COUNCIL

DECISION OF THE COUNCIL

AMENDING ANNEX B TO THE CODE OF LIBERALISATION OF CAPITAL MOVEMENTS

(adopted by the Council at its 872nd Session, 28-29 March 1996 [C/M(96)7/PROV])
THE COUNCIL,

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

Having regard to the Decision of the Council of 28 March 1996 inviting Hungary to accede to the Convention on Organisation for Economic Co-operation and Development [C(96)73/FINAL];

Having regard to the Code of Liberalisation of Capital Movements;

Having regard to the Report by the Committee on Capital Movements and Invisible Transactions and the Committee on International Investment and Multinational Enterprises on Hungary’s position under the Codes of Liberalisation and the Declaration and Decisions on International Investment and Multinational Enterprises [C(96)19];

DECIDES:

Annex B to the Code of Liberalisation of Capital Movements shall upon the date that Hungary becomes a Member of the Organisation be amended by the addition of the following reservations:

"HUNGARY

List A, I/A

Direct investment:

-- In the country concerned by non-residents.

Remark: The reservation applies only to:

i) Acquisition of a license for domestic air transport, which is reserved to majority-owned and controlled Hungarian enterprises;

ii) Acquisition of a shipping license to operate in international waters, which is reserved to firms majority-owned or controlled by Hungarians unless otherwise provided by Hungary's bilateral agreements;

iii) Establishment of branches of foreign companies. This reservation will cease to apply on 31 December 1997.

List B, III/A1 and B1

Operations in real estate:

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

-- Building or purchase abroad by residents.
List A, IV/B1 and 2, C1, D1

Operations in securities on capital markets:

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

Remark: The reservation will cease to apply to government debt securities issued by OECD Member countries and securities issued by OECD-based enterprises with the highest credit rating, on 1 July 1996, and to securities issued by OECD-based enterprises with an investment grade rating, on 31 December 1996.

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

Remark: The reservation will cease to apply to government debt securities issued by OECD Member countries and securities issued by OECD-based enterprises with the highest credit rating, on 1 July 1996, and to securities issued by OECD-based enterprises with an investment grade rating, on 31 December 1996.

-- Purchase in the country concerned by non-residents.

Remark: The reservation applies only to debt securities with remaining maturities of less than one year. This reservation will cease to apply on 1 July 1996.

-- Purchase abroad by residents.

Remark: The reservation will cease to apply to government debt securities issued by OECD Member countries and securities issued by OECD-based enterprises with the highest credit rating, on 1 July 1996, and to securities issued by OECD-based enterprises with an investment grade rating, on 31 December 1996.

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

Operations on money markets:

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

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

-- Introduction of domestic securities and other instruments on a recognised foreign money market.

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

-- Introduction of foreign securities and other instruments on a recognised domestic money market.

-- Purchase of money market securities in the country concerned by non-residents.
-- Lending through other money market instruments in the country concerned by non-residents.

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

-- Purchase of money market securities abroad by residents.

   Remark: The reservation does not apply to purchases by authorised foreign exchange banks on their own account within specified limits.

-- Lending through other money market instruments abroad by residents.

   Remark: The reservation does not apply to lending of a maturity of less than one year by authorised foreign exchange banks within specified limits.

-- Borrowing through other money market instruments abroad by residents.

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

List B, VI/A1 and 2, B1 and 2, C1 and 3, D1 and 3
Other operations in negotiable instruments and non-securitised claims:

-- Issue through placing or public sale of domestic instruments and claims on a foreign financial market.

-- Introduction of domestic instruments and claims on a recognised foreign financial market.

-- Issue through placing or public sale of foreign instruments and claims on a domestic financial market.

-- Introduction of foreign instruments and claims on a recognised domestic financial market.

-- Purchase in the country concerned by non-residents.

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

-- Purchase abroad by residents.

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

   i) Foreign instruments and claims of a maturity of less than one year by authorised foreign exchange banks on their own account within specified limits;

   ii) Foreign negotiable instruments representing shares and other securities of a participating nature and meeting the criteria for direct investment abroad;
iii) Foreign negotiable instruments representing government debt securities issued by OECD Member countries and capital market securities issued by OECD-based enterprises with the highest credit rating, as of 1 July 1996, and capital market securities issued by OECD-based enterprises with an investment grade rating, as of 31 December 1996.

-- Exchange for other assets abroad by residents.

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

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

Operations in collective investment securities:

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

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

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

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

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

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

-- Purchase in the country concerned by non-residents.

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

-- Purchase abroad by residents.
List B, VIII(ii)/B

Credits directly linked with international commercial transactions or the rendering of international services, in cases where no resident participates in the underlying commercial or service transaction:

-- Credits granted by residents to non-residents.

*Remark:* The reservation does not apply to credits denominated in foreign currency with a maturity of less than one year granted by authorised foreign exchange banks within specified limits.

List B, IX/A, B

Financial credits and loans:

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

*Remark:* The reservation applies only to:

i) Credits and loans with a maturity of less than one year granted to residents other than authorised foreign exchange banks;

ii) Credits and loans of US$ 50 million or more, which may be postponed by up to three months.

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

*Remark:* The reservation does not apply to credits denominated in foreign currency with a maturity of less than one year granted by authorised foreign exchange banks within specified limits.

List A, X(ii)/A2

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

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

*Remark:* The reservation does not apply to:

i) Sureties connected to customs duties;

ii) Sureties and guarantees granted by authorised foreign exchange banks.

List B, X(ii)/B2

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

-- Financial back-up facilities granted by residents in favour of non-residents.
Remark: The reservation does not apply to financial back-up facilities granted by authorised foreign exchange banks.

List A, XI/AI
Operation of deposit accounts:
-- By non-residents in domestic currency with resident institutions.

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

List B, XI/B1 and 2
Operation of deposit accounts:
-- By residents in domestic currency with non-resident institutions.
-- By residents in foreign currency with non-resident institutions.

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

List B, XII/B1 and 2
Operations in foreign exchange:
-- Purchase of foreign currency with domestic currency abroad by residents.

Remark: The reservation applies only to purchases, in excess of HUF 200 000, not linked to any particular underlying transactions.

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

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