4 November 2010

Fourth Report on G20 Investment Measures[1]

At the London, Pittsburgh and Toronto Summits, G20 Leaders committed to foregoing protectionism and requested public reports on their adherence to this commitment. Several G20 member countries reiterated this commitment at the UNCTAD World Investment Forum 2010, held on 6-9 September 2010 in Xiamen, China and at the Meeting of the OECD Council at Ministerial Level, held on 27-28 May 2010 in Paris, France. The present document is the fourth report on investment and investment-related measures in response to this mandate.[2] It has been prepared jointly by the OECD and UNCTAD Secretariats and covers investment policy and investment-related measures taken between 21 May 2010 and 15 October 2010.

I. Investment developments in G20 members

Foreign direct investment (FDI) flows to G20 countries declined sharply by 36% in the second quarter of 2010, after four quarters of modest recovery in the wake of the financial crisis (Figure 1). As the economic recovery remains fragile and new risk factors (such as competitive devaluations) are emerging, G20 and global FDI flows for 2010 as a whole are estimated to remain stagnant. That implies that 2010 FDI flows will still be some 25% lower than the average of the last three pre-crisis years (2005-2007). A new FDI boom remains a distant prospect.[3]

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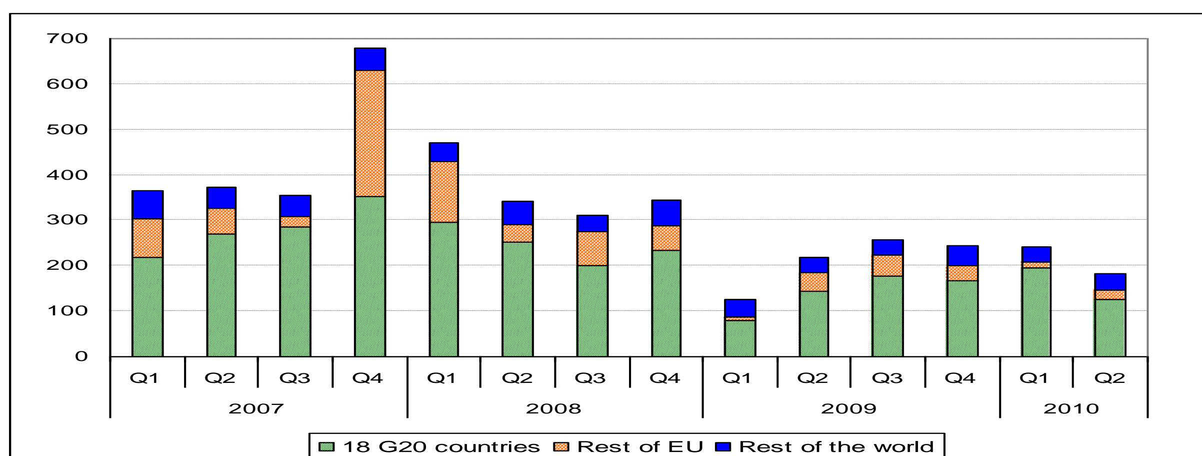
[1] Information provided by OECD and UNCTAD Secretariats.

[2] Earlier reports by WTO, OECD and UNCTAD to G20 Leaders are available on the websites of the OECD and UNCTAD.

[3] For further information and analysis on recent trends, see UNCTAD's "Global Investment Trends Monitor" Issue No. 4, October 2010 (www.unctad.org/en/docs/webdiaeia20101_en.pdf). See also OECD, *Investment News*, Issue 13, June 2010 (www.oecd.org/investment).

Figure 1. Global FDI inflows by group of countries, 2007/Q1-2010/Q2 (USD billion)*



* Global FDI data are only for 67 countries that account for roughly 90% of global FDI flows and that are included in the UNCTAD's Global FDI index. Saudi Arabia is not included because quarterly data was not available. *Source*: UNCTAD.

II. Investment policy measures

During the 21 May 2010–15 October 2010 reporting period, 17 G20 members took some sort of investment policy action (investment-specific measures, investment measures relating to national security, emergency and related measures with potential impacts on international investment, international investment agreements).[4] Emergency measures with potential impacts on international investment continued to account for most of the measures during the period (Table 1).

Table 1: Investment and investment-related measures taken or implemented between 21 May 2010 and 15 October 2010

	Investment-specific measures	Investment measures related to national security	Emergency and related measures with potential impacts on international investment*	International investment agreements
Argentina				
Australia	•		•	
Brazil	•			
Canada	•		•	•
China	•			•
France			•	•
Germany			•	•
India	•			
Indonesia	•			
Italy			•	•
Japan			•	
Korea, Republic of	•		•	•
Mexico				
Russian Federation			•	•
Saudi Arabia	•			
South Africa			•	
Turkey				•
United Kingdom			•	•
United States			•	
European Union				•

* Emergency and related measures include ongoing implementation of existing measures and introduction of new measures that were implemented at some point in the reporting period.

4 Annex 2 contains detailed information on the coverage, definitions and sources of the information in this report.

(1) Investment-specific measures

Eight G20 members took investment-specific measures (those not designed to address national security or emergency concerns) during the reporting period. Measures include the following:

- Australia tightened the rules applicable to foreign investment in residential real estate.
- Brazil reinstated restrictions on rural land-ownership for foreigners by modifying the way a law dating back to 1971 is to be interpreted. The reinterpreted law establishes that, on rural land-ownership, Brazilian companies which are majority owned by foreigners are subject to the legal regime applicable to foreign companies.
- Canada removed foreign ownership restrictions regarding international submarine cables, earth stations that provide telecommunications services by means of satellites, and satellites.
- China increased the threshold that triggers central level approval for foreign-invested projects in the "encouraged" or "permitted" categories. China also extended existing business permits of foreign-controlled companies for retail distribution to online sales over the internet.
- India sought to make its foreign investment regulations more accessible to investors by consolidating regulations relating to FDI and cross-border capital flows.
- Indonesia amended its rules that determine to what extent foreigners can invest in specific industries in the country. Among others, the changes further liberalise foreign investment in construction services, film technical services, hospital and healthcare services, and small scale electric power plants.
- The Republic of Korea extended FDI zones for the services sector.
- Saudi Arabia allowed foreign investors to invest in an exchange-traded fund of Saudi Arabian shares.

Three countries took measures designed to reduce the volatility of short term capital flows:

- Brazil doubled the tax levied on non-residents' investment in fixed-income securities to 4%.
- Indonesia introduced a one-month minimum holding period on Sertifikat Bank Indonesia (SBIs), a debt instrument, and tightened banks' net foreign exchange positions.
- The Republic of Korea introduced limits on forward exchange positions of banks; restricted the use of foreign currency loans granted by financial institutions established in the Republic of Korea to residents to overseas purposes; and tightened regulations on banks' foreign exchange liquidity ratio.

The measures show some continued moves toward eliminating restrictions and improving clarity for investors (Canada, China, India, Indonesia, the Republic of Korea and Saudi Arabia), but also some steps toward increasing restrictions (Australia, Brazil, Indonesia, and the Republic of Korea).

(2) Investment measures related to national security

None of the G20 members took investment measures related to national security in the reporting period.

(3) Emergency and related measures with potential impacts on international capital movements

Emergency measures continued to be the most frequent measure covered by this report (Table 1). While the report does not record cases of overt discrimination against foreign investors in the design of these programmes, discrimination might be present in their implementation. In addition, these measures have direct impacts on competitive processes, including those operating through international investment.

The evolution of support schemes in different economies and in the financial and non-financial sectors shows varying patterns (Table 2). More than two years after the financial crisis struck, G20

countries have almost stopped introducing new emergency schemes but numerous existing ones continue to be open for new entrants. Other schemes have already been discontinued and assets and liabilities resulting from the interventions are being wound down.

Table 2: Status of emergency measures in financial and non-financial sectors

	Financial sector				Non-financial sectors			
	At least one emergency scheme was closed for new entry of firms in the reporting period	At least one emergency scheme continued to be open for new entrants on 15 October 2010	At least one new scheme was introduced in the reporting period	Legacy assets still held by government on 15 October 2010	At least one emergency scheme was closed for new entry of firms in the reporting period	At least one emergency scheme continued to be open for new entrants on 15 October 2010	At least one new scheme was introduced in the reporting period	Legacy assets still held by government on 15 October 2010
Argentina								
Australia	•			•				
Brazil								
Canada				•		•		•
China								
France				•		•		•
Germany		•		•		•		•
India								
Indonesia								
Italy		•	•	•		•		•
Japan	•	•		•		•		•
Korea, Republic of		•		•		•		•
Mexico								
Russian Federation						•		•
Saudi Arabia								
South Africa						•		•
Turkey								
United Kingdom				•		•		•
United States	•		•	•	•	•	•	•
European Union								

Two countries introduced new emergency schemes: Italy reintroduced a scheme for the financial sector that it had discontinued earlier, and the United States established a new support scheme. Ten countries continued to implement emergency measures with potential impact on international investment at the end of the reporting period. Many schemes, especially broad support schemes for the real economy, remain open to new entrants.

Only three G20 members, Australia, Japan and the United States, closed one or more support schemes for the financial sector during the reporting period. Also, emergency schemes dedicated to non-financial sectors are, for the most part, still open for new entrants. At the end of the reporting period on 15 October 2010, 35 of the 36 schemes listed in this and earlier reports to G20 Leaders are still open for new entrants – only one scheme, in the United States, has so far been discontinued.

Emergency measures have left significant legacy assets and liabilities

Even where schemes have been closed to new entrants, some G20 members continue to hold assets and liabilities left as a legacy of emergency measures. This legacy is significant and continues to influence market conditions even after the closure of programmes to new entry. At the end of the reporting period, 9 countries held legacy assets and liabilities resulting from emergency schemes for the financial sector and 10 countries held them as a result of schemes dedicated to non-financial sectors. Total outstanding public commitments under emergency programmes – equity, loans and guarantees – on 15 October 2010 exceeded USD 2 trillion.[5] In the financial sector, public expenditure

[5] The US has abolished the cap on the funding commitment for guarantees until end 2012 under one of its emergency programmes; this decision is not taken into account for the calculation of the estimate.

commitments for certain individual companies represented hundreds of billions of USD. For instance, the German government's financial commitment for a special purpose vehicle – "bad bank" – exceeds USD 220 billion, and a British bank benefits from a guarantee of assets of over GBP 280 billion. In the United States, Government Sponsored Enterprises operating in the mortgage lending sector now benefit from an explicit unlimited guarantee.

As of 15 October 2010, several hundred financial firms continue to benefit from public support, and only about 15% of the financial firms that had received crisis-related support have fully reimbursed loans, repurchased equity or relinquished public guarantees. In non-financial sectors, over 30,000 individual firms have benefitted or continue to benefit from emergency support; governments estimate that the total number of firms that will receive crisis related aid will exceed 40,000 companies. Individual companies operating in the non-financial sectors have received advantages worth several billion USD.

Unwinding the financial positions of governments may create new risks for disguised discrimination against foreign investors

Some governments have begun to unwind financial positions – assets or liabilities – acquired as part of their crisis response. These actions took several forms: sales by governments of their stakes in companies (United Kingdom and United States) or paying down of loans or relinquishing state-guarantees by companies participating in the programmes (France, Germany, and the United States).

