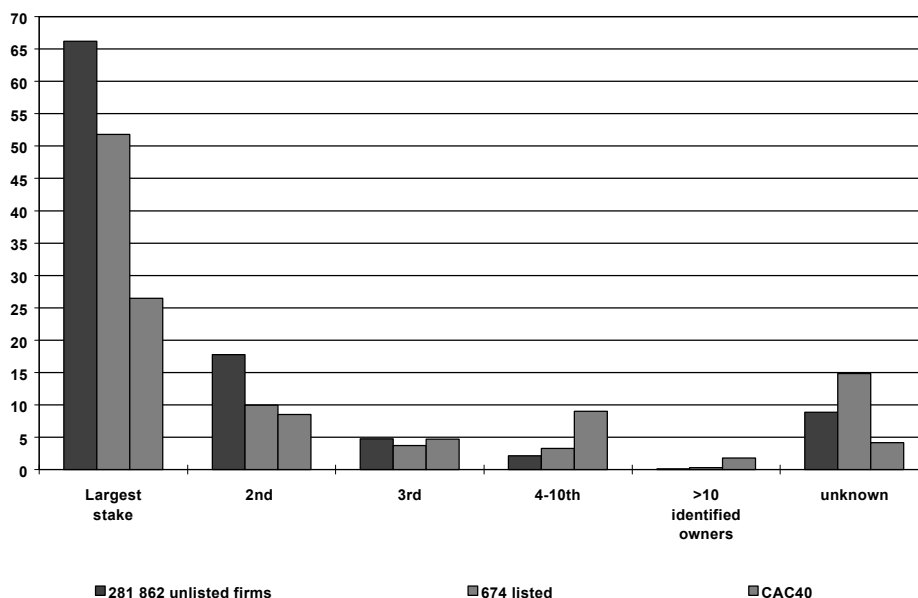
3. Comparison of direct ownership on a large sample, listed firms and the CAC40

3.1 Concentration of Direct Ownership

Figure 3 compares the average ownership by ownership stake for all firms, listed firms and firms belonging to the CAC40 index. It gives the average ownership of the three first direct owners and the average ownership of the next 4 to 10 direct owners.

Figure 3: Average Ownership by Ownership Stake

In percentage



Source: Observatoire des entreprises, Banque de France

Note: Zero stakes are not excluded.

3.1.1 Non listed firms: the degree of concentration increases with size and is very high specially for large firms

On average, the first identified owner of a non-listed company holds 66 per cent of the capital. This is a very high number, which confirms this idea that the concentration of ownership is very important in France. This degree of concentration increases with the size of a firm: 63 per cent for a firm with less than 20 employees, 88 per cent for firms with 500 to 2,000 employees, or firms with more than 2,000 employees. This suggest that large non listed firms are controlled by one owner.

One can argue that by looking at direct ownership instead of computing integrated ownership, the degree of concentration is biased. The problem is to determine in which direction is the bias. Because of double counting, this concentration could be overestimated. But in case of groups with several loops and large amounts of cross share holdings, concentration can also be underestimated. The ultimate shareholder (i.e. the owner that does not have any shareholder) ending with a higher percentage in the integrated ownership matrix (i.e. taking into account all loops among different direct and indirect shareholders) than in the direct ownership matrix.

In any case, bringing together the information on concentration of ownership and on distribution of ownership suggests two different conclusions for non-listed firms⁶:

- Firstly, for non listed firms under 500 employees, the high level of concentration is not due to a bias of direct ownership versus integrated ownership, because individuals held on average over 50 per cent of non

listed firms. When they are identified as owners, they possess almost 80 per cent of the capital, and each individual holds on average 36 per cent. This result holds for all categories of firms below 500 salaries.

- Secondly, for large non listed firms (500 to 2,000 salaries, and over 2,000 salaries), individuals hold comparatively a much smaller share (5 to 6 per cent) whereas holdings possess on average between 40 and 45 per cent. When identified as owners, they have around 90 per cent of the capital of large non-listed firms. Therefore, when looking only at information on direct ownership, the concentration level is more difficult to figure out for those large non-listed firms.

Figure 3 shows that 6 out of 10 non listed firms have a second identified owner, holding on average 18 per cent of the capital, and when it exists, this owner has 30 per cent of the capital. For large non-listed firms over 500 employees, only 3 out of 10 firms have a second identified owner, with around 20 per cent of the capital.

