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DAFFE/INV/M(2000)1



Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

OLIS : 10-Oct-2000
Dist. : 11-Oct-2000

PARIS

DIRECTORATE FOR FINANCIAL, FISCAL AND ENTERPRISE AFFAIRS
COMMITTEE ON CAPITAL MOVEMENTS AND INVISIBLE TRANSACTIONS

Or. Eng.

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SUMMARY RECORD OF THE CMIT MEETING HELD ON 15 MARCH 2000

This note, prepared by the Secretariat, is for discussion under item 2 of the agenda.

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SUMMARY RECORD OF THE CMIT MEETING HELD ON 15 MARCH 2000

1. Adoption of the Agenda

The Agenda [DAFFE/INV/A(2000)1] was adopted without amendment.

2. Approval of the Summary Record of the CMIT meeting held on 15 November 1999

The Summary Record of the November meeting [DAFFE/INV/IME/M(99)5] was approved without amendment.

3. Recent Measures

The Committee discussed recent measures (laws, policies, regulations,) relevant to the OECD Codes of Liberalisation on the basis of a Note by the Secretariat and several contributions made by Committee members:

a. Australia/New Zealand

The Committee was informed that Australia [DAFFE/INV/RD(2000)2] and New Zealand [DAFFE/INV/RD(2000)1] are currently preparing proposals to amend their reservations under the Codes, to reflect recent legislative developments in real estate, including liberalisation measures resulting from the Closer Economic Relations Agreement between the two countries. The Committee welcomed the measures and asked the Secretariat to prepare reports for the Council for approval under written procedure.

b. Belgium

The Belgian member reported that due to the amendment in 1999 of the Law of 4 December 1990 on Financial Transactions and Financial Markets a number of Belgian reservations can be withdrawn [DAFFE/INV(2000)5]. As a result of these legislative changes, the public issue, sale by public subscription, registration at a stock exchange, registration at stock exchange markets, and at markets for other financial instruments created by a person, a company or an institution from a non-EU member country are no longer subject to an authorisation requirement by the Minister of Finance.

The Committee welcomed these liberalisation measures and asked the Secretariat to prepare a report to Council modifying the Belgian position under the Codes.

The Belgian delegate also informed the Committee that discussions are already taking place to liberalise cross-border transactions in collective investment instruments.

c. Canada

The Canadian member commented on the planned reform of the legislation on financial services and related tax legislation. The Committee will be kept informed about any new developments.

d. Finland

The Finnish delegate informed the Committee about new developments in real estate. The requirement to obtain a permission to purchase land for secondary residence was abolished at the beginning of this year. Although from 1993, non-residents have been entitled to purchase other real estate in Finland without restriction, the permission requirement has been kept due to the government's concern that foreign demand would put excessive pressure on land along lake shores. This change is based on Finland's obligation under EU law to eliminate all ownership restrictions within 5 years after joining the EU. The Finnish delegate declared that the removal of the restrictions applies *erga omnes*. This calls for an amendment in the Finnish reservation concerning real estate. The Committee welcomed this new development and the Secretariat will prepare a report to Council, once Finland has submitted an official notification.

e. Germany

The German member informed the Committee of the proposed withdrawal of a number of Germany's reservations under the Codes related to the anchor principle for Deutsche Mark issues as well as the restriction concerning the purchase of federal savings bonds by non-resident private households [DAFFE/INV(2000)4]. These changes are connected with the launching of the Monetary Union and the resulting transfer of responsibility for monetary policy to the European Central Bank. The Secretariat was asked to prepare a report to Council to modify Germany's position under the Codes.