Only one country – India – has so far dismantled all emergency programmes for the financial sector and has no outstanding legacy assets or liabilities. Two countries have dismantled guarantee or capital injection programmes for the financial sector, but still have outstanding legacy assets or liabilities left over from these programmes (Australia and the United Kingdom). Three countries have guarantee or capital injection programmes that are still open for new entrants (Germany, Italy, and Japan).

The disposal of assets acquired as part of governments' emergency response to the crisis may again influence international capital flows and, depending on the approach chosen for disposal, may entail risks of discrimination against foreign investors. Not all governments have communicated their approach and timelines for unwinding financial positions they have taken as part of their crisis response. The few cases where governments have already disposed of assets show a range of methods. In France, Germany and the United States, financial institutions have repurchased government participations at predetermined prices at the moment of their choice. The United States has also disposed of some positions on the market through sales agents and has auctioned off warrants.

Governments are not always in a position to determine the timing of their exit. Liabilities, in particular public guarantees, will come to term when the underlying loans mature. In many cases, public guaranteed loans have maturities of 3 to 5 years. The design of some recapitalisation schemes also limits or excludes the choice of the timing of exit. In some cases, where governments have acquired equity positions in financial institutions (for instance in France and Germany) they cannot unilaterally decide to unwind their positions. Special purpose vehicles that take over and unwind illiquid assets ("bad banks") will also operate for years to come to limit losses. Germany for instance estimates that it will take a decade for one of its two bad banks to unwind positions with a nominal value of over EUR 173 billion. The potential impact on competitive conditions of legacy assets and liabilities is thus likely to persist for the years to come.

(4) International investment agreements

During the reporting period, G20 members continued to negotiate or pass new international investment agreements (IIAs), thereby further enhancing the openness and predictability of their policy frameworks governing investment. Between 21 May and 15 October 2010, six bilateral

investment treaties[6] and three other agreements with investment provisions were concluded by G20 members (Table 3).[7]

These agreements differ in terms of content, ranging from the Canada-Panama FTA that includes substantive investment provisions that are typically found in BITs (and that also grants pre-establishment rights) to the EU agreement with the Republic of Korea that takes a commercial presence approach and includes provisions on the transfer of funds.

Table 3: G20 Members' International Investment Agreements

	Bilateral Investment Treaties (BITs)		Other IIAs		
	Concluded 21 May – 15 October 2010	Total as of 15 October 2010	Concluded 21 May – 15 October 2010	Total as of 15 October 2010	Total IIAs as of 15 October 2010
Argentina		58		16	74
Australia		22		16	38
Brazil		14		16	30
Canada	1	29	1	22	51
China	1	126		14	140
France		102	1	65	167
Germany		135	1	65	200
India		78		11	89
Indonesia		62		21	83
Italy		94	1	65	159
Japan		15		18	33
Korea, Republic of		91	2*	17	108
Mexico		28		16	44
Russian Federation	2	67		3	70
Saudi Arabia		21		10	31
South Africa		46		9	55
Turkey	2	82		19	101
United Kingdom		104	1	65	169
United States		47		59	106
European Union			1	62	62

* Includes a FTA between the Republic of Korea and Peru. Negotiations were concluded but the FTA has not yet been signed.

Furthermore, following the entry into force of the Lisbon Treaty in December 2009, which shifted certain responsibilities in the field of FDI from the Member States to the EU, the European Commission issued two policy documents in July 2010 laying down future pathways of a common European investment policy.[8]

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6 Agreement between Canada and the Slovak Republic for the Promotion and Protection of Investments (20 July 2010); Agreement on the Promotion and Protection of Investments between China and the Libyan Arab Jamahiriya (4 August 2010); Investment Promotion and Protection Agreement between the Russian Federation and Singapore (27 September 2010); Agreement on Promotion and Reciprocal Protection of Investments between the Russian Federation and the United Arab Emirates (28 June 2010); Bilateral Investment Treaty between Turkey and Kuwait (27 May 2010); Bilateral Investment Treaty between Turkey and Senegal (15 June 2010).

7 Canada and Panama signed an FTA on 14 May 2010; the Republic of Korea and Peru concluded negotiations of an FTA on 30 August 2010; and the Republic of Korea and the EU signed an FTA on 6 October 2010. Substantive progress was made on several other ongoing FTA negotiations of the EU (with Canada, India, and Singapore). Although the Canada-Panama FTA was signed before the reporting period, it is included in this Report, since information on this agreement has not been included in the last OECD-UNCTAD report on G20 investment measures. G20 members also signed seven double taxation treaties (DTTs). As of mid-October 2010, there were over 2,763 BITs, 2,889 DTTs and approximately 307 FTAs, or economic cooperation agreements containing investment provisions ("other IIAs"), making a total of 5,959 IIAs.

8 "*Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, Towards a comprehensive European international*

III. Overall policy implications

G20 members have continued to honour their pledge not to retreat into investment protectionism. On the contrary, the majority of investment measures taken during the review period carry on the trend towards investment liberalisation and facilitation.

However, these findings provide no grounds for complacency. Recent measures by some G20 emerging markets attest to these countries' concerns about the impacts of global macroeconomic imbalances on their economies. If these imbalances and related risks for other countries are not dealt with in a credible manner, the resulting policy tensions could degenerate into a protectionist spiral. In non-financial sectors, risks of discrimination against foreign investors are still real as well. G20 Leaders will want to continue their vigilance in this area.

Managing the investment impacts of emergency measures taken in response to the crisis still constitutes a great challenge for G20 governments. These measures could be applied in a discriminatory way toward foreign investors. In addition, they pose serious threats to market competition in general and to competition operating through international investment in particular.

Governments have, in some cases, begun dismantling and unwinding emergency schemes. This process will take several years. Again in this phase, risks of protectionism may arise. Governments' choice of the approach and timing of unwinding will determine the prevalence of these risks and thus the trust and confidence that investors will have in governments' fairness and openness.

It remains a crucial challenge for G20 Leaders to ensure that emergency programmes are wound down as quickly as is prudent, given remaining systemic concerns and the continued fragility of the economic recovery. Assets that were acquired as a legacy of crisis-related schemes should be disposed of in a timely, non-discriminatory and open manner. Exit strategies should be transparent and accountable and should not be used as a pretext to discriminate directly or indirectly against certain investors, including foreign investors.

There are also grounds for concern that support policies are becoming an entrenched feature of the policy landscape in some countries. The fact that many emergency schemes are still operating two years after the crisis points to the political dilemmas facing governments. Although there may be a few cases where concerns about systemic stability persist, there is now a growing risk that governments are being captured by a logic for subsidisation from which it is difficult to escape. Internationally, government subsidies in one country create pressure on governments elsewhere to subsidise or shoulder the structural adjustment shifted on to them by other subsidising governments.

G20 Leaders should also be mindful of the risks for international investment resulting from global macroeconomic imbalances. These pose two types of problems for international investment policy makers. First, in a general way, global macroeconomic imbalances and related policy tensions detract from investor confidence and therefore dampen investment, both domestic and international. Second, countries have begun adopting policies (capital controls and financial regulations with similar effects) aimed at buffering their economies from volatility of foreign exchange markets and capital flows induced by these imbalances. Such policies will, if they become entrenched, lead to fragmentation of international capital markets along national lines and may be difficult to dismantle once in place. Progress by G20 Leaders in credibly addressing global macroeconomic imbalances will help create an environment in which international investment can make its full contribution to global prosperity and sustainable growth.

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investment policy", 7 July 2010, COM(2010)343final and "*Proposal for a Regulation of the European Parliament and of the Council establishing transitional arrangements for bilateral investment agreements between Member States and third countries*", 7 July 2010, COM(2010)344final.

ANNEX 1

Investment and investment-related measures
(21 May 2010 – 15 October 2010)

	Description of Measure	**Date**	**Source**
Argentina			
Investment policy measures	None during reporting period.		
Investment measures relating to national security	None during reporting period.		
Emergency and related measures with potential impacts on international investment	None during reporting period.		
Australia			
Investment policy measures	Changes to the Australian Government's foreign investment policy reintroducing the requirement for temporary residents to notify purchases of residential real estate came into effect on 26 May 2010.	26 May 2010	Foreign Acquisitions and Takeovers Amendment Regulations 2010 (No. 2).
Investment measures relating to national security	None during reporting period.		
Emergency and related measures with potential impacts on international investment	On 30 June 2010, Australia's car dealership financing special purpose vehicle (OzCar) ceased to provide financing as scheduled and is being wound up. OzCar had been activated on 1 September 2009 and provided, with funding from the four major Australian banks, temporary liquidity support to eligible participating car dealership financiers. The Government supported the SPV by guaranteeing the monthly interest payments and the repayment of principal on the final maturity date, 1 January 2012.	Until 30 June 2010.	
Brazil			
Investment policy measures	On 23 August 2010 Brazil reinstated restrictions on rural land-ownership for foreigners. The measure results from the publication of a Presidential Order, approving a Government Legal Opinion (Parecer CGU/AGU No. 01/2008) on the application of Law 5709 of 7 October 1971 to foreign owned Brazilian companies. The reinterpreted law establishes that, on rural land-ownership, Brazilian companies which are majority owned by foreigners are subject to the legal regime applicable to foreign companies. The Law permits resident foreigners to acquire up to three 'rural modules' modules without seeking approval and limits foreign acquisition to fifty modules. Acquisitions of between three and fifty modules require approval by the Ministry of Agricultural Development. Foreign companies can only acquire rural land for agricultural, cattle-raising, industrial or development projects. No more than 25% of the rural areas of any municipality may be owned by foreigners, and no more than 10%	23 August 2010	"*Presidential Order approving Parecer CGU/AGU No. 01/2008-RVJ*", 23 August 2010; "Law 5709, 7 October 1971"

	Description of Measure	Date	Source
	may be owned by foreigners of the same nationality. The policy change does not affect transactions made by Brazilian companies controlled by foreigners closed before its publication on 23 August 2010.		
	On 5 October 2010, an increase of the tax levied on non-residents' investment in fixed-income securities to 4% came into effect. The previous rate of 2% was introduced on 19 October 2009 to prevent strong capital inflows that could lead to asset price bubbles and to ease upward pressure on the Real. The 2% levy on investments in the capital markets remained unchanged.	5 October 2010	Decree No. 7.323 of 4 October 2010.
Investment measures relating to national security	None during reporting period.		
Emergency and related measures with potential impacts on international investment	None during reporting period.		
Canada			
Investment policy measures	On 12 July 2010, the Jobs and Economic Growth Act received royal assent. Among others, the Act removes restrictions on foreign ownership of satellites, earth stations that provide telecommunications services by means of satellites and international submarine cables.	12 July 2010	*An Act to Implement Certain Provisions of the Budget tabled in Parliament on March 4, 2010 and Other Measures*, 12 July 2010.
Investment measures relating to national security	None during reporting period.		
Emergency and related measures with potential impacts on international investment	Canada continued to implement some of the components of the Economic Action Plan, the country's framework for response measures to the crisis, which was initially announced on 27 January 2009. The plan consists of components of support to financial and non-financial sectors.		"*Canada's Economic Action Plan – Sixth report to Canadians*", Government of Canada, 27 September 2010.
	While most of the support programmes for the financial sector, provided under the CAD 200 billion Extraordinary Financing Framework, were phased out on 31 March 2010, Canada continues to hold assets and liabilities that result from the implementation of the components of this programme.		
	– Under the *Insured Mortgage Purchase Program*, Canadian financial institutions could access stable long-term government financing in exchange for high-quality mortgage assets. The overall budget limit was set at CAD 125 billion. Over CAD 69 billion have been provided to banks and other lenders through reverse auctions until the programme's expiry on 31 March 2010.		"*Canada's Economic Action Plan – Sixth report to Canadians*", Government of Canada, 27 September 2010, p. 131; "*The insured Mortgage Purchase Program*", Parliamentary Information and Research Service, 13 March 2009.
	– The *Canadian Secured Credit Facility*, which was designed to support the financing of vehicles and equipment and to stimulate private lending to these sectors, also expired on 31 March 2010. Under the facility that was operated by the Business Development Bank of Canada (BDC) the Government had committed to purchase up to CAD 12 billion of newly issued term asset-backed securities		"*Canada's Economic Action Plan – Sixth report to Canadians*", Government of Canada, 27 September 2010, p. 131.