40 per cent of non listed firms have some *unknown* capital, representing on average 9 per cent of their capital.

3.1.2 Listed firms: the degree of concentration of direct ownership is lower than for non listed firms but still very important

The degree of concentration is a little lower for listed firms, but still over half of the capital: 52 per cent. For the 40 firms belonging to the CAC40, the share of the largest identified stake is around 27 per cent, which is in the same order of magnitude as the degree of concentration computed with voting rights and presented earlier.

7 out of 10 listed firms have a second identified owner. When there is a second owner, this owner holds 10 per cent of the capital. A little over half of the listed firms have three identified owners. These results do not differ significantly when they are computed by size.

We tried to construct the integrated ownership matrix for listed firms. The interpretation of the results is not easy, because one has to avoid defining an ultimate ownership firm only because no information is available on its owners. To compute the integrated matrix for 680 listed firms in the French case, the first approximation is a matrix of around 2,000 firms. A first result suggests that on average, the listed firms' first owner holds 56 per cent. Concentrating on listed firms that have at least one identified firm as an owner (612 listed firms), this percentage declines to 49 per cent. Using the integrated matrix, the first ultimate ownership has 32 per cent of the capital.

65 per cent of listed firms have a percentage of *unknown* capital, representing on average 17 per cent of their capital.

3.2 Distribution of Direct Ownership by Investor

Figure 4 and figure 5 show the average ownership by category of investors respectively for all non-listed firms and for listed firms. For each category, two means are reported (see definition section 1.3). Two comments have to be underlined. First, the great divergence between the levels of these two means, especially for non listed firms, and the very high level of the second type of means, computed when a category of investors is present as an owner, confirms the high level of concentration. Second, the comparison of the two types of means for non-listed and listed firms emphasise the much greater heterogeneity among firms in the capital structure of the former compared to the latter.

Our data confirms the results pointed out by OECD in its recent study on France, defining France as the country with Italy where financial institutions have the smallest share of firms' capital. This is verified in our data.

3.2.1 Non listed firms: individuals hold half of the capital and are identified as owners in 65 per cent of the cases

Individuals have by far the most important share: 65 per cent of French companies have individuals as owners of their capital and on average these individuals hold half of the capital. These numbers cover very different situations, because they have effectively almost 80 per cent of the capital when they are identified as owners and each individual holds on average 36 per cent of the capital.

Non financial firms are the second category of owners, with 28 per cent of the capital. They have been separated from holdings, which own on average 9 per cent of the capital.

When identified as owners⁷, financial institutions (banks and insurance companies) hold on average 3 per cent of the capital of French firms. Banks and insurance companies are not very often identified as owners (respectively 4.5 per cent and 0.5 per cent of the cases), holding on average 2.7 per cent and 0.3 per cent of the capital. But when they are owners, they own approximately the same share, i.e. around 60 per cent of the capital.

3.2.2 Size is decisive to characterize non listed firms

As already underlined while commenting on direct and indirect ownership of unlisted firms numbers are pretty different for large non-listed firms (firms over 500 employees). On average, individuals hold only 5 to 6 per cent of the capital of non listed firms, non financial and financial firms hold 85 to 90 per cent, and only 3 per cent of the capital is unknown. Even among these large non-listed firms, considerable differences exist. If on average, individuals hold only 5 to 6 per cent of the capital, when they are present, they still hold half of the capital. On the contrary, holdings have on average 40 to 45 per cent of the capital, but when they are owners, they have 90 per cent of the capital.

3.2.3 Listed firms: a more even distribution

The type of ownership of listed firms appears to be more equally distributed. The first category of identified owners corresponds to holdings. Their share is over 27 per cent, which corresponds to 45 per cent when the category is effectively a shareholder, and 29 per cent on average for each holding (Table 5). This share is probably underestimated because a closer look at individual data shows that some non financial firms are not classified as holdings, their name and their number of employees suggest that they are in fact holdings⁸. Four categories of owners have approximately the same average share of the capital, i.e. a little over 10 per cent: individuals, banks, non-financial firms and Float⁹. Each category is a holder in about a third of the 680 listed firms. So, their share of the capital when they are owners stands between 30 and 35 per cent. Insurance companies hold less than 3 per cent of the listed firms' capital, which corresponds to 20 per cent when the category is effectively a shareholder, and 10 per cent on average for each insurance company. The distinction by type of market shows that insurance companies are more represented in firms belonging to the Cash Market. They hold on average 5 per cent of this category of firms, and their share, when they are owners, is 27 per cent.