It was agreed that Committee members from other EU Member countries belonging to the Monetary Union area should review their situation and, if similar circumstances exist, take steps to remove their reservations too.

f. Greece

The Greek member submitted a Note concerning their position with regard to auditing services under the Codes [DAFFE/INV(2000)1]. There have been no further developments in this matter. The Committee invited the Secretariat to prepare a report to Council to be circulated for approval by the Committee under written procedure.

g. Hungary

The Hungarian delegate informed the Committee about new liberalisation measures taken at the beginning of this year in the area of foreign currency denominated credit and loans. Future liberalisation steps will take place in July 2000 in the field of operations in collective investment securities, which will enable Hungary to narrow the scope of its reservations in these areas [DAFFE/INV/RD(2000)3].

h. Poland

The Polish member informed the Committee of a number of liberalisation measures relating to the public trading of securities and the changes introduced by the new Business Activity Law adopted in November 1999. He added that Poland intended to make a comprehensive progress report on measures taken to implement Poland's accession commitments. However, this report may be delayed due to the fact that the CIME/CMIT report on Poland's position under the Codes [DAFFE/INV/IME(98)17/Rev2/CORR and DAF/INV/IME(99)1] has not yet been approved. The Chairman urged all interested parties to find a solution to the outstanding issues so that the report can be finalised promptly.

i. Turkey

The Turkish representative explained the legal background for the modification of Turkey's position under the Codes. The establishment of branches and subsidiaries of foreign banks or participation in a local bank requires authorisation according to Article 7 of the Banks Act No. 4389 issued on 23 June 1999. However these measures are of a prudential nature and apply both to residents and non-residents in a non-discriminatory manner. The Secretariat was invited to prepare a report to Council.

j. United States

The United States member briefed the Committee on recent legislation concerning financial services (so-called the "Gramm-Leach-Bliley" Act). It permits commercial banks to affiliate with investment banks and other kinds of financial institutions. The US authorities were invited to inform the Committee about any implications of the Act for the US position under the Codes.

4. Post-Accession Issues

a. Czech Republic

The Committee discussed the Czech Republic's Progress Report on pending issues relating to the examination of the position under the Codes in June 1998 [DAFFE/INV/IME(2000)1] in light of a note by the Secretariat [DAFFE/IME(2000)3]. The Czech member answered questions relating, *inter alia*, to progress in the privatisation process, securities, the problem of "bad loans", gaming, telecommunications and broadcasting. Due to liberalisation measures, the Czech member stated that 16 out of 34 reservations ceased to apply on 31 December 1998.

In the light of the discussion, the report will be amended and circulated for approval by the Committee under written procedure before transmittal to Council.

b. Korea

The Committee discussed the results of the examinations held on 25 February and 15 November 1999 [DAFFE/INV/IME(99)2/REV2], as well as the draft summary and conclusions [DAFFE/INV/IME(2000)4].

The Korean authorities made a proposal to amend their reservations with respect to the issue of cabotage and fishing. The existing reservation does not reflect accurately the position on cabotage due to an

administrative error that has not been identified earlier. With regard to fisheries, an update of the reservation is needed due to the fact that the Korean Exclusive Economic Zone was not defined at the time of accession and the relevant domestic legislation entered into force only 8 months after accession.

The changes in the reservations will be included into the revised report. The list of defence-related companies will also be included. The report will be circulated for approval by the CMIT/CIME Committees under written procedure and forwarded to Council.

c. Mexico

The draft report to Council [DAFFE/INV/IME(2000)5 and Addendum] was prepared on the basis of the outcome of last meeting's discussion and an exchange of letters between the CMIT Chairman and the Mexican authorities.

In the light of the discussion, the report is to be finalised and forwarded to the Council for approval.

5. Cross-border trade in financial services

The Secretariat gave an oral presentation of a recent Report by the Committee on Financial Markets on "Cross-border trade in financial services: Economics and Regulation" [DAFFE/CMF(99)22/REV2].

The Committee agreed to follow this issue closely in view of its potential importance for its own work.

6. Slovak Republic

The Secretariat made an oral presentation concerning preparations for the proposed examination by CIME/CMIT of the Slovak Republic, scheduled for 27 April 2000.

7. Future Work and Other Business

The Committee was informed about the survey relating to non-member observership in OECD Committees and the contribution by the CMIT chair on behalf of the CMIT.

The Committee discussed a draft agenda for its next meeting, tentatively scheduled for 12-13 October 2000.

The Committee's attention was drawn to the Country Review of FDI Policies in Hungary, which will be published later this year under the responsibility of the Secretary-General.

The Delegates were also encouraged to communicate by e-mail on a more regular basis and to submit to the Secretariat their e-mail addresses.

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