SUMMARY RECORD OF THE CMIT MEETING HELD ON 15 MARCH 2000

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

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

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

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

3. Recent Measures

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

a. Australia/New Zealand

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

b. Belgium

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of the Law of 4 December 1990 on Financial Transactions and Financial Markets a number of Belgian reservations can be withdrawn [DAFFE/INV(2000)5].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

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

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

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

d. Finland

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

e. Germany

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

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

f. Greece

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

g. Hungary

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

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

i. Turkey

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

j. United States

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

4. Post-Accession Issues

a. Czech Republic

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

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

b. Korea

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

The Korean authorities made a proposal to amend their reservations with respect to the issue of cabotage and fishing. The existing reservation does not reflect accurately the position on cabotage due to an
administrative error that has not been identified earlier. With regard to fisheries, an update of the reservation is needed due to the fact that the Korean Exclusive Economic Zone was not defined at the time of accession and the relevant domestic legislation entered into force only 8 months after accession.

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

c. Mexico

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

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

5. Cross-border trade in financial services

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

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

6. Slovak Republic

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

7. Future Work and Other Business

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

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

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

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

Chair: Mr. Nicholas Griffiths (United Kingdom)
Vice-Chair: Ms M. Kelley (United States)

PAYS MEMBRES - MEMBER COUNTRIES

Allemagne - Germany

Mr. Martin RÖSCH (Alternate)  
First Secretary,  
Permanent Delegation of Germany to OECD  
Tel: 33 1 55 74 57 11  
Fax: 33 1 55 74 57 40  
E-mail: gerdeloecd@aol.com

Ms. Jana GAJDOS  
First Secretary,  
Permanent Delegation of Germany to OECD  
Tel: 33 1 55 74 57 11  
Fax: 33 1 55 74 57 40  
E-mail: gerdeloecd@aol.com

Autriche - Austria

Dr Ingeborg STUHLBACHER (Member)  
Federal Ministry of Finance  
Tel: 43 1 514 33 24 14/2410  
Fax: 43 1 514 33 2211  
E-mail: Ingeborg.Stuhlbacher@bmf.gv.at

Belgique/Belgium

M. X. HAWIA (Member)  
Conseiller financier  
Représentation Permanente de la Belgique auprès de l’OCDE  
Tel: 33-1 45 24 99 13  
Fax: 33-1 45 24 99 25  
E-mail: 

Canada

Mr. Greg GALLO (Member)  
First Secretary  
Permanent Delegation of Canada to the OECD  
Tel: 01 44 43 20 13  
Fax: 01 44 43 20 99  
E-mail: greg.gallo@dfait-maeici.gc.ca
<table>
<thead>
<tr>
<th>Country</th>
<th>Contact</th>
<th>Phone</th>
<th>Fax</th>
<th>Email</th>
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<tr>
<td><strong>Corée - Korea</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Mr. Jung-Hwan LEE (Member)</td>
<td>Counsellor Permanent Delegation to the OECD</td>
<td>Tel: 33-1 44 05 2071</td>
<td>Fax: 33-1 44 05 2175</td>
<td>E-mail: <a href="mailto:jh.lee@wanadoo.fr">jh.lee@wanadoo.fr</a></td>
</tr>
<tr>
<td>Mr. Won-Shik LEE</td>
<td>Overall Economic Policy Division, Ministry of Finance and Economy (MOFE)</td>
<td>Tel: 82-2 503 9130</td>
<td>Fax: 82-2 503 9138</td>
<td>E-mail: <a href="mailto:wsleeze@mofe.go.kr">wsleeze@mofe.go.kr</a></td>
</tr>
<tr>
<td>Mr. Su-Yeong Yu</td>
<td>Foreign Exchange System Division, MOFE</td>
<td>Tel: 82 2 503 9276</td>
<td>Fax: 82 2 503 9278</td>
<td>E-mail: <a href="mailto:swimyu@mofe.go.kr">swimyu@mofe.go.kr</a></td>
</tr>
<tr>
<td>Mr. Sang-Hyun WOO</td>
<td>Banking System Division, MOFE</td>
<td>Tel: 82 2 503 925 5</td>
<td>Fax: 82 2 503 925 6</td>
<td>E-mail: <a href="mailto:sanghyun@mofe.go.kr">sanghyun@mofe.go.kr</a></td>
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<td><strong>Danemark-Denmark</strong></td>
<td></td>
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</tr>
<tr>
<td>Mr. Ole HOLLENSEN (Alternate)</td>
<td>Central Bank of Denmark</td>
<td>Tel: 45 33 63 6073</td>
<td>Fax: 45 33 63 7103</td>
<td>E-mail: <a href="mailto:oh@nationalbanke.dk">oh@nationalbanke.dk</a></td>
</tr>
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<td><strong>Espagne - Spain</strong></td>
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</tr>
<tr>
<td>M. José Manuel RODRIGUEZ RANERO</td>
<td>Sous-direction Général de Transactions Extérieures du Secrétariat d’Etat au Commerce et aux Petites et Moyennes Entreprises</td>
<td>Tel: 34 91 583 55 58</td>
<td>Fax: 34 91 349 35 62</td>
<td>E-mail:</td>
</tr>
<tr>
<td><strong>Etats-Unis - United States</strong></td>
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</tr>
<tr>
<td>Ms Martha KELLEY (Vice-Chair)</td>
<td>Investment Policy Advisor US Mission to the OECD</td>
<td>Tel: 01 45 24 74 22</td>
<td>Fax: 01 45 24 74 87</td>
<td>E-mail:</td>
</tr>
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<td><strong>Finlande - Finland</strong></td>
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<tr>
<td>Ms. Onerva KUOKKANEN (Alternate)</td>
<td>Senior Economist, Bank of Finland</td>
<td>Tel: 358 9 1832115</td>
<td>Fax: 358 9 624762</td>
<td>E-mail: <a href="mailto:onerva.kuokkanen@bof.fi">onerva.kuokkanen@bof.fi</a></td>
</tr>
</tbody>
</table>
France

