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COUNCIL

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Council

**DECISION OF THE COUNCIL AMENDING ANNEXES B TO THE CODES OF
LIBERALISATION OF CAPITAL MOVEMENTS AND CURRENT INVISIBLE
OPERATIONS**

(adopted by the Council at its 943rd Session on 18 February 1999 [C/M(99)4])

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THE COUNCIL,

Having regard to Article 5 a) of the Convention on the Organisation for Economic Co-operation and Development of 14 December 1960;

Having regard to the Codes of Liberalisation of Capital Movements and Current Invisible Operations;

Having regard to the Report by the Committee on Capital Movements and Invisible Transactions and the Committee on International Investment and Multinational enterprises on the examination of Hungary's position under the OECD Codes of Liberalisation and the Declaration and Decisions on International Investment and Multinational Enterprises [C(99)21];

DECIDES:

1. The list of reservations by Hungary in Annex B to the Code of Liberalisation of Capital Movements shall be amended to read as follows:

List A,
I/A Direct investment:

-- In the country concerned by non-residents.

Remark: The reservation applies only to:

- i) *Acquisition of a license for domestic air transport, which is reserved to majority-owned and -controlled Hungarian enterprises;*
- ii) *Acquisition of a shipping license to operate in international waters, which is reserved to firms majority-owned or controlled by Hungarians;*
- iii) *The provision of asset management services by branches of non-resident investors to domestic compulsory private pension funds.*

List B,
III/A1 Operations in real estate:

-- Building or purchase in the country concerned by non-residents

List A,
IV/B1 Operations in securities on capital markets:

and 2,
C1, D1 -- Issue through placing or public sale of foreign securities on the domestic capital market.

Remark: The reservation applies only to securities denominated in domestic currency issued by non-resident enterprises other than OECD-based enterprises with an investment grade rating.

- Introduction of foreign securities on a recognised domestic security market.

Remark: The reservation applies only to securities denominated in domestic currency issued by non-resident enterprises other than OECD-based enterprises with an investment grade rating.

- Purchase in the country concerned by non-residents.

Remark: The reservation applies only to the purchase of shares and other securities of participating nature which may be affected by regulations on inward direct investment and establishment in air transport and in companies licensed to operate in international waters.

- Purchase abroad by residents.

Remark: The reservation applies only to purchases by:

i) Non-bank residents of securities denominated in domestic currency issued by non-resident enterprises other than OECD-based enterprises with an investment grade rating;

ii) Resident authorised foreign exchange banks of debt securities denominated in foreign exchange issued by non-residents to the extent that the total of foreign debt securities and credits to non-residents, denominated in foreign currency, held by a bank may not exceed 50 per cent of the bank's total foreign exchange liabilities without prior foreign exchange approval.

List B,
V/A1
and 2,
B1 and 2,
C1, 3
and 4,
D1, 3
and 4

Operations on money markets:

- Issue through placing or public sale of domestic securities and other instruments on a foreign money market.

Remark: The reservation does not apply to issue through placing by authorised resident foreign exchange banks.

- Introduction of domestic securities and other instruments on a recognised foreign money market.
- Issue through placing or public sale of foreign securities and other instruments on the domestic money market.
- Introduction of foreign securities and other instruments on a recognised domestic money market.
- Purchase of money market securities in the country concerned by non-residents.
- Lending through other money market instruments in the country concerned by non-residents.

- Borrowing through other money market instruments in the country concerned by non-residents.

Remark: The reservation does not apply to borrowing of a maturity of less than one year from resident authorised foreign exchange banks, provided that the total of foreign debt securities and credits to non-residents, denominated in foreign currency, held by a resident bank does not exceed 50 per cent of the bank's total foreign exchange liabilities, unless foreign exchange approval is granted.

- Purchase of money market securities abroad by residents.

Remark: The reservation does not apply to authorised foreign exchange banks, provided that the total of foreign debt securities and credits to non-residents, denominated in foreign currency, held by a bank does not exceed 50 per cent of the bank's total foreign exchange liabilities, unless foreign exchange approval is granted.