Figure 4: Average Ownership of non-listed firms by category of investors

In percentage

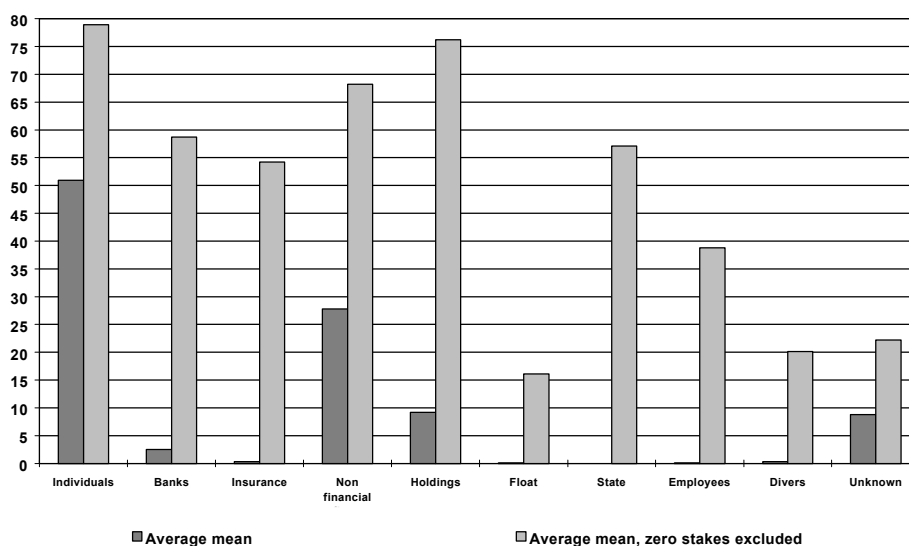
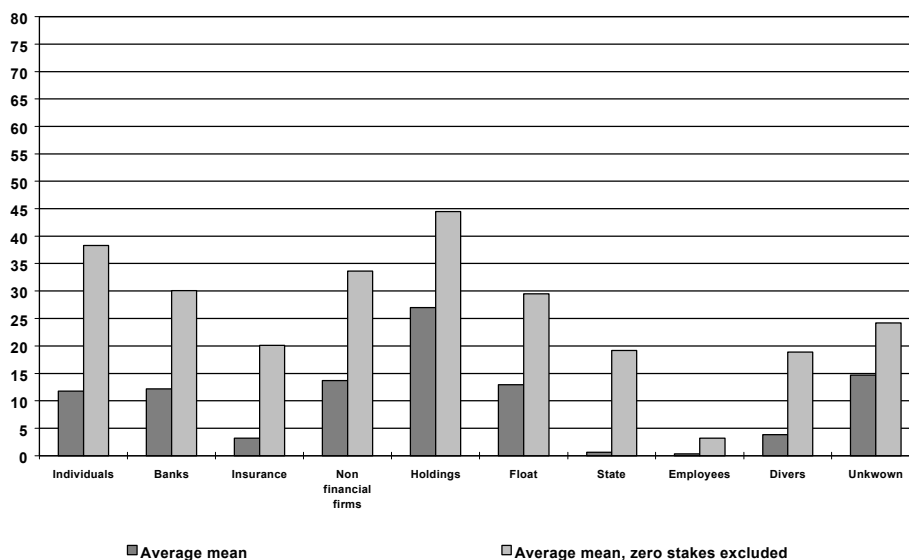


Figure 5: Average ownership of listed firms by category of investors

In percentage



Source: Observatoire des entreprises, Banque de France

Note: See 1.3 for the metrology.