	Description of Measure	Date	Source
	backed by loans and leases on vehicles and equipment and dealer floor plan loans. Approximately CAD 3.4 billion has been utilized. Mainly multinational financial corporations used the programme.		
	At the end of the reporting period on 15 October 2010, the components of the Economic Action Plan that provide support to the non-financial sectors were still open for new entrants:		
	– Canada continued to implement the *Business Credit Availability Program* that seeks to improve access to financing for Canadian businesses. The programme, which is operated by Export Development Canada (EDC) and the Business Development Bank of Canada (BDC), offers direct lending and other types of support and facilitation at market rates to businesses with viable business models whose access to financing would otherwise be restricted. As part of the Economic Action Plan, both institutions' capital limits. Between February 2009 and 31 July 2010, over 13,000 companies had received support of a gross volume of about CAD 8 billion under the programme.	Ongoing	"*Canada's Economic Action Plan – Sixth report to Canadians*", Government of Canada, 27 September 2010, pp. 135; Business Credit Availability Program website, Department of Finance.
	– Canada continued to operate the *Vehicle and Equipment Financing Partnership*, which had been introduced as part of the Business Credit Availability Program in Budget 2010 with an initial allocation of CAD 500 million in funding. The partnership expands financing options for small and medium-sized finance and leasing companies to ensure access to financing to acquire vehicles and equipment.		"*Canada's Economic Action Plan – Sixth report to Canadians*", Government of Canada, 27 September 2010, pp. 135.
	– Canada continued to implement the support to companies in various industry sectors including access to financing for firms operating in forestry, agriculture, as well as to SMEs.	Ongoing	"*Canada's Economic Action Plan – Sixth report to Canadians*", Government of Canada, 27 September 2010, pp. 115, 188, 120.
	Canada and Ontario maintained holdings in Chrysler (2%) and General Motors (11.7%), arising from earlier loans and debtor-in-possession financing of CAD 14.58 billion combined. The governments of Canada and Ontario also continue to hold USD 403 million preferred shares in New GM. By 20 April 2010, General Motors completed the repayment of its entire CAD 1.5 billion interim loan from Canada and Ontario.	Ongoing	"*Canada's Economic Action Plan – Sixth report to Canadians*", Government of Canada, 27 September 2010, p. 115.
China			
Investment policy measures	On 10 June 2010, the Ministry of Commerce released a circular that increases the threshold that triggers central level approval for foreign-invested projects in the "encouraged" or "permitted" categories to USD 300 million, up from USD 100 million. The Circular implements a policy change announced in the Opinions on Foreign Investment that the State Council had released on 6 April 2010.	10 June 2010	*Circular of the Ministry of Commerce on Delegating Approval Authority over Foreign Investment to Local Counterparts*, No. 209/2010.
	On 19 August 2010, the Ministry of Commerce released a circular that extends existing business permits of foreign-controlled companies for retail distribution to online sales over the internet.	19 August 2010	*Circular of the General Office of the Ministry of Commerce on Issues Concerning Examination and Approval of Foreign-Invested Projects of Selling Goods via the Internet and Automat*, No. 272/2010.

	Description of Measure	Date	Source
Investment measures relating to national security	None during reporting period.		
Emergency and related measures with potential impacts on international investment	None during reporting period.		
France			
Investment policy measures	None during reporting period.		
Investment measures relating to national security	None during reporting period.		
Emergency and related measures with potential impacts on international investment	France continued to hold equity of one French bank – BPCE – that participated in France's recapitalisation scheme. Under the scheme, the *Société de prise de participation de l'État* (SPPE), a wholly state-owned investment company, bought securities from eligible banks. BPCE, which had received a capital injection of EUR 7.05 billion, has reimbursed parts of SPPE's holdings in March, August and October 2010 but preference shares of EUR 1.2 billion as well as EUR 1.7 billion in perpetual subordinated debt remain outstanding. The bank has committed to reimburse the remaining capital until 2013 when its strategic plan comes to term. The reimbursement of 15 October 2010 also leads to the departure of the two government representatives from the bank's board of directors. Six French banks had initially participated in the scheme until late 2009, when five of the banks reimbursed the capital. The scheme includes obligations for beneficiary banks with regard to financing the real economy the observance of which are monitored locally and nationally. A mediation system is also planned to ensure compliance with the obligations. The programme had a budget ceiling of EUR 21 billion.		European Commission decisions N613/2008, N29/2009, N164/2009 and N249/2009; "*Faits marquants BPCE : juillet 2009-août 2010*", BPCE press information, 5 August 2010 ; "*Nouvelle composition du conseil de surveillance de BPCE*", BPCE press release, 6 October 2010 ; "*BPCE finalise la cession de la Société Marseillaise de Crédit*", BPCE press release, 22 September 2010.
	France continued its support to the Dexia Group, jointly granted with Belgium and Luxembourg, through three main measures: – As a result of a capital injection undertaken in September 2008, France directly holds equity of Dexia for a nominal amount of EUR 1 billion while the CDC holds EUR 1.7 billion; – France continued to guarantee 36.5% of approximately EUR 44 billion debt of Dexia (Belgium and Luxembourg guarantee the remaining 60.5% and 3% of Dexia's debt, respectively; the aggregate commitment by the three States may not exceed a maximum amount of EUR 100 billion); debt issued since 30 June 2010 is no longer covered by a State guarantee; – France guarantees, jointly with Belgium, a sale option concluded by Dexia on a portfolio of impaired assets amounting to USD 17 billion; France guarantees 37.6% of the nominal value of the assets while Belgium guarantees 62.4%.		European Commission decisions NN49/2008, N583/2009 and C9/2009; "*Guarantee Agreement between the Belgian State, the French State, the Luxembourg State and Dexia SA/NV*", undated archive of the total outstanding amount of Dexia's "Guaranteed Liabilities" made available by the National Bank of Belgium; "*Positive outcome from European Commission negotiations*", Dexia press release, 6 February 2010; "*Renewal of States guarantee on Dexia's funding for one year*", Dexia press release, 18 September 2009; "*Deuxième Avenant à la Convention de Garantie Autonome*"; 17 March 2010.

	Description of Measure	Date	Source
	While France had discontinued its scheme for refinancing credit institutions on 30 November 2009, it continued to guarantee loans of financial institutions that had participated in the scheme. In May 2009, these guarantees covered loans of approximately EUR 50 billion, of which around EUR 10 billion had maturities of over 3 years. Overall, 13 French financial institutions, including two banks of French car companies Renault and PSA, participate in the support scheme. The scheme, which came into effect on 30 October 2008 and was extended in May 2009, established the wholly state-owned Société de Financement de l'Economie Française (SFEF, previously known as Société de refinancement des activités des établissements de crédits – SRAEC). The scheme authorised SFEF to provide medium and long-term financing to any bank authorised in France, including the subsidiaries of foreign groups. SFEF benefitted from a state guarantee and was allowed to extend lending up to EUR 265 billion. Credit institutions that benefitted from the scheme had to pay a premium over and above the normal market price and had to make commitments regarding their conduct, including the extension of loans to the real economy.		European Commission decisions N548/2008 and N251/2009.
	France's Strategic Investment Fund (Fonds Stratégique d'Investissement, FSI), endowed with EUR 20 billion when established on 19 December 2008, continued to acquire stakes in companies including NicOx, Bontoux, Mecachrome, Avanquest, GLI International, Innate Pharma, Phoebe Ingenica, Vallourec, IPS, Gruau, Limagrain, Cylande, Inside Contactless, Mäder, CGGVeritas, Grimaud, Cerenis, and Alcan EP. All these companies except Alcan EP were under French control at the time of the investment. According to the Fund's annual report on 2009, the investment sought to accelerate the development of these enterprises by means of capital increases – or to support companies in temporary difficulties. The minority investment in Alcan EP, once part of a French consortium before its sale to Rio Tinto, seeks to anchor the company in France, according to an FSI executive board member. The large majority of the investments were made in the context of capital increases of the concerned firms. At least one acquisition was realised through the acquisition of shares on the market and in one case, the FSI also co-founded a new company in cooperation with two French automobile producers and a French state-owned research institute. The FSI also invested in or considered investing in some companies that were in financial difficulties at the time of the investment. In December 2009, for instance, the FSI acquired 30% in the holding company of Mecachrome International, then under bankruptcy protection, and in early 2010 considered an investment of EUR 10 million in Heuliez Véhicule Electrique, a new subsidiary of the automotive company Heuliez, which encountered financial difficulties, and eventually entered bankruptcy proceedings on 18 May 2010. For the first time since its establishment, the FSI carried out a significant divestment of one of its positions on 6 October 2010; the FSI sold	Ongoing	"Le FSI annonce sa participation aux cotés de Renault, Nissan et du Commissariat à l'Energie Atomique (CEA) à la création en France d'une société commune de recherche et développement, de production, de commercialisation et de recyclage de batteries destinées aux véhicules électriques", FSI press release, 5 November 2009; "Résultats 2009 du FSI", FSI press release, 19 April 2010; "Les orientations stratégiques du Fonds stratégique d'investissement", undated strategy statement of the FSI; Comptes rendus de la Commission de l'économie, 17 February 2010. "Augustin de Romanet: 'Nous n'abandonnerons pas nos entreprises aux prédateurs'", Figaro Magazine, 9 January 2009.

