



Fitch Affirms ACOSS's French CP & ECP Programmes at 'F1+'

Fitch Ratings-Paris/Frankfurt/London-30 March 2016: Fitch Ratings has affirmed Agence Centrale des Organismes de Securite Sociale's (ACOSS) EUR20bn euro commercial paper (CP) programme and EUR25bn French CP programme at Short-term local and foreign currency ratings 'F1+'.

KEY RATING DRIVERS

The CP and ECP programmes' Short-term ratings reflect the status of ACOSS as a public agency, its strategic importance to the government and its tight control by the French state (AA/Stable/F1+). In line with a top-down approach in Fitch's public-sector entity rating criteria, the programme ratings are equalised with and credit-linked to France's Short-term 'F1+' Issuer Default Rating.

Although the French government has no legal obligation to prevent a default, Fitch assumes that it is highly motivated to provide support and has the legal and financial means to enable ACOSS to meet its debt service obligations in a timely manner. As a public agency, ACOSS is eligible for last-resort emergency funding from the state. ACOSS's debt is fully consolidated into French general government debt.

ACOSS has strategic importance for the French social security system as it manages cash flows for the Social Security and Family Allowance Contribution Collection Offices (URSSAF) and most social security institutions (SSIs) and collects social security, pension and unemployment contributions.

The state exercises strong administrative, legal and financial oversight over ACOSS, by defining its strategy and monitoring its management through a 2014-2017 plan. The French parliament determines ACOSS's revenues, expenditures, and an annual limit on access to external short-term funding (EUR40bn until 1 August 2016, before declining to EUR30bn until end-2016).

Predictability is underpinned by the sizeable proportion of cash flows tied to contractual payment schedules (98%) and the limited, short-term financial impact of macroeconomic trends or social security reforms. Since 2015, ACOSS has been able to perform net settlements of multiple transactions with some SSIs, allowing it to reduce annual financial flows and short-term liquidity risks.

As mandated by law, funding is exclusively short-term and mainly relies on the French CP and ECP programmes. Previously managed by the Agence France Tresor, the ECP programme is now managed directly by ACOSS, contributing to cost reduction. The state, some SSIs and Caisse d'Amortissement de la Dette Sociale (CADES; AA/Stable/F1+) routinely purchase ACOSS's CP to mutualise and optimise available public cash.

ACOSS aims to maintain a liquidity coverage ratio of 100% over 30 days. Fitch views ACOSS's liquidity arrangements as diversified and adequate, comprising liquidity instruments provided by Caisse des Depots et Consignations (CDC; AA/Stable/F1+) for a ceiling of EUR14bn according to a 2015-2018 funding contract, and funding lines (EUR1.75bn) under its ECP programme.

ACOSS's debt reflects accrued social security deficits, regularly taken over by CADES (EUR23.6bn in 2016), the state agency in charge of amortising French social debt. As a result of CADES's support, ACOSS's financing needs reached a low EUR33.4bn in January 2016 and will remain well below the borrowing cap.

RATING SENSITIVITIES

Negative rating action could result from a downgrade of France's Short-term ratings, an adverse change in ACOSS's legal framework, or from insufficient external funding in terms of back-up lines for the short-term programmes

Contact:

Primary Analyst
Arnaud Dura
Director
+33 1 44 29 91 29
Fitch France S.A.S.
60 rue de Monceau
Paris 75008

Secondary Analyst
Olivier Jacques
Associate Director
+33 1 44 29 91 89

Committee Chairperson
Guido Bach
Senior Director
+49 69 768076 111

Media Relations: Françoise Alos, Paris, Tel: +33 1 44 29 91 22, Email: francoise.alos@fitchratings.com; Peter Fitzpatrick, London, Tel: +44 20 3530 1103, Email: peter.fitzpatrick@fitchratings.com.

Additional information is available at www.fitchratings.com

Applicable Criteria

Rating of Public-Sector Entities – Outside the United States (pub. 22 Feb 2016)

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Tax-Supported Rating Criteria (pub. 14 Aug 2012)

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Dodd-Frank Rating Information Disclosure Form

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