Tableau 5: Summary statistics by blockholder type (all firms and listed firms)

		Indivi- duals	Banks	Insu- rance	Non financial firms	Holdings	Float	State	Empl oyees	Divers	Unkno wn
All firms	Mean_ all	50,9	2,5	0,3	27,8	9,2	0,1	0,0	0,1	0,3	8,8
	Mean_ cat	78,9	58,7	54,2	68,2	76,2	16,1	57,1	38,8	20,1	22,2
	Mean_ inv	36.5	49.5	41.7	56.4	72.0	16.1	57.1			
Listed firms	Mean_ all	11,8	12,2	3,2	13,7	27,0	12,9	0,6	0,3	3,8	14,7
	Mean_ cat	38,3	30,1	20,1	33,6	44,5	29,5	19,2	3,2	18,9	24,2
	Mean_ inv	22.6	15.8	10.7	23.0	29.2	29.5	19.2			

Note: See 1.3 for the methodology. Mean_all and Mean_cat are the ones represented in Figures 4 and 5.

3.2.4 Foreign firms identified as owners

Foreign firms (non-financial and financial) have been isolated as investors, using the identification number *SIREN* first digit, which may not be a perfectly reliable method. Nevertheless, the opposition between non listed and listed firms seem interesting. For non-listed firms, foreign firms hold on average less than 3 per cent of the capital, but when they are identified as owners (3 per cent of the cases); they hold almost 80 per cent of the capital. This is the same percentage than when individuals are identified as owners, and much higher than when non-financial firms are (66 per cent). For listed firms, the foreign firm ownership is much more spread out. Foreign firms also owned on average 3 per cent of the capital of the listed firms, but they

are owners of 12 per cent of the listed firms, and own 30 per cent of those firms. These numbers suggest that foreign firms are the main owner (with the majority) of non listed firms when they are identified as owners, but only one of the many shareholders when they are identified as owners of a listed firm.

These data do not allow answering the question of non-resident ownership, because non-residents can hold stakes through firms, Float, banks, mutual funds or *unknown* capital. Several studies focus on this question (Chocron and Marchand (1998), Chocron (1998), Maréchal (1998)). Although they lead to different levels of estimates, due to different statistical methods and field coverage, they all agree in the increasing share holding by non residents in French firms, especially for listed firms. For example Maréchal (1998), using a survey covering the main 40 listed firms (CAC40), finds that non residents hold on average 25 per cent of these firms, most of them holding more than 10 per cent of the capital, and nine of them (over 40) more than 40 per cent.

3.2.5 Distribution of firms using the type and size of the first owner

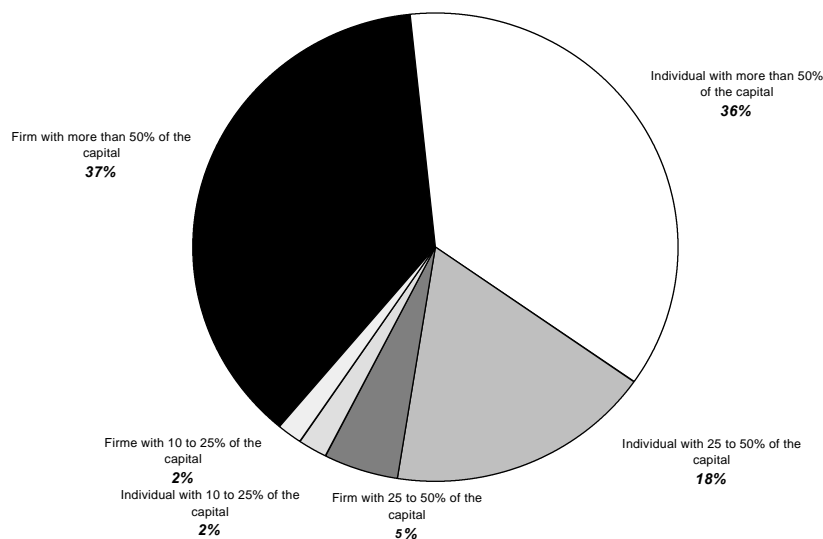
In the next two figures, we look at the share held by the first holder, being either a firm (including holding and banks-insurance company), an individual, or Float. We distinguish three levels: above 50 per cent of the capital, between 25 and 50 per cent, and between 10 and 25 per cent.