	Description of Measure	Date	Source
	its entire 6.8% stake in the company through a sales agent for around EUR 227 million. According to its strategic orientations, the FSI intends to be involved in the governance of the enterprises in which it has holdings. As of mid-May 2010, the FSI held stakes of or exceeding 20% in 5 companies.		
	France continued to operate its other state-owned or state co-owned funds that are mandated to assist companies to cope with the crisis and the financial difficulties that it triggered. They include notably a FSI-run programme for SMEs to assist them in strengthening their capital, and, since 1 October 2009, the *Fonds de consolidation et de développement des entreprises* (FCDE). This latter fund, endowed with capital of EUR 200 million, invests in companies that are in financial difficulties, did not succeed in obtaining sufficient investment from private investors, but have potential for development. The fonds will only take minority stakes limited to EUR 15 million. The fund's capital is contributed by the FSI (47.5%) and a consortium of private banks. Once it has received approval by the financial market authority, the fund will be managed by a body composed of its shareholders. In the meantime, the *CDC Entreprises*, a subsidiary of the public *Caisse des Dépôts*, operates the fund.		"*Le FSI lance le programme FSI-PME, destiné à renforcer les fonds propres des PME ayant des projets de croissance*", FSI press release, 5 October 2009; "*Lancement du Fond de consolidation et de développement des entreprises*", press release, Médiateur du crédit, 1 October 2009.
	France continued to implement five temporary framework schemes that it had established to support the real economy manage the consequences of the crisis until 31 December 2010. These include:		
	– A scheme for small amounts of aid of up to EUR 500 000 per undertaking in 2009-2010 combined. Over 1,000 enterprises were expected to benefit from the scheme, which came into effect on 19 January 2009.	Ongoing	European Commission decisions N7/2009, N188/2009, and N278/2009.
	– A second scheme that provides aid in form of subsidised interest rates for loans contracted no later than 31 December 2010; the subsidy may only remain in place on interest payments before 31 December 2012. The scheme came into effect on 4 February 2009, and was expected to assist more than 1000 enterprises.	Ongoing	European Commission decision N15/2009.
	– A third scheme concerning subsidized guarantees to companies for investment and working capital loans concluded by 31 December 2010. Over 500 enterprises are expected to benefit from the scheme, which came into effect on 27 February 2009.	Ongoing	European Commission decision N23/2009.
	– A fourth framework scheme, which came into effect on 3 February 2009, allows to grant loans with a reduced interest rate at most during two years and until 31 December 2010 to businesses investing in the production of "green" products (i.e. products that comply with or overachieve EU environmental product standards that have been adopted but are not yet in force). The scheme is open for companies of any size and in any sector, and the expected beneficiaries include in particular the automotive industry. The scheme may be implemented by state, regional and local authorities. The French government estimates that about 500 enterprises may benefit from this fourth scheme.	Ongoing	European Commission decision N11/2009.
	– Finally, France continued to implement a	Ongoing	European Commission decision

	Description of Measure	Date	Source
	temporary aid scheme to support access to finance for the agriculture sector. This framework scheme, which was introduced 2 December 2009, allows federal, regional and local authorities to provide until 31 December 2010 direct grants, interest rate subsidies, and subsidised loans and guarantees. The overall budget of the scheme is limited to EUR 700 million, and the French authorities expect up to 1,000 companies to benefit directly from the scheme.		N609/2009.
Germany			
Investment policy measures	None during reporting period.		
Investment measures relating to national security	None during reporting period.		
Emergency and related measures with potential impacts on international investment	The Financial Market Stabilisation Fund (SoFFin) continued to operate and was prolonged until 31 December 2010. Since its establishment on 17 October 2008, the fund is the vehicle to provide state assistance to the financial sector in response to the crisis. The fund provides guarantees and capital to financial institutions and assumes risk positions. German subsidiaries of foreign financial institutions are entitled to participate in the scheme. SoFFin also provides the umbrella for the establishment by banks of liquidation institutions ("bad banks"). The entry window for guarantees and recapitalisation measures is scheduled to expire on 31 December 2010. By 30 September 2010, SoFFin had received applications from 25 institutions with a gross volume of EUR 261.3 billion. On that date, SoFFin had granted stabilisation measures to 11 German financial institutions. The total volume of the measures was EUR 203.9 billion, of which EUR 174.58 billion were guarantees to 9 institutions. Four financial institutions received a total EUR 29.3 billion as capital. Also, SoFFin established two liquidation institutions.	Ongoing	European Commission decisions N512/2008, N625/2008, N330/2009 and N665/2009, N222/2010; "*Stabilisierungsmaßnahmen des SoFFin*", SoFFin website; Law of 17 October 2008 (Finanzmarktstabilisierungsfondsgesetz —FMStFG); "*Law on the development of financial market stabilisation/Gesetz zur Fortentwicklung der Finanzmarktstabilisierung*", in force since 23 July 2009.
	At the end of the reporting period, only a few of the positions that SoFFin has taken in financial institutions since its inception have been unwound. On 16 July 2010, Aareal Bank became the first financial institution to begin repayment of SoFFin's silent participation of EUR 525 million that the bank had received in early 2009. Aareal Bank reimbursed EUR 150 million. Over 99.9% of the overall equity holdings that SoFFin had acquired at its peak remain with the fund. No specific policy or schedule has been published for the unwinding of holdings resulting from capital injections. The unwinding of guarantees is expected to reach into 2012, as some of the guaranteed debt has maturities of up to three years. Commerzbank, for instance, in which SoFFin also has a 25% equity stake resulting from a recapitalisation measure, has issued three-year bonds guaranteed by SoFFin with a nominal value of EUR 5 billion. These bonds will mature on 13 January 2012, and the SoFFin	16 July 2010	"*Aareal Bank starts repayment of the SoFFin silent participation ahead of plan, enhances funding flexibility through a precautionary measure*", Aareal Bank Group press release, 28 June 2010.

	Description of Measure	Date	Source
	guarantee on this debt is unconditional and irrevocable.		
	On 30 September 2010, Hypo Real Estate Holding AG (HRE) transferred impaired assets of a nominal value of EUR 173 billion to its liquidation institution that SoFFin had established on 8 July 2010. As part of this transfer, bonds guaranteed by SoFFin – and issued by HRE for its funding – in the amount of approximately EUR 124 billion were also transferred to the liquidation institution. In the meantime, the liquidation institution and HRE have reduced liquidity guarantees from SoFFin by EUR 23.5 billion. The guaranteed bonds in the amount of EUR 100.5 billion now remaining at the liquidation institution are expected to be phased out by mid-2011 at the latest. It is planned to replace the guaranteed bonds by issuances of the liquidation institution which do not feature SoFFin guarantees. The liquidation institution for HRE is the second institution established under SoFFin, following the setup of such an institution by WestLB, a state controlled bank on 11 December 2009. For HRE, the establishment of the liquidation institution follows a series of earlier interventions, including two capital increases by EUR 3 billion and EUR 1.85 billion, respectively to a total amount of EUR 8.15 billion, following a squeeze-out of remaining shareholders on 13 October 2009 that left SoFFin the sole owner of HRE. SoFFin also provided the now fully state-owned bank guarantees. SoFFin has also provided several guarantees to HRE; a SoFFin guarantee of EUR 43 billion replaced an earlier guarantee of the same amount provided by the Federal Government and a consortium of financial institutions on 21 December 2009; an additional guarantee of EUR 10 billion was reactivated on 28 May 2010, and a further guarantee of EUR 40 billion was granted on 10 September 2010 to cover a possible temporary liquidity shortfall before and during the transfer of assets. HRE will refinance its business predominantly via *Pfandbrief* issues and other covered bonds; there are no plans to use any more liquidity guarantee facilities of SoFFin in the future.	30 September 2010, 8 July 2010	European Commission decisions C15/2009, N557/2009; N161/2010; N694/2009; and N380/2010. "*SoFFin löst Liquiditätsfazilität ab – Restrukturierung der HRE schreitet voran"*, SoFFin press release, 21 December 2009; "*FMS Wertmanagement – Abwicklungsanstalt der Hypo Real Estate Gruppe (HRE) gegründet*", SoFFin press release, 8 July 2010; "*Garantierahmen der HRE temporär um bis zu 40 Mrd. Euro aufgestockt*", SoFFin press release, 10 September 2010; „*Befüllung der FMS Wertmanagement zum 30. September 2010 beschlossen*", SoFFin press release, 22 September 2010; „*HRE – Abspaltung auf die FMS Wertmanagement erfolgreich verlaufen*", SoFFin press release, 3 October 2010.
	The liquidation institution for WestLB, established under SoFFin on 11 December 2009 remains in place and holds a portfolio of non-strategic, illiquid assets with a nominal value of EUR 85.1 billion. SoFFin also continues to hold capital in WestLB resulting from a EUR 3 billion capital injection that can be turned into shares at a later stage, whereby a 49% stake in the bank may not be exceeded. WestLB is implementing a restructuring plan that requires among others that WestLB: reduce its balance sheet by 50% until March 2011, and change the bank's ownership structure through a public tender procedure before the end of 2011. These elements are designed to offset the distortion of competitive conditions that the stabilisation and support measures in favour of the bank had triggered.		European Commission decisions C43/2008, N531/2009, C40/2009 and N249/2010; "*Bundesanstalt für Finanzmarktstabilisierung errichtet Abwicklungsanstalt der WestLB*", SoFFin press release, 14 December 2009; "*SoFFin unterstützt WestLB*", SoFFin press release, 26 November 2009.
	Three additional financial institutions, which are all state-controlled, continue to benefit from state guarantees and capital as a result of earlier measures that were taken outside the SoFFin scheme:		

	Description of Measure	Date	Source
	– The state-controlled Nord/LB had obtained a guarantee for placing securities with a maturity of not more five years of up to a total of EUR 0 billion.		European Commission decisions N655/2008 and N412/2009.
	– LBBW, another state-controlled bank, had received a capital injection of EUR 5 billion and a public guarantee of EUR 12.7 billion for a period of 5 years. The bank undergoes restructuring following a restructuring plan that became effective on 15 December 2009. LBBW plans to start repaying the capital resulting from the capital injection from 2014 onwards.	15 December 2009	European Commission decisions N365/2009 and C17/2009.
	– BayernLB had received State emergency aid in form of a risk shield of EUR 4.8 billion and a capital injection of EUR 10 billion. BayernLB also continues to benefit from a guarantee of EUR 5 billion, down from EUR 15 billion, under SoFFin scheme.		European Commission decisions N615/2008, N254/2009 and C16/2009.
	Germany continued to implement seven support schemes for non-financial sectors:		
	– Germany continued to implement its loan and guarantee programme "*Wirtschaftsfonds Deutschland*" that disposes of a gross volume of up to EUR 115 billion and is scheduled to run until 31 December 2010. It consists of a loan component (totalling EUR 40 billion) administered by the State-owned development bank (KfW) and a loan guarantee component (EUR 75 billion). Under the programme, decisions on major support measures (i.e. applications for loans in excess of EUR 150 million and loan guarantees in excess of EUR 300 million or cases of fundamental significance—increased risks, unusual loan and/or collateral structure, or special significance for regional or sectoral employment) are taken by an inter-ministerial Steering Group which takes into account inter alia the long term viability of the firm and whether or not it has access to commercial credit. By the end of August 2010, over 17,000 applications from companies have been approved. EUR 14 billion had been committed; EUR 8 billion were provided as loans, and EUR 6 billion as guarantees. At the end of August 2010, the overwhelming majority of beneficiaries were SMEs, but 46% of the volume of support went to large companies.	Ongoing	"*Kredit- und Bürgschaftsprogramm der Bundesregierung/Wirtschaftsfonds Deutschland*". Detailed documentation (in German) is provided on the website of the Federal Ministry of Economics and Technology; "*KfW Sonderprogramm 2009*", initially introduced on 5 November 2008. European Commission decision N661/2008. "*Verbesserungen im KfW Sonderprogramm für mittelständische Unternehmen*", press release, Federal Ministry of Economics and Technology, 10 December 2009.
	– Germany continued to make use of its framework scheme for small amounts of aid that broadens channels for distributing existing funds earmarked for state aid. The scheme, which came into effect on 30 December 2008, authorises the government to provide businesses with aid in various forms up to a total value of EUR 500 000 each. The measures can be applied until the end of 2010. At the inception of the scheme, the German authorities expected the scheme to benefit more than 1,000 enterprises.	Ongoing	European Commission decisions N668/2008, N299/2009, N411/2009, and N255/2010.
	– Germany also continued to make use of its four schemes that allow authorities at federal, regional and local levels to grant aid in various forms. The schemes include a scheme regarding subsidized guarantees for investment and working capital loans concluded by 31 December 2010. A second scheme permits authorities at federal,	Ongoing	European Commission decision N27/2009; European Commission decision N38/2009; European Commission decision N39/2009; European Commission decision