- Lending through other money market instruments abroad by residents.

Remark: The reservation does not apply to lending of a maturity of less than one year by authorised foreign exchange banks, provided that the total of foreign debt securities and credits to non-residents, denominated in foreign currency, held by a bank does not exceed 50 per cent of the bank's total foreign exchange liabilities, unless foreign exchange approval is granted.

- Borrowing through other money market instruments abroad by residents.

Remark: The reservation does not apply to borrowing by authorised foreign exchange banks.

List B,
VI/A1
and 2,
B1 and 2,
C1 and 3,
D1 and 3

Other operations in negotiable instruments and non-securitised claims:

- Issue through placing or public sale of domestic instruments and claims on a foreign financial market.
- Introduction of domestic instruments and claims on a recognised foreign financial market.
- Issue through placing or public sale of foreign instruments and claims on a domestic financial market.
- Introduction of foreign instruments and claims on a recognised domestic financial market.
- Purchase in the country concerned by non-residents.

Remark: The reservation does not apply to:

- i) *The purchase of Budapest stock index ("BUX") futures;*

ii) *Outright forward, options and futures transactions denominated in convertible foreign currencies between non-residents and resident authorised foreign exchange banks.*

-- Exchange for other assets in the country concerned by non-residents.

Remark: The reservation does not apply to swap transactions denominated in convertible foreign currencies concluded by non-residents with resident authorised foreign exchange banks.

-- Purchase abroad by residents.

Remark: The reservation does not apply to the purchase of:

i) *Foreign instruments and claims of a maturity of less than one year by authorised foreign exchange banks on their own account, provided that the total of foreign debt securities and credits to non-residents, denominated in foreign currency, held by a bank does not exceed 50 per cent of the bank's total foreign exchange liabilities, unless foreign exchange approval is granted;*

ii) *Foreign negotiable instruments representing shares and other securities of a participating nature and meeting the criteria for direct investment abroad;*

iii) *Foreign negotiable instruments representing government debt securities issued by OECD Member countries, any capital market securities issued by OECD-based enterprises with an investment grade rating, and capital market securities denominated in foreign currencies issued by OECD-based enterprises.*

-- Exchange for other assets abroad by residents.

Remark: The reservation does not apply to authorised foreign exchange banks acting on their own account.

List A,
VII/A1
and 2,
B1 and 2,
C1, D1

Operations in collective investment securities:

-- Issue through placing or public sale of domestic collective investment securities on a foreign securities market.

Remark: The reservation applies only to open-end investment fund units.

-- Introduction of domestic collective investment securities on a recognised foreign securities market.

Remark: The reservation applies only to open-end investment fund units.

-- Issue through placing or public sale of foreign collective investment securities on the domestic securities market.

-- Introduction of foreign collective investment securities on a recognised domestic securities market.

- Purchase in the country concerned by non-residents.

Remark: The reservation applies only to open-end investment fund units.

- Purchase abroad by residents.

List B,
VIII
(ii)/B Credits directly linked with international commercial transactions or the rendering of international services, in cases where no resident participates in the underlying commercial or service transaction:

- Credits granted by residents to non-residents.

Remark: The reservation does not apply to credits denominated in foreign currency with a maturity of less than one year granted by authorised foreign exchange banks, provided that the total of foreign debt securities and credits to non-residents, denominated in foreign currency, held by a bank does not exceed 50 per cent of the bank's total foreign exchange liabilities, unless foreign exchange approval is granted.

List B,
IX/A, B Financial credits and loans:

- Credits and loans granted by non-residents to residents.

Remark: The reservation applies only to credits and loans with a maturity of less than one year granted to residents other than authorised foreign exchange banks.

- Credits and loans granted by residents to non-residents.

Remark: The reservation does not apply to credits denominated in foreign currency with a maturity of less than one year granted by authorised foreign exchange banks, provided that the total of foreign debt securities and credits to non-residents, denominated in foreign currency, held by a bank does not exceed 50 per cent of the bank's total foreign exchange liabilities, unless foreign exchange approval is granted.