73 per cent of firms are controlled (in the meaning of direct ownership of more than 50 per cent of the capital) by only one shareholder: 37 per cent of firms being controlled by another firm (financial or non-financial), and 35 per cent by an individual. The third category, with 18 per cent of the firms, concerns firms whose first owner is an individual holding between 25 to 50 per cent of capital. Finally, when the first identified direct owner is a firm (which is the case for 124,000 firms), this first owner has the majority of the capital in 80 per cent of the cases.

A firm controls half of listed firms, 18 per cent of them have another firm holding between 25 and 50 per cent of the capital as a first owner.

Figure 6: Distribution of 282,322 firms using the type and the size of the first owner

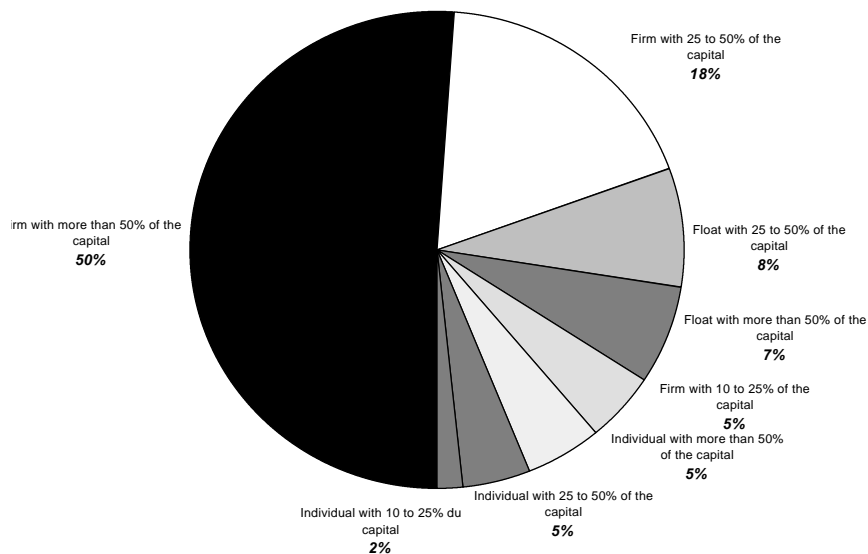
In percentage



Source: Observatoire des entreprises, Banque de France

Figure 7: Distribution of 680 listed firms using the type and the size of the first owner

In percentage



Source: Observatoire des entreprises, Banque de France

4. Main conclusions

Concentration of direct ownership and voting power is very high in France, both for non-listed and listed firms, and even for the CAC 40 firms. The largest direct owner of non-listed firms owns 66 per cent of the capital. The degree of concentration is a little lower for listed firms but still very large: the share of the

largest identified stake is 52 per cent, over half of the capital. The largest direct owner or the largest voting blockholder of the CAC 40 firms holds around 20-30 per cent and has the control in facts of the company. The comparison for CAC40 firms of concentration through direct ownership or through voting rights gives pretty similar results.

The second direct owner lags far behind the first one: 18 per cent in non listed firms, 10 per cent in listed firms, and between 5 and 10 per cent in CAC 40 firms.

For non listed firms, individuals hold half of the capital, non financial and financial firms hold 40 per cent, and 9 per cent of the capital has unknown owner. When banks, insurance or holdings are owners, they have most often majority.

For listed firms, ownership is more evenly spread out, holdings being the most important category, followed by individuals, non financial firms, Float and Banks.

For the CAC 40 firms, banks and insurance companies are the main category of voting block holders, followed by non-financial firms and individuals.

Families seem to play an important role in ownership and voting power, both in unlisted firms and in the CAC 40 firms. Around 40 per cent of unlisted firms have, as first shareholder, individuals owning directly more than 50 per cent of the capital. For the CAC 40 firms, individuals are not the largest blockholder, but when they effectively are present as blockholders, they hold around 30 per cent of the voting rights and have the control in facts.

These results confirm and complete La Porta and alii (1998) main conclusions on the top 20 firms at the end of 1995, that firms with controlling shareholders rarely have other large shareholders, and that family control is rather common.