M. Guillaume OLLAGNIER
DAEF
Ministère des Affaires étrangères
Tel: 33 1 43 17 44 86
Fax: 33 1 43 17 44 14
E-mail: guillaume.ollagnir@diplomatic.fr

Hongrie - Hungary

Dr. L.G. TOTH (Member)
Deputy Director General
National Bank of Hungary
Tel: 36-1 269 4334
Fax: 36-1 269 4334
E-mail: TOTHLasz@mnb.hu

Dr. Csaba KÁKOSY (Alternate)
Attaché
Permanent Delegation to the OECD
Tel: 33-1 5365 6500
Fax: 33-1 4755 8060
E-mail: hundeleg004@olis.oecd.org

Mrs Ildiko SEREGELY-LENGYEL
Advisor, National Bank of Hungary
Tel: 36 1 332 0121
Fax: 36 1 302 3608
E-mail: lengyeli@mnb.hu

Mr. Laszlo LENGYEL
Director General
Department of International Finances
Ministry of Finance
Tel: 361 327 2116
Fax: 361 327 2777
E-mail: laszlo.lengyel@pm.gov.hu

Italie - Italy

Ms Silvana CERAVOLO (Member)
Ministère du Trésor
Rome
Tel: 39 06 47 61 39 29
Fax: 39 06 47 61 39 32
E-mail: silvana.ceravolo@tesoro.it

Mr. Roberto GRILLINI (Alternate)
Banco d’Italia
Rome
Tel: 3906 4792 2545
Fax: 3906 4792 3267
E-mail: grillini.robertoalessandro@inseolia.intersusia.it

Japon - Japan

Mr. Toshitake INOUE
Second Secretary
Permanent Delegation of Japan to the OECD
Tel: 33 1 5376 6172
Fax: 33 1 4563 0544
E-mail: inoue@deljp-oecd.fr
Mexique - Mexico

Mr. Fernando DE OLLOQUI (Member)
Permanent Delegation to the OECD
Tel: 33 1 56 28 5170/60
Fax: 33 1 47 27 07 33
E-mail: deolloqui.fernando@worldnet.fr

Ms Liliana MEJIA
Economic Counsellor
Mexican Delegation to the OECD
Tel: 33 1 56 28 51 60
Fax: 33 1 47 27 07 33
E-mail: shcpmeji@worldnet.fr

Norvège - Norway

Mr. Bjorn G. ROGSTAD (Member)
Deputy Director General
Ministry of Finance
Tel: 47 22 24 41 62
Fax: 47 22 24 95 08
E-mail: bjorn.rogstad@finans.dep.no

Pays-Bas - Netherlands

Mr Jacob H. MEESTERS (Alternate)
Dutch Central Bank
Tel: 31-20 524 1938
Fax: 31-20 524 2506
E-mail: j.meesters@dnb.nl

Mr Robert HAFFNER
Dutch Ministry of Finance
Tel: 31 70 342 7139
Fax: 31 70 342 7901
E-mail: r.c.g.haffner@minfin.nl