List A,
X(ii)/A2 Sureties, guarantees and financial back-up facilities in cases not directly related to international trade, international current invisible operations or international capital movement operations, or where no resident participates in the underlying international operation concerned:

- Sureties and guarantees given by residents in favour of non-residents.

Remark: The reservation does not apply to:

- i) *Sureties connected to customs duties;*
- ii) *Sureties and guaranties granted by authorised foreign exchange banks;*

iii) Sureties and guarantees in connection with residents' liabilities towards non-residents which result from underlying transactions not requiring prior approval or reporting.

List B,
X(ii)/B2 Sureties, guarantees and financial back-up facilities in cases not directly related to international trade, international current invisible operations or international capital movement operations, or where no resident participates in the underlying international operation concerned:

- Financial back-up facilities granted by residents in favour of non-residents.

Remark: The reservation does not apply to:

i) Financial back-up facilities granted by authorised foreign exchange;

ii) Financial back-up facilities in connection with residents' liabilities towards non-residents which result from underlying transactions not requiring prior approval or reporting.

List A,
XI/A1 Operation of deposit accounts:

- By non-residents in domestic currency with resident institutions.

Remark: The reservation applies only to the conversion into foreign currency and transfer of funds abroad from "non-convertible" forint accounts. Proceeds from any permitted current or capital transactions may be freely deposited in convertible forint accounts and subsequently converted into foreign currencies and transferred abroad.

List B,
XI/B1
and 2 Operation of deposit accounts:

- By residents in domestic currency with non-resident institutions.
- By residents in foreign currency with non-resident institutions.

Remark: The reservation does not apply to authorised foreign exchange banks, residents working abroad and other authorised cases.

List B,
XII/B1
and 2 Operations in foreign exchange:

- Purchase of foreign currency with domestic currency abroad by residents.

Remark: The reservation applies only to purchases, in excess of HUF 350 000, not linked to any particular underlying transactions.

- Sale of foreign currency for domestic currency abroad by residents.

Remark: The reservation applies only to foreign currency acquired abroad which must be repatriated to the country, except in specific cases.

2 The list of reservations by Hungary in Annex B to the Code of Liberalisation of Current Invisible Operations shall be amended to read as follows:

- C/2. Inland waterway freights, including chartering.

Remark: The reservation applies only to cabotage.

- C/3. Road transport: passengers and freights, including chartering.

Remark: The reservation applies only to the following operations:

a) for passengers:

- *picking up or setting down on an international journey;*
- *transport within the country;*

b) for freights:

- *transit;*
- *delivery on an international journey;*
- *collection on an international journey;*
- *transport within the country.*

- D/3. Life assurance.

Annex I to Annex A, Part I, paragraph 2.

Remark: The reservation does not apply to life insurance contracts in relation to sickness, accident and risk death entered into by residents employed abroad and other residents staying abroad for more than 90 days.

- D/4. All other insurance.

Annex I to Annex A, Part I, paragraphs 5 and 6.

Remark: The reservation on paragraph 5 does not apply to:

- i) Contracts entered into by residents employed abroad for risks located abroad;*

ii) Property and third party insurance contracts entered into by residents for their real properties located abroad and personal effects received from abroad as gifts and inheritance.

E/2. Banking and investment services.

Remark: The reservation does not apply to banking services purchased by residents staying abroad.

E/3. Settlement, clearing, custodial and depository services.

Remark: The reservation applies only to custodial and depository services provided by non-residents.

E/4. Asset management.

Remark: The reservation applies only to asset management services provided by non-residents.

E/7. Conditions for the establishment and operation of branches, agencies, etc. of non-resident investors in the banking and financial services sector.

Annex II to Annex A, paragraph 1

Remark: The reservation applies only to the provision of asset management services by branches of non-resident investors to domestic compulsory private pension funds.

L/6. Professional services (including services of accountants, artists, consultants, doctors, engineers, experts, lawyers, etc.).

Remark: The reservation applies only to the provision by non-residents of accounting, auditing, book-keeping and legal services not connected to foreign trade.