Appendix 1: Example of decisions and notifications published by the SBF (Société des Bourses Françaises) n° 95-293

ACCOR (official list)

Crossing of threshold

In accordance with the article 356-1 of the modified law of 24 July 1966, «Caisse des Dépôts et Consignations» (CDC) notified the SBF on 20 January 1995 and by additional information on January, 25, 1995 that following the acquiring by its subsidiary «Société CDC Participations», of 1,146,684 double voting rights of the ACCOR company, it crosses upward the threshold of 10 per cent of the total voting rights of this company on 17 December 1994 and that it holds now; directly and indirectly, 3,276,574 voting rights of this company, representing 10.34 per cent of the 31 669 795 existing voting rights, in the following conditions:

- Caisse des Dépôts et Consignations (CDC)	425,240	1.34%
- Société CDC Participations	2,851,334	9.00%
	<u>3,276,574</u>	<u>10.34%</u>

Caisse des Dépôts et Consignations (CDC) specifies that it holds in addition, directly and indirectly, 198,173 securities given access in term to the same number of ACCOR shares.

Note: «Caisse des Dépôts et Consignations» is totally controlled by the State.

Appendix 2: Multiple classes of shares in France

French companies can issue ownership certificates without voting rights. Law provides it, without a statutes' modification.

-*Actions à dividende prioritaire* (ADP) (law n°78-74, July 1978). They give right to dividend streams without any voting right. This type of shares can be created when an increase of capital or a conversion of shares occurs. ADP cannot represent more than 25% of the capital;

-Possibility to separate two types of rights: certificates of investment, *certificats d investissement CDV*, (right to dividend streams); certificates of voting right, *certificats de droit de vote CI*. These two types of certificates are issued simultaneously when an increase of capital or a splitting of existing shares occurs. CDV are distributed among voting shareholders in proportion of there voting rights. The CDV are not transferable, but the CI are. The CI cannot represent more than 25% of the capital.

Differentiation of ownership certificates can also result from a modification of statutes:

-shares with double voting rights: only faithful shareholders (minimum two hears of holding) can benefit from this type of shares. For listed companies, the maximal period of holding is 4 years;

-preferred shares. This type of shares gives right to preferential financial advantages: increased dividend streams, cumulative dividend streams;

-limitation of voting rights. The statutes can limit the influence of large shareholders (a maximum voting rights per shareholder can be imposed).