Mr Henk de JONG
Permanent Delegation to the OECD
Tel: 33-1 4524
Fax: 33-1 4524 9938
E-mail:

Pologne/Poland

Mr. Jaroslaw STYPA (Member)
Director, Ministry of Finance
Tel: 4822 694 3101 (3153)
Fax: 4822 694 3058
E-mail: jsp@mofnet.gov.pl

Ms E. SADOWSKA CIESLAK
Senior Economist, Research Department
National Bank of Poland
Tel: 48-22 653 1324
Fax: 48-22 826 9935
E-mail: nbpdaib2@telbank.pl

Portugal

Mr Francisco SERRAS CATARINO (Alternate)
Banco de Portugal
Tel: 351-21 312 8213
Fax: 351-21 312 8101
E-mail: fcatarino@bportugal.pt
République Tchèque - Czech Republic

Mr Pavel KLIMA (Member)  
Counsellor, Permanent Delegation to the OECD  
Tel: 33-1 4520 3530  
Fax: 33-1 4520 3554  
E-mail: csdeleg003@olis.oecd.org

Mr. Zdenek LUKES  
Head of OECD Section, Ministry of Finance  
Tel: 42-02 5704 2416  
Fax: 42-02 5704 2407  
E-mail: zdenek.lukes@mfcr.cz

Ms Jana KRELINOVÁ  
Head of Section, Czech National Bank  
Tel: 42-02 2441 2110  
Fax: 42-02 2441 3137  
E-mail: jana.krelinova@cnb.cz

Mr Jan VEVERKA  
Adviser, Ministry of Finance  
Tel: 4202 602 227 116  
E-mail: veverkaj@login.cz

Mrs Renata FARKOVA  
Expert, Ministry of Finance  
Tel: 4202 5704 3617  
Fax: 4202 5704 3049  
E-mail: renata.farkakova@mfcr.cz

Ms Jaromira MIZEROVÁ  
Expert, Ministry of Culture  
Tel: 4202 57085 297  
Fax: 4202 2432 4282  
E-mail: mizerovj@mkcr.cz

Royaume-Uni - United Kingdom

Mr. Steve EVANS (Alternate)  
HM Treasury  
Tel: 44 171 270 4509  
Fax: 44 171 451 7521  
E-mail: Stephen.Evans@hm-Treasury.gov.UK

Suède - Sweden

Mr. Anders LINDSTRÖM  
The Riksbank  
Tel: 46 8 787 050  
Fax: 46 8 245340  
E-mail: anders.lindstrom@riksbank.se

Suisse - Switzerland

Mr. William FREI (Member)  
Ministre, Représentant permanent adjoint  
Tel: 33 1 49 55 74 52  
Fax: 33 1 45 51 01 49  
E-mail: william.frei@pao.rep.admin.ch
Turquie - Turkey

Ms. Melike EGILMEZLER
Expert, Banking and Foreign Exchange
Undersecretariat of Treasury
Tel: 90312 2128800/4600
Fax: 90312 2128775
E-mail: melike.egilmezler@hazine.gov.tr

Commission des CE - EC Commission

Mr. Ken LENNAN
ECFIN-F-2
European Commission
Tel: 32 2 299 34 22
Fax: 32 2 299 35 03
E-mail: Kenneth.Lennan@cec.eu.int

OBSERVATEURS - OBSERVERS

République Slovak - Slovak Republic

Mrs. Sona FAZIKOVA
Second Secretary
OECD Section
Embassy of the Slovak Republic
Tel: 33-1 56 26 50 90 or 95
Fax: 33-1 56 26 50 92
E-mail: fazikova@usa.net

Ms Katarina KUZELOVA
Monetary Policy Department,
National Bank of Slovakia
Tel: 421 7 5953 2759
Fax: 421 7 5953 2893
E-mail: katarina.kuzelova@nbs.sk

Mr. Jan JURSA
Government Office
Government Plenipotentiary
Tel: 421 7 5729 5953
Fax: 421 7 5249 7530
E-mail: jan.jursa@government.gov.sk

Mr. Miroslav STAVINA
Foreign Department
National Bank of Slovakia
Tel: 421 7 529 66783
Fax: 421 7 529 66788
E-mail: jan.jursa@government.gov.sk

OECD Secretariat

Mr. Rinaldo PECCHIOLI
Mr. Robert LEY
Mr. Joachim KARL
Ms. Eva THIEL