	Description of Measure	Date	Source
	regional and local level, including public development banks, to provide loans at reduced interest rates. A third scheme concerns the granting of risk capital. All three schemes initially came into force in February 2009 and are scheduled to expire on 31 December 2010. A fourth framework scheme, concerning reduced interests on loans to businesses investing in the production of "green" products entered into effect in August 2009. The scheme is open for companies of any size and any sector, and the expected beneficiaries include in particular the automotive industry and products related to Ecodesign measures. At the inception of the scheme, the German authorities estimated that over 1,000 companies would benefit from the schemes.		N426/2009.
	– Finally, Germany continued to implement a temporary aid scheme to support access to finance for the agriculture sector. The framework scheme, which came into effect on 23 November 2009, allows federal, regional and local authorities to provide until 31 December 2010 direct grants, interest rate subsidies, and subsidised loans and guarantees.	Ongoing	European Commission decision N597/2009.
India			
Investment policy measures	India took a series of measures to increase the transparency and clarity of its policies for transborder capital flows.		
	– On 30 September 2010, India issued a revised Consolidated FDI Policy that entered into force on 1 October 2010. The policy circular, which supersedes the previous edition of 1 April 2010 that brought into one circular all prior regulations on FDI, incorporates policy changes adopted since 1 April 2010 and also clarifies certain issues that arose from the earlier regulation and submissions solicited from the public.	1 October 2010	"*Consolidated FDI Policy*", Circular 2 of 2010, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry; "*Press release*", Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, 30 September 2010.
	– On 1 July 2010, the Reserve Bank of India (RBI) issued a series of master circulars, some of which address international capital flows. These master circulars consolidate existing regulations, thus enhancing transparency of India's regulatory framework. The master circulars will expire on 1 July 2011 to be replaced by updated circulars. The circulars include among others: – the *Master Circular on External Commercial Borrowings and Trade Credits*; – the *Master Circular on Foreign Investment in India*; – the *Master Circular on Establishment of Liaison/Branch / Project Offices in India by Foreign Entities;* – the *Master Circular on Acquisition and Transfer of Immovable Property in India by NRIs/PIOs/Foreign Nationals of Non-Indian Origin;* – the *Master Circular on External Commercial Borrowings and Trade Credits;* – the *Master Circular on Direct Investment by Residents in Joint Venture*	1 July 2010	

	Description of Measure	Date	Source
	(JV)/Wholly Owned Subsidiary (WOS) Abroad; – the *Master Circular on Non-Resident Ordinary Rupee (NRO) Account;* – the *Master Circular on Remittance Facilities for Non-Resident Indians/Persons of Indian Origin/Foreign Nationals;* – the *Master Circular on Miscellaneous Remittances from India – Facilities for Residents*; and – the *Master Circular on Money Transfer Service Scheme*.		
Investment measures relating to national security	None during reporting period.		
Emergency and related measures with potential impacts on international investment	None during reporting period.		
Indonesia			
Investment policy measures	On 16 June 2010, the Central Bank of Indonesia introduced measures to slow down short-term capital flows. These include: – a one-month minimum holding period on Sertifikat Bank Indonesia (SBIs), a debt instrument, with effect from 7 July 2010; and – regulations on banks' net foreign exchange positions.	16 June 2010	
	On 25 May 2010, Indonesia issued Presidential Regulation 36/2010 which sets out to what extent foreigners can invest in specific industries in Indonesia. The Regulation has changed business fields to be more open to include construction services, film technical services, hospital and healthcare services, and small-scale electric power plants.	25 May 2010	Presidential Regulation of the Republic of Indonesia Number 36/2010 on List of Business Fields Closed to Investment and Business Fields Open, with Conditions, to Investment
Investment measures relating to national security	None during reporting period.		
Emergency and related measures with potential impacts on international investment	None during reporting period.		
Italy			
Investment policy measures	None during reporting period.		
Investment measures relating to national security	None during reporting period.		
Emergency and related measures with potential impacts on international investment	On 1 October 2010, Italy reintroduced a bank recapitalisation scheme until 31 December 2010. The scheme authorises the injection of capital by acquisition of undated debt from banks incorporated under Italian law, including subsidiaries of foreign banks. The Ministry of		Article 12 of Decree-Law No 185 of 28 November 2008 and implementing decree; Article 2.1 of Decree Law No. 125 of 5 August 2010. European Commission decisions N648/2008, N97/2009, N466/2009 and N425/2010.

	Description of Measure	Date	Source
	Economy and Finance administers the scheme and the Bank of Italy is involved in the evaluation of applicant institutions. The scheme had already run between 23 December 2008 and 31 December 2009. During that period, four institutions have been recapitalised under the scheme and retain capital at the end of the reporting period: *Gruppo Banco Popolare* (EUR 1.45 billon, 31 July 2009); *Gruppo Banca Popolare di Milano* (EUR 500 million, 4 December 2009); *Gruppo Credito Valtellinese* (EUR 200 million, 30 December 2009); and *Gruppo Monte Paschi di Siena* (EUR 1.9 billion, 30 December 2009).		
	Italy continued to implement an aid scheme for the non-financial sector that allows subsidies on interest rates for investment loans for the production of "green" products (i.e. products that comply with or overachieve EU environmental product standards that have been adopted but are not yet in force). The scheme is open for companies of any size and any sector, and the beneficiaries will include in particular the automotive industry, affected by crisis-related difficulties to access capital and declining sales, and supports specifically development and production of components that will be competitive in the future. The scheme, budgeted of up to EUR 300 million, and introduced on 26 October 2009, is open to companies of all sizes, and over 1,000 undertakings are expected to benefit directly from the scheme. Interest rate subsidies under this scheme may not be granted after 31 December 2010. The scheme is administered by the Ministry for Economic Development, but other levels of the public administration may be involved in the scheme's administration at a later stage.	Ongoing	"Decreto del Presidente del Consiglio dei Ministri del 3 giugno 2009" and "Dettagli operativi"; European Commission decision N542/2009.
	Italy also continued to implement its framework scheme for small amounts of aid. The scheme allows authorities at national, regional and local levels to provide businesses with aid in various forms up to a total value of EUR 500 000 each. The measures came into effect on 11 May 2009 and can be applied until 31 December 2010. When the scheme was introduced, the Italian authorities estimated that more than 1000 companies would benefit from aid granted under the scheme.	Ongoing	European Commission decision N248/2009.
	Italy continued to implement a further temporary aid scheme to support access to finance for the agriculture sector. The framework scheme, which came into effect on 1 February 2010, allows authorities to provide this support until 31 December 2010.	Ongoing	European Commission decision N706/2009.
Japan			
Investment policy measures	None during reporting period.		
Investment measures relating to national security	None during reporting period.		
Emergency and related measures with potential impacts on international investment	While Japan had discontinued its Stock Purchasing Program on 30 April 2010, the Bank of Japan continued to hold assets resulting from the scheme's operation. Since its stock purchasing programme resumed on 23 February 2009, the Bank of Japan had		"*Termination of the Stock Purchasing Program*", Bank of Japan release, 30 April 2010; "*The Bank of Japan to Resume Stock Purchases Held by Financial*

	Description of Measure	Date	Source
	purchased stocks held by commercial banks for a total amount of JPY 387.8 billion. Under the programme, the Bank of Japan bought qualified listed stocks with a rating of at least BBB- at market price from certain banks that hold a current account with the Bank of Japan up to a limit of JPY 250 billion per bank and up to an overall cap of JPY 1 trillion. The stock purchase sought to reduce market risks of Japanese financial institutions resulting from volatile stock values that adversely affected management of financial institutions and credit intermediation.		*Institutions*", Bank of Japan release, 3 February 2009.
	Japan continued to implement its capital injection programme. Under the programme, which is based on the Act on Special Measures for Strengthening Financial Functions, the Japanese government injects capital into deposit-taking institutions to help them properly and fully exercise their financial intermediary functions to SMEs. The programme is scheduled to expire on 31 March 2012. The overall budget for capital injections is capped at JPY 12 trillion.	Ongoing	"Financial Assistance and Capital Injection by Deposit Insurance Corporation of Japan", FSA website. www.fsa.go.jp/common/diet/170/index.html. www.fsa.go.jp/news/20/20081216-3.html.
	Japan also continued to operate the share purchase programme of the Banks Shareholding Purchase Corporation (BSPC). Japan had reactivated this programme in March 2009. The programme originally expired on 31 September 2006 but it was extended to March 2012. The BSPC is an authorised corporation which can purchase shares issued and/or owned by member banks, upon request from the member banks. Currently all members are Japanese banks, but local branches of foreign banks are eligible to become members as well. The amended Act on Special Measures for Strengthening Financial Functions which was enacted in March 2009 provides a government guarantee up to JPY 20 trillion for the BSPC's operations.	Ongoing	www.bspc.jp/pdf/saikai.pdf.
	On 30 September discontinued a programme under which the government-owned Japan Finance Corporation (JFC) covered parts of losses that designated financial institutions had suffered as a result of providing financing to business operators that implemented an authorized business restructuring plan. The measure had come into force under an amendment to the Act on Special Measures for Industrial Revitalisation and a related cabinet ordinance on 30 April 2009. On 8 December 2009 the government had extended the duration of the measure until the end of September 2010.	Until 30 September 2010.	Ministry of Economy, Trade and Industry press release (in Japanese); "Cabinet Ordinance to Partially Amend the Enforcement Order for the Act on Special Measures for Industrial Revitalization", Ministry of Economy, Trade and Industry press release, 24 April 2009; "Emergency Economic Countermeasures for Future Growth and Security", Cabinet Decision, 8 December 2009.
	The government extended the period of crisis response operations in which the Development Bank of Japan and Shoko Chukin Bank provide two-step loans and purchase Commercial Paper from the end of March 2010 to the end of March 2011.	Ongoing	"Emergency Economic Countermeasures for Future Growth and Security", Cabinet Decision, 8 December 2009.
	Japan also continued to implement measures to enhance credit supply to firms: It increased the funds available for emergency credits for SMEs from JPY 30 trillion to JPY 36 trillion and increases the volume of safety-net loans by government-affiliated financial institutions from JPY 17 trillion to JPY 21 trillion.	Ongoing	"Emergency Economic Countermeasures for Future Growth and Security", Cabinet Decision, 8 December 2009.
	The state-backed Japan Bank for International Cooperation (JBIC) continued to implement temporary measures that provide Japanese companies operating abroad in developing or	Ongoing	"Overseas Investment Finance for Japanese Firms to Finance Their Business Operations in Industrial Countries", JBIC release, 15 January