Appendix 3: Bank of France Data set: Distribution of firms by sector and size

		< 2	2 - < 20	20 - < 500	500 - < 2000	>= 2000	Total
EA Agriculture	Number	4,321	1,279	726	5	0	6,331
	Percent	1.5	0.5	0.3	0.0	0.0	2.2
	Row Pct	68.5	20.2	11.5	0.1	0.0	
	Col Pct	3.4	1.4	1.2	0.3	0.0	
EB Food Processing Industries	Number	2,203	2,495	2,680	111	10	7,499
	Percent	0.8	0.9	1.0	0.0	0.0	2.66
	Row Pct	29.4	33.3	35.7	1.5	0.1	
	Col Pct	1.7	2.75	4.4	7.6	3.3	
EC Consumer Goods Industries	Number	3,511	4,407	4,728	161	16	12,823
	Percent	1.2	1.6	1.7	0.1	0.0	4.54
	Row Pct	27.4	34.4	36.9	1.3	0.1	
	Col Pct	2.7	4.9	7.7	10.9	5.3	
ED Automobile Industry	Number	190	260	430	48	18	946
	Percent	0.1	0.1	0.2	0.0	0.0	0.3
	Row Pct	20.1	27.5	45.5	5.1	1.9	
	Col Pct	0.2	0.3	0.71	3.3	5.9	
EE Equipment Industry	Number	2,661	4,344	4,688	151	33	11,877
	Percent	0.94	1.54	1.66	0.1	0.0	4.2
	Row Pct	22.4	36.6	39.5	1.3	0.3	
	Col Pct	2.1	4.8	7.7	10.3	10.8	
EF Intermediary Goods Industries	Number	4,779	7,839	9,807	283	46	22,754
	Percent	1.69	2.78	3.47	0.1	0.0	8.1
	Row Pct	21.0	34.5	43.1	1.2	0.2	
	Col Pct	3.7	8.6	16.1	19.2	15.1	
EG Energy	Number	355	112	168	26	12	673
	Percent	0.1	0.0	0.1	0.0	0.0	0.2
	Row Pct	52.8	16.6	25.0	3.9	1.8	
	Col Pct	0.3	0.1	0.3	1.8	3.9	
EH Construction	Number	8,006	9,167	8,125	99	20	25,417
	Percent	2.8	3.3	2.9	0.0	0.0	9.0
	Row Pct	31.5	36.1	32.0	0.4	0.1	
	Col Pct	6.2	10.1	13.3	6.7	6.6	
EJ Trade	Number	26 158	38 462	14,455	184	59	79,318
	Percent	9.3	13.62	5.1	0.1	0.0	28.1
	Row Pct	33.0	48.5	18.2	0.2	0.1	
	Col Pct	20.3	42.4	23.7	12.5	19.3	
EK Transports	Number	3,632	3,808	3,893	66	16	11,415
	Percent	1.3	1.4	1.4	0.0	0.0	4.0
	Row Pct	31.8	33.4	34.1	0.6	0.1	
	Col Pct	2.8	4.2	6.4	4.5	5.3	
EL Financial Services	Number	4,333	622	179	25	6	5,165
	Percent	1.53	0.2	0.1	0.0	0.0	1.8
	Row Pct	83.9	12.0	3.5	0.5	0.1	
	Col Pct	3.4	0.7	0.3	1.7	2.0	
EM Real Estate	Number	31,652	2,558	936	12	1	35,159
	Percent	11.2	0.91	0.3	0.0	0.0	12.5
	Row Pct	90.0	7.3	2.7	0.0	0.0	
	Col Pct	24.6	2.8	1.5	0.8	0.3	
EN Corporate Services	Number	20,275	10,565	6,557	244	51	37,692
	Percent	7.2	3.74	2.3	0.1	0.0	13.4
	Row Pct	53.8	28.0	17.4	0.6	0.1	
	Col Pct	15.7	11.6	10.8	16.6	16.7	
EP Household Services	Number	9,574	4,211	2,221	49	17	16,072
	Percent	3.4	1.49	0.79	0.0	0.0	5.69
	Row Pct	59.6	26.2	13.8	0.3	0.1	
	Col Pct	7.4	4.6	3.5	3.3	5.6	
EQ + ER Social services, Administration, Education	Number	5,961	4	2	0	0	5,967
	Percent	2.1	0.0	0.0	0.0	0.0	2.1
	Row Pct	99.9	0.1	0.0	0.0	0.0	
	Col Pct	4.63	0.0	0.0	0.0	0.0	
Unknown	Number	1,237	631	1,339	7	0	3,214
	Percent	0.4	0.2	0.47	0.0	0.0	1.1
	Row Pct	38.5	19.6	41.7	0.2	0.0	
	Col Pct	1.0	0.7	2.2	0.5	0.0	
Total		128,848	90,764	60,934	1,471	305	282,322
		45.6	32.2	21.6	0.5	0.1	100.0

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¹ The obligation of notification concerns only the crossings of thresholds in listed companies. Previously, these clauses applied to major stakes held in all the public companies, listed and unlisted. This restriction of the enforcement field of the transparency devices is based on the fact that since the 1982 Financial Law all the shares in unlisted companies have been nominative and thus shareholders of these companies are known.

² Fanto (1995), cited in E.Jeffers (1998).

³ When not mentioned, foreign firms are classified with French firms in «non financial firms», «Banks», «Insurance», and «Holdings». For some comments, foreign firms (non financial and financial) have been isolated, using the identification number *SIREN* first digit, which may not be a perfectly reliable method.

⁴ In the case of the data on voting rights in the CAC40 firms, zero stakes include real zero stakes but also stakes under the minimum threshold.

⁵ 6 per cent of 40 per cent of known voting blocks.

⁶ The detailed information by size is not reported here, but is available in Bloch and Kremp (1997) (<http://www.ecgn.ulb.ac>).

⁷ Some financial institutions may be classified as holdings and/or some of the unknown capital may in fact be held by financial companies.

⁸ But, in the other way, the importance of holdings may imply an underestimate of banks and insurance companies, some of them being classified as holdings. It will be useful to try to classify holdings in terms of sector of activity (industry, services, banks insurance...).

⁹ The fact that there is a large amount of capital for which the owner is not identified has to be underlined again. This represents on average 15 per cent of the capital of all listed firms, and 24 per cent of the capital of listed firms that have an unknown owner. For listed companies, it seems not unrealistic to interpret this *unknown* capital as mainly Float.