	Description of Measure	Date	Source
	industrialised countries with loans and guarantees to finance their investment projects in developing countries. The support is provided by JBIC or through domestic financial institutions that receive two-step five-year loans from JBIC with a total volume of up to USD 3 billion. These financial institutions are required to on-lend these funds to overseas Japanese SMEs, mid-tier firms and second-tier large corporations to further support firms governed by Japanese law by financing their overseas subsidiaries' business activities. Eligible for support under the schemes are: (1) Japanese companies and their overseas subsidiaries and affiliates conducting business operations in industrial countries; and (2) major Japanese companies having equity stakes in projects in developing countries (overseas investment loans). The measure, which was initially scheduled to expire at the end of March 2010, was extended on 15 February 2010 by one year until the end of March 2011. By 31 March 2010, 130 financing operations – loans and guarantees – had been carried out with an overall amount of over JPY 2 trillion.		2009; "JBIC's Response to Global Financial Turmoil", JBIC release, 15 January 2009; "JBIC's Response to Global Financial Turmoil No. 2", JBIC release, 2 April 2009; "Public Invitation to Domestic Financial Institutions to Apply for Two-Step Loans Based on 'Countermeasures to Address the Economic Crisis'", JBIC news release NR/2009-10, 26 May 2009; "JBIC Extends Emergency Measures Intended to Respond to Global Financial Turmoil", JBIC release, 26 February 2010; "JBIC's Emergency Measures in Response to Global Financial Turmoil", JBIC News Release NR/2010-4, 13 April 2010.
Korea, Republic of			
Investment policy measures	On 13 June 2010, Korea announced macro-prudential measures to mitigate volatility of capital flows, including: – Limits on banks' forward exchange positions of banks (including FX forward, FX swap, cross currency interest rate swap, non-deliverable forward, etc): 50% of domestic banks' capital; 250% of foreign bank branches' capital; – Foreign currency loans granted by financial institutions to residents can only be used for overseas purposes; – Tighter regulations on banks' FX liquidity ratio and mid- to long-term financing ratio in foreign loan portfolios.	13 June 2010	
	On 5 October, Korea extended FDI zones for the services sector through modifications to the Presidential decree on the FDI Act. The amendments bring a list designating FDI zones in the services sector such as knowledge services, tourism, finance and cultural industry. Businesses located in FDI zones will be provided with support on securing location, renting/leasing, etc.	5 October 2010	Modification of Presidential decree on the FDI Act
Investment measures relating to national security	None during reporting period.		
Emergency and related measures with potential impacts on international investment	The Republic of Korea continued to operate its Corporate Restructuring Fund. The fund, which is administered by Korea Asset Management Corporation (KAMCO), is to purchase until 2014 non-performing loans from financial institutions as well as assets of the companies that undergo restructuring. The fund will purchase above-mentioned loans and assets within the amount of KRW 10 trillion in 2010. The Fund disposes of up to KRW 40 trillion (USD 27 billion) through government-guaranteed bonds.	Ongoing	
	KAMCO continued to implement the ship purchase scheme and continued to purchase	Ongoing	"*Restructuring Initiatives for Shipping Industry*", Financial Services

	Description of Measure	Date	Source
	vessels from shipping companies to help them cope with short-term liquidity problems. The scheme was expanded in November 2009. The shipping fund, which has a volume of KRW 4 trillion, has been established through contributions from private investors and financial institutions as well as from the Restructuring Fund managed by KAMCO. The fund was initially established on 13 May 2009 as part of efforts to facilitate restructuring of the shipping industry and began purchasing ships in July 2009.		Commission Press release, 23 April 2009.
Mexico			
Investment policy measures	None during reporting period.		
Investment measures relating to national security	None during reporting period.		
Emergency and related measures with potential impacts on international investment	None during reporting period.		
Russian Federation			
Investment policy measures	None during reporting period.		
Investment measures relating to national security	None during reporting period.		
Emergency and related measures with potential impacts on international investment	Russia continued to implement policies and programmes announced under the Anti-Crisis guidelines for 2010, which the Russian Government had issued on 30 December 2009. The guidelines stipulate that certain anti-crisis measures adopted in the Russian Government's Anti-Crisis Programme for 2009 will continue to be implemented throughout 2010 and new measures will be approved as necessary. The Anti-Crisis guidelines allocate RUB 195 billion to the implementation of the measures. The measures that Russia continues to implement include the following: – Russia continues to support "backbone" organisations, i.e. companies that have important impacts on the Russian economy and that are eligible for state support measures. An Interdepartmental Working Group allocates support in the form of capital injections, direct state support and state guarantees of loans to the 295 enterprises designated by the Government Commission on Sustained Economic Development as backbone organisations. – Russia continues to provide financial support to some large domestic companies, including car maker AvtoVAZ, United Aircraft Building Corporation, railway wagon producer Uralvagonzavod and Oboronprom industrial corporation. In late December 2009 the Government allocated RUB 28 billion to AvtoVAZ. An additional RUB 10 billion have been reserved for disbursement once the restructuring	Ongoing	"The Anti-Crisis Guidelines of the Government of the Russian Federation for 2010", Protocol No. 42 of Russian Government meeting dated 30 December 2009; "Russian Government's Anti-Crisis Programme for 2009", 9 June 2009; Cabinet meeting record, 30 December 2009. "*Priority Measures of the Russian Government – List of Anti-Crisis Measures Being Implemented by the Russian Government and the Central Bank of Russia*", Permanent Representation of the RF to the International Organisations in Geneva, Press bulletin N5, 10 February 2009.

	Description of Measure	Date	Source
	programme developed with and approved by shareholders for AvtoVAZ has been completed. This support to the company follows earlier allocations of RUB 37 billion to service the company's debts and RUB 5 billion to implement programmes to support and re-train workers. United Aircraft-Building Corporation will receive, in 2010, RUB 11 billion; Uralvagonzavod will receive RUB 10 billion. – Russia also allocated, for the whole of 2010, guarantees of RUB 80 billion to small businesses. In addition, RUB 100 billion have been allocated for loans for SMEs; this programme is implemented by the Russian Development Bank's partner banks. Productive and innovative companies are priority recipients of these support measures.		
Saudi Arabia			
Investment policy measures	On 21 June 2010, Saudi Arabia's Capital Market Authority (CMA) approved a second exchange-traded fund (ETF). The approval follows an earlier admission, announced on 16 March 2010, for Falcom Financial Services to offer an exchange-traded fund (ETF) of Saudi shares, which is accessible to non-resident foreign investors who have a bank account in Saudi Arabia. This ETF began trading on the Tawadul, the Saudi Arabian Stock Exchange, on 28 March 2010. The second ETF offers exposure to the Saudi Arabian petrochemical sector, investing almost all assets in Shariah-compliant petrochemical companies listed on the Tadawul. The two ETFs constitute the first opportunity for direct foreign investment in the Tawadul, following liberalisation in August 2008 which allowed foreign investors to buy Saudi shares indirectly by means of "total return swaps" via licensed brokers in Saudi Arabia. The swaps do not give voting rights, but the decision allowed international investors to gain direct access to individual shares.	21 June 2010	"*CMA announces offering of Exchange Traded Fund*", CMA release, 21 June 2010; "*CMA announces offering of Exchange Trade Fund*", CMA release, 16 March 2010.
Investment measures relating to national security	None during reporting period.		
Emergency and related measures with potential impacts on international investment	None during reporting period.		
South Africa			
Investment policy measures	None during reporting period.		
Investment measures relating to national security	None during reporting period.		
Emergency and related measures with potential impacts on international investment	South Africa continued to provide assistance to companies in distress through the Industrial Development Corporation (IDC), a state-owned development finance institution. Over two years, ZAR 6.1 billion is available to address the challenges of access to credit and	Ongoing	IDC Presentation to Parliamentary Committee on Economic Development, dated 13 October 2009. Address by Mr Ebrahim Patel, Minister of Economic Development, 23 March 2010.

	Description of Measure	Date	Source
	working capital for firms in distress due directly to the crisis; companies that do not offer the prospect of long-term viability are not eligible. At the end of September 2009, IDC had received 33 applications to the total value of ZAR 2.3 billion; about ZAR 1.5 billion concerned a few large applications in the automotive industry. By end-March 2010, applications to the value of ZAR 1.1 billion had been approved.		
	South Africa's Industrial Development Corporation (IDC) and the Unemployment Insurance Fund (UIF) continued to operate a ZAR 2 billion fund from which companies promising to expand employment can borrow up to ZAR 100 million. The fund was established on 14 April 2010. Successful applicants receive debt funding at fixed preferential rates. The Fund specifically targets start-ups and companies that require working capital for expansions or acquisitions.	Ongoing	"*IDC and UIF announce R2 Billion fund to create employment*", IDC media release, 14 April 2010. "*UIF Fact Sheet*", undated.
Turkey			
Investment policy measures	None during reporting period.		
Investment measures relating to national security	None during reporting period.		
Emergency and related measures with potential impacts on international investment	None during reporting period.		
United Kingdom			
Investment policy measures	None during reporting period.		
Investment measures relating to national security	None during reporting period.		
Emergency and related measures with potential impacts on international investment	The UK continued to hold positions resulting from the implementation of the Government Credit Guarantee Scheme (CGS) as well as the recapitalisation scheme; both schemes were introduced in October 2008 and were discontinued on 28 February 2010. UK-incorporated financial institutions, including subsidiaries of foreign institutions with substantial business in the UK, were eligible for the scheme. The limit on guarantees was set to GBP 250 billion, and GBP 50 billion were initially set aside for recapitalisation. As of 27 November 2009, the implementation of the schemes had led to government guarantees of debt to an amount of GBP 133 billion under the CGS, and as of 8 June 2009 the UK held GBP 14.7 billion in capital of financial institutions, down from GBP 37 billion in mid-April 2009.		European Commission decisions, N507/2008, N650/2008, N193/2009, N537/2009 and N677/2009.
	The British government continued to hold financial positions it had taken in banks as the financial crisis unfolded. Restructuring of these banks—Northern Rock, Lloyds HSOB, Royal Bank of Scotland, and Bradford&Bingley—which had come under state ownership following significant state support, moved		"*UK Financial Investments Limited (UKFI) Annual Report and Accounts 2009/10*", UKFI, 26 July 2010.

	Description of Measure	Date	Source
	forward as these banks began divesting as mandated in their respective restructuring plans. Thus the British government held equity in the following banks, administered by UK Financial Investments Ltd (UKFI):		
	– The two entities that resulted from the split of former Northern Rock on 1 January 2010 remained in government ownership. Northern Rock entered into public ownership as it had received government support including recapitalisation measures of up to GBP 3 billion, liquidity measures of up to GBP 27 billion and guarantees covering several billion GBP. The operational part, Northern Rock plc, is planned to be sold to a third party at a yet undetermined date.		European Commission press release IP/09/1600.
	– On 1 October 2010, UKFI created UK Asset Resolution Limited (UKAR) as the single holding company for Northern Rock (Asset Management) plc (NRAM) and Bradford&Bingley plc (B&B). Both Northern Rock (Asset Management) plc and Bradford & Bingley plc are fully government owned and hold illiquid assets of former Northern Rock and Bradford&Bingley, respectively. UKAR will run down past loans and eventually be liquidated. Bradford&Bingley had been split, partly sold and liquidated in September 2008.	1 October 2010	"*UK Asset Resolution Limited*", UK Financial Investments press release, 1 October 2010.
	– While Royal Bank of Scotland (RBS) continued to divest parts of its business in the reporting period as required under the restructuring plan that the European Commission had approved on 14 December 2009, the British government continued to hold, as of June 2010, 83.18% of RBS. This equity holding results from capital injections of over GBP 45 billion and guarantees of more than GBP 280 billion from the British Government under the Asset Protection Scheme.	Ongoing	European Commission decisions N422/2009 and N621/2009. "*Royal Bank of Scotland: details of Asset Protection Scheme and launch of the Asset Protection Agency*", HM Treasury release, December 2009.
	– The British government continued to hold a 41% stake in Lloyds Banking Group that results from earlier financial assistance. In line with the restructuring plan for the bank that the European Commission accepted on 18 November 2009, Lloyds divested certain assets during the reporting period.	Ongoing	European Commission decision N428/2009.
	The British Government continued to implement five temporary framework schemes for the non-financial sectors, which it had established in February and May 2009 as well as in March 2010 to support companies in the non-financial sectors. These schemes are set to expire on 31 December 2010. Three of the schemes allow authorities at national, regional, and local levels the granting subsidised public loans, loan guarantees and interest rate subsidies for investment loans for the production of "green" products (i.e. products that comply with or overachieve EU environmental product standards that have been adopted but are not yet in force). The overall budget for the three schemes combined is GBP 8 billion. The fourth framework scheme, which allows the provision of direct grants, reimbursable grants, interest rate subsidies, and subsidised public loans in 2009 and 2010 combined, has a separate budget envelope of up to GBP 1 billion. UK authorities estimate that the	Ongoing	European Commission decisions N257/2009 and N460/2009; European Commission decision N71/2009; European Commission decision N72/2009; European Commission decision N43/2009; European Commission decision N71/2010.

	Description of Measure	Date	Source
	number of beneficiaries of the schemes exceeds 1,000 firms. The fifth scheme, introduced on 29 March 2010, allows the provision of small amounts of compatible aid to primary agricultural producers.		
	The British Government continued to provide to banks, under the Working Capital Guarantee Scheme, guarantees covering 50% of the value of portfolios of working capital loans with less than 12 months to maturity. These guarantees release regulatory capital for the banks. Participating banks were required (through lending agreements) to increase lending on commercial terms to SMEs and mid-sized corporate UK businesses. Under the Working Capital Scheme all UK banks were offered guarantees up to a total of GBP 10 billion. Two banks obtained guarantees to cover GBP 2.2 billion of loans totalling GBP 4.4 billion. In November 2009 it was announced that new guarantees would not be available under the Working Capital Guarantee Scheme as similar government support had become available through the broader Asset Protection Scheme. Existing Working Capital Scheme guarantees expire on 31 March 2011 at the latest.	Ongoing	European Commission decision N111/2009.
United States			
Investment policy measures	None during reporting period.		
Investment measures relating to national security	None during reporting period.		
Emergency and related measures with potential impacts on international investment	On 3 October 2010, the authority to make commitments under the Troubled Assets Relief Program (TARP) expired. Since its establishment pursuant to the Emergency Economic Stabilization Act of 2008 (EESA), it had been extended once on 9 December 2009. The overall budget of TARP was revised to USD 475 billion, down from USD 700 billion originally authorised. Prior to 3 October 2010, some TARP components had been modified while others were wound down. Operations related to the TARP components were as follows:	Ongoing	"*Troubled Assets Relief Program (TARP), Monthly report to Congress is pursuant to Section 105(a) of the Emergency Economic Stabilization Act of 2008*" – August 2010; "*TARP Repayments Reach $181 Billion*", Government Press Release, 5 April 2010; "*Troubled Asset Relief Program: Two Year Retrospective*", Department of Treasury, 5 October 2010.
	– Treasury continued to receive repayments and to dispose of assets acquired under the Capital Purchase Program (CPP). The programme was designed to strengthen the capital bases of US banks as the Treasury bought stock or warrants from individual institutions ranging from USD 300,000 to USD 25 billion. The programme was open for new entrants from 14 October 2008 until 31 December 2009. The total amount of commitments under the programme was almost USD 205 billion, and 707 US financial institutions benefitted from the scheme. During the reporting period, Treasury continued to receive repayments on the investments. As of 30 September 2010, total outstanding investment stood at USD 49.6 billion, and USD 152.8 billion had been repaid. On 30 September 2010, Treasury continued to have investments in 648 financial institutions; 87 institutions had		*TARP Transaction Report 4 October 2010* for period ending 30 September 2010; *Troubled Assets Relief Program (TARP), Monthly report to Congress is pursuant to Section 105(a) of the Emergency Economic Stabilization Act of 2008 – August 2010*, 10 September 2010; "*Warrant Disposition Report, Update June 30, 2010*", Treasury publication; "*Troubled Asset Relief Program: Two Year Retrospective*", Department of Treasury, 5 October 2010, pp. 25-27 and p. 33.

	Description of Measure	Date	Source
	fully bought back the capital, an additional 28 banks had switched to the CDCI and thus exited from the CPP, and 16 partially bought back the capital. There is no fixed date on which banks must redeem capital or repay Treasury.		
	– The Community Development Capital Initiative (CDCI), a component introduced under TARP on 3 February 2010, concluded investments in Community Development Financial Institutions on 30 September 2010. These investments of a cumulative amount of USD 570 million in 84 financial institutions sought to strengthen local financial institutions. In 28 cases, banks had exchanged Treasury's investments under the Capital Purchase Program (CPP) into the CDCI. Investments in individual banks under the programme range from USD 7000 to almost USD 80.9 million. On 30 September 2010, none of the capital had been repaid. No fixed date is set for repayment of the capital.	Until 30 September 2010.	"*Treasury Announces Special Financial Stabilization Initiative Investments of $570 million in 84 Community Development Financial Institutions in Underserved Areas*", Treasury press release, 30 September 2010; *TARP Transaction Report 4 October 2010* for period ending 30 September 2010, p. 17.
	– Treasury also disposed of parts of its stock in Citigroup which had received government investments of USD 45 billion under TARP. By end-September, 4.1 billion of the approximately 7.7 billion shares of Citigroup had been sold through Morgan Stanley as sales agent. As of 30 September 2010, Treasury held 3.6 billion shares, representing 12.4% ownership of the outstanding common stock of the bank. On 19 October 2010, Treasury entered into a fourth pre-arranged written trading plan under which Morgan Stanley, as Treasury's sales agent, has discretionary authority to sell 1.5 billion shares of Citigroup common stock under certain parameters. In January 2009, Treasury, the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC) had agreed to share potential losses on a USD 301 billion pool of Citigroup's assets pursuant to the Asset Guarantee Program (AGP). As a premium for the guarantee, Treasury and the FDIC received USD 7.1 billion of preferred stock. Treasury also received warrants to purchase common stock. Following termination of the guarantee in December 2009, Treasury and the FDIC retained a total of USD 5.3 billion of the USD 7.1 billion of preferred stock which had since been converted to trust preferred securities. Of this amount, Treasury retained USD 2.23 billion, and the FDIC and Treasury agreed that, subject to certain conditions, the FDIC would transfer up to USD 800 million of trust preferred securities to Treasury at the close of Citigroup's participation in the FDIC's Temporary Liquidity Guarantee Program. On 30 September 2010, Treasury sold its Citigroup trust preferred securities and expects to receive another USD 800 million in trust preferred securities from the FDIC.		*"Treasury Announces Plan to Sell Citigroup Common Stock"*, Treasury press release TG-615, 29 March 2010; *TARP Transaction Report 4 October 2010* for period ending 30 September 2010, p. 15; *"Treasury announces further sales of Citigroup securities and cumulative return to taxpayers of $41.6 billion",* Treasury Press release, 30 September 2010; Termination Agreement, 23 December 2009.
	– Treasury continues to hold assets resulting from the Automotive Industry Financing Program (AIFP). As of 30 September 2010, the US Government continues to hold a 60.8% stake in New GM after it had converted loans to GM to equity on 10 July 2009. Treasury also holds USD 2.1 billion of preferred stock in New GM and, approximately USD 1 billion in outstanding		"*Troubled Asset Relief Program: Two Year Retrospective*", Department of Treasury, 5 October 2010, p. 45; "*Troubled Assets Relief Program (TARP), Monthly report to Congress is pursuant to Section 105(a) of the Emergency Economic Stabilization Act of 2008*" – August 2010;

	Description of Measure	Date	Source
	loans to Old GM. In turn, New GM has fully repaid USD 6.7 billion of loans that the company had received from the United States and Canadian and Ontario governments. Treasury has indicated the most likely exit strategy for the New GM common stock is a gradual sale beginning with an initial public offering (IPO) of New GM. In August 2010, New GM filed a registration statement on Form S-1 with the U.S. Securities and Exchange Commission for a proposed IPO consisting of common stock to be sold by certain of its stockholders, including Treasury. As of 30 September 2010, Treasury also owned 9.9% of the equity in New Chrysler and had USD 7.1 billion of loans outstanding to New Chrysler. Treasury also has loans of USD 3.5 billion outstanding to CGI Holding LLC. A USD 1.9 billion Treasury loan to Old Chrysler was extinguished when Old Chrysler's liquidation plan was approved in April 2010.		"*Canada's Economic Action Plan – Sixth report to Canadians*", Government of Canada, 27 September 2010, p. 115.
	– As of 30 September 2010, Treasury continues to hold a stake of 56.3% in Ally Financial (formerly GMAC), a bank holding company providing automotive finance, mortgage operations, insurance and commercial finance. The Treasury also holds USD 11.4 billion of mandatorily convertible preferred stock and USD 2.7 billion of trust preferred securities in Ally Financial. The holdings result from the conversion or exchange of existing government investments and an additional investment that took place on 30 December 2009, each under the Automotive Industry Financing Program (AIFP).		*TARP Transaction Report 4 October 2010* for period ending 30 September 2010, p. 18; "*Troubled Asset Relief Program: Two Year Retrospective*", Department of Treasury, 5 October 2010, p. 28.
	The US Treasury continues to be the beneficiary of a trust (the Series C Trust) that holds securities with approximately 79.8% of the voting rights of the common stock in AIG that result from investments in AIG that were initially carried out through the Federal Reserve Bank of New York (FRNBY) in September 2008; as well as credit facilities provided since September 2008. Special governance provisions apply to the Series C Trust: The FRBNY has appointed three independent trustees who have the power to vote the stock and dispose of the stock with prior approval of FRBNY and after consultation with the US Treasury Department. In addition, the US Treasury Department also holds preferred shares of AIG. On 1 April 2010, Treasury exercised its rights pursuant to those shares to appoint two directors to the AIG board of directors. On 30 September 2010, AIG announced an agreement-in-principle with Treasury, FRBNY, and the trustees of the AIG Credit Facility Trust to restructure the company. The restructuring seeks to streamline and reduce AIG's business portfolio to prepare the subsequent exit from government support.		"*Troubled Assets Relief Program (TARP), Monthly report to Congress is pursuant to Section 105(a) of the Emergency Economic Stabilization Act of 2008*" – March 2010; "*Treasury Names Two Appointees to AIG's Board of Directors*", Treasury press release, 1 April 2010; "*Statement By The US Treasury Department on AIG Exit Plan*", 30 September 2010; "*Troubled Asset Relief Program: Two Year Retrospective*", Department of Treasury, 5 October 2010, pp. 49-57.
	The Treasury has set out principles for the exercise of its voting rights in New GM, New Chrysler, Ally Financial and Citigroup (other arrangements apply to AIG, see above). These include that Treasury does not intend to participate in the day-to-day management of any company in which it has an investment. Treasury intends to exercise its right to vote		*Financial Stability Oversight Board Quarterly Report to Congress for the quarter ending March 31, 2010*, p. 51. "*Troubled Assets Relief Program (TARP), Monthly report to Congress is pursuant to Section 105(a) of the Emergency Economic Stabilization Act*

	Description of Measure	Date	Source
	only on four matters: board membership; amendments to the charter and bylaws; liquidations, mergers and other substantial transactions; and significant issuances of common shares. The US also continued to grant support to companies in the non-financial sectors. Such support was provided under the American Recovery and Reinvestment Act; and under the Small Business Jobs Act, the latter being newly introduced during the reporting period. Further support to non-financial sectors had been provided under TALF until the programme's closure in June 2010.		*of 2008*" – March 2010, p. 18; "*Troubled Asset Relief Program: Two Year Retrospective*", Department of Treasury, 5 October 2010.
	The American Recovery and Reinvestment Act of 6 January 2009 provides for grants for use for energy efficiency and renewable energy property.	Ongoing	American Recovery and Reinvestment Act, 2009; "*Implementing the American Recovery and Reinvestment Act of 2009 (Recovery Act)*", Treasury website.
	On 27 September 2010, the Small Business Jobs Act (SBJA) entered into force. Among other measures, the Act extends and enhances an existing loan guarantee programme – the Small Business Administration (SBA) Recovery loans – until 31 December 2010. The loan guarantee programme assists start-up and existing small businesses that face difficulty in obtaining loans through traditional lending channels. The SBJA allocated USD 505 million for such loans in addition to the earlier allocation of USD 680 million and preserved the 90 percent guarantee level first enacted in 2009. The Act also increases the maximum loan size to USD 5 million and expands the scope of eligible companies that can benefit from the programme.	27 September 2010	US Small Business Administration website.
	While the Term Asset-Backed Securities Loan Facility (TALF), a component of TARP, had been closed by June 2010, loans of approximately USD 33 billion provided under TALF remained outstanding on 8 September 2010, down from USD 70 billion when TALF closed. TALF loans have a maturity of three years. The TALF, part of TARP's Consumer and Business Lending Initiative and operated jointly by Treasury and the FRBNY, sought to make credit available by restarting the asset-backed securities market. Under the programme, FRBNY was entitled to extend up to USD 200 billion in loans; the amount was later reduced to USD 43 billion. Treasury provided a guarantee of up to 10 % of this amount, i.e. USD 4.3 billion. Eligible to participate in the programme were U.S. companies, including U.S.-organised subsidiaries of foreign-owned companies as long as the subsidiaries conducted significant operations or activities in the United States and the U.S. subsidiary was not directly or indirectly controlled by a foreign government.		"*Troubled Asset Relief Program: Two Year Retrospective*", Department of Treasury, 5 October 2010, p. 34; "*Term Asset-Backed Securities Loan Facility (TALF) Frequently Asked Questions*", Federal Reserve release, 3 March 2009.
European Union			
Investment policy measures	None during reporting period.		
Emergency and related measures with potential impacts on international investment	The EU limits and controls Member States' aid to industries or individual companies under the EU competition policy framework of the Common Market as set out in articles 107-109 TFEU (previously articles 87-89 of the TEC). This regime seeks to avoid distortions of competition that could result from State aid	Ongoing	

	Description of Measure	Date	Source
	intervening in the economy. The specific situation of the financial crisis and its impact on the real economy has led the European Commission to temporarily adapt the EU State aid policies in order to enhance Member States' flexibility for their response to the crisis. These modifications concerned first the financial sector—from autumn 2008 onwards—and, subsequently, from December 2008 on, the real economy.		
	Financial sector		
	The European Commission continued to review guarantee and recapitalisation schemes that EU-member States notified or re-notified to the Commission. As set out in its earlier Communications, the Commission's approval of such schemes is limited to 6 months, requiring EU-member states to re-notify the schemes periodically if they wished to extend them. This requirement enables the Commission to ensure consistency and effectiveness; impose adjustments to the schemes, in particular in light of issues raised by Member states or other parties; and eventually withdraw approval of state aid once conditions that warranted them have abated. The regular reviews of the schemes that are publicly available and include an assessment of the operation and application of the schemes. The Commission carries out formal investigation procedures that involve a thorough review of the compatibility of the overall support that individual financial institutions had received with the restrictions imposed on state aid. The reviews constitute an element of the framework in place to control and limit discrimination of competitors and distortion of market conditions. The Council of the European Union has also agreed on common principles for exit strategies for the financial sector. It formulated agreed principles for the design of exit strategies and unwinding financial support schemes by EU-member states that are planned to start in 2011 at the latest.	Ongoing	*Communication from the Commission - The application of State aid rules to measures taken in relation to financial institutions in the context of the current global financial crisis*, OJ C270, 25 October 2008, p. 8; *Communication from the Commission—the recapitalisation of financial institutions in the current financial crisis: limitation of aid to the minimum necessary and safeguards against undue distortions of competition*, OJ C 10, 15 January 2009, p. 2; *Communication from the Commission on the treatment of impaired assets in the Community banking sector*, OJ C72, 26 March 2009, p. 1; "*Communication from the Commission on the return to viability and the assessment of restructuring measures in the financial sector in the current crisis under the State aid rules*", OJ C 195, 19 August 2009, p. 9. *"DG Competition's review of guarantee and recapitalisation schemes in the financial sector in the current crisis"*, p. 2. *Conclusions of the Council of the European Union* (document EUCO6/09 dated 11 December 2009), paragraphs 9-11, referring to the Conclusions of the Council of the European Union (ECOFIN) (document 17066/09 dated 3 December 2009).
	Automotive sector and cross-sectoral measures		
	The Commission also continued to assess the compliance of member governments' support to the real economy with the state aid and internal market rules. The benchmark for assessment continue to be the standards that the Commission set out in its Temporary Community Framework for State aid measures to support access to finance in the current financial and economic crisis. The framework was initially adopted on 17 December 2008 and slightly amended on 25 February 2009, 28 October 2009 and on 8 December 2009, and is applicable from the day of its adoption until 31 December 2010. This Framework temporarily relaxes State aid restrictions based on article 107(3)(b) TFEU (formerly article 87 EU-treaty). Among other goals, the control of measures under the Framework seeks to ensure that state interventions in restructuring deals were not dependent on commitments concerning the location of production within the EU.		*Temporary framework for State aid measures to support access to finance in the current financial and economic crisis* (2009/C16/01), OJ of 22 January 2009. A consolidated version, taking into account amendments adopted on 25 February 2009 (*Communication from the Commission—Amendment of the Temporary framework for State aid measures to support access to finance in the current financial and economic crisis, and applicable from 25 February 2009 onwards*) was published in OJ C83 of 7 April 2009.

ANNEX 2

Methodology—Coverage, definitions and sources

Reporting period. The reporting period of the present document is from 21 May 2010 to 15 October 2010. An investment measure is counted as falling within the reporting period if new policies were prepared, announced, adopted, entered into force or applied during the period. That certain policies had been under development before the financial and economic crisis unfolded does not prevent it from being included in this inventory.

Definition of investment. For the purpose of this report, international investment is understood to include all international capital movements, including foreign direct investment.

Definition of investment measure. For the purpose of this report, investment measures by recipient countries consist of those measures that impose or remove differential treatment of foreign or non-resident investors compared to domestic investors. Investment measures by home countries are those that impose or remove restrictions on investments to other countries (e.g. attaching restrictions on outward investments as a condition for receiving public support).

National security. International investment law, including the OECD investment instruments, recognises that governments may need to take investment measures to safeguard essential security interests and public order. The investment policy community at the OECD and UNCTAD monitors these measures to help governments adopt policies that are effective in safeguarding security and to ensure that they are not disguised protectionism.

Emergency measures with potential impacts on international capital movements. International investment law also recognises that countries may need flexibility in designing and implementing policies that respond to crises. For example, the OECD investment instruments provide for derogations to liberalisation commitments "if its economic and financial situation justifies such a course of action" but imposes time limits on such derogations and asks members to "avoid unnecessary damage" to others.[9] The emergency measures, which in practice focus mainly on financial services and automobiles, include: *ad hoc* rescue and restructuring operations for individual firms and various schemes that give rise to capital injections and credit guarantees. Several emergency schemes that provide cross-sectoral aid to companies were adopted and these are included in the inventory.

A large number of crisis related measures was taken during the reporting period. However, the report defines measures in a manner that takes into account the need to keep the size of the report manageable, a fairly narrow definition of emergency measure has been used. The report classifies an "*emergency or related measure with potential impacts on international investment"* as: any measure that a government has identified as having been enacted to deal with the crisis; and that may have a direct or indirect impact on foreign investment and that may differentiate between domestic and foreign or non-resident investors,[10] or that raises barriers to outward investment. This includes programs that permit rescues or restructuring of individual firms, or lending, guarantees or other aid schemes for individual companies. In addition, the measures must be expected to have an impact on international capital flows (e.g. schemes that influence the pattern of entry and exit in globalised sectors such as automobiles and financial services).

Measures not included. Several types of measures are not included in this inventory:

- *Fiscal stimulus*. Fiscal stimulus measures were not accounted for unless these contained provisions that may differentiate between domestic and foreign or non-resident investors.
- *Local production requirements* were not included unless they apply *de jure* only to foreign firms.

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[9] See article 7 paragraphs a., d. and e. of the OECD Codes of Liberalisation.

[10] The existence of differentiation does not itself imply discrimination against foreign or non-resident investors or investment.

- *Visas and residence permits*. The report does not cover measures that affect visa and residence permits as business visa and residency policy is not deemed likely to be a major issue in subsequent political and economic discussions.
- *Companies in financial difficulties for other reasons than the crisis*. A number of countries provided support to companies in financial difficulties – in the form of capital injections or guarantees – in particular to state-owned airlines. Where there was evidence that these companies had been in substantive financial difficulties for other reasons than the crisis, these measures are not included as "emergency measures".
- *Central Bank measures*. Many central banks adopted practices to enhance the functioning of credit markets and the stability of the financial system. These measures influence international capital movements in complex ways. In order to focus on measures that are of most relevance for investment policies, measures taken by Central Banks are not included unless they involved negotiations with specific companies or provided for different treatment of non-resident or foreign-controlled enterprises.

Sources of information and verification. The sources of the information presented in this report are:

- official notifications made by governments to various OECD processes (e.g. the Freedom of Investment Roundtable or as required under the OECD investment instruments);
- information contained in other international organisations' reports or otherwise made available to the OECD and UNCTAD Secretariats;
- other publicly available sources: specialised web sites, press clippings etc.