

Policy Change Annex for 'Capital Control Liberalization and
Stock Market Development'

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ARGENTINA

- 1/6/78 The ceiling on sales of foreign exchange permitted freely without regard to purpose, previously US\$1,000, was increased to US\$5,000 (Central Bank Circular R.C. 716). Subsequently, it was further increased to US\$10,000 on June 30 (Central Bank Circular R.C. 761) and to US\$20,000 on September 4 (Central Bank Circular R.C. 778).
- 5/12/78 External financial operations by the private sector were made subject to a deposit requirement. A rate of 20 per cent of the local currency counterpart would be applied to financial loans and 10 per cent to trade transactions (Central Bank Circular R.C. 741).
- 5/12/78 The Central Bank abandoned the system of frequent and small adjustments of the exchange rate. It was announced that the rate would now be determined by supply and demand in the exchange markets. The Central Bank, however, reserved the right to intervene in order to maintain orderly conditions in the market (Central Bank Telephonic Communication No. 4080).
- 12/21/78 Central Bank Circular R.C. 807 introduced a new system for determining the exchange rate. The peso would be devalued daily against the U.S. dollar until the cumulative adjustment had reached 43.38 per cent by August 31, 1979.
- 12/26/79 Central Bank Circular No. R.F. 957-R.C. 866 permitted banks to obtain loans abroad, subject to prior Central Bank authorization. Category C banks continued to be exempted from the prior authorization requirement.
- 6/30/80 The Foreign Investment Law introduced on February 4, 1977 was further liberalized. Prior approval would no longer be required for investment in any of the country's stock markets, provided that the amount did not exceed US\$2 million for each foreign investor and so long as the investment did not exceed 20 per cent of the capital of the company involved. Approval by the executive branch was no longer required for investment in the public transport services. The limit on direct foreign investment without prior approval was raised from US\$5 million to US\$20 million.
- 1/19/81 Regulations on inward foreign investment were relaxed as follows: (a) examination and approval of foreign investments were centralized in the Under Secretariat for Foreign Investment in the Ministry of Economy; (b) preference would be given to new investment in priority sectors and to ventures involving at least 51 per cent of local participation; and (c) repatriation of capital would be allowed after an initial three-year period, provided that the continuity of the local firm was assured (Decree No. 103 of the Ministry of Finance).
- 6/5/81 To encourage new foreign borrowings as well as longer maturities, changes were made in existing regulations as follows: (a) an exchange rate guarantee scheme for amortization payments only was introduced, under which private financial loans contracted or renewed from this date would be eligible for guarantee provided that the proceeds were surrendered by financial intermediaries to the Central Bank at the official exchange rate and the loans were contracted or renewed for at least 540 days; (b) exchange rate guarantees for loans with maturities exceeding two years would be considered on a case-by-case basis; and (c) a premium would be charged by the Central Bank for the exchange rate guarantee (Communication A, No. 31 of the Central Bank).
- 9/24/81 The exchange rate guarantee scheme for private financial debt was modified as follows: (a) the guarantee would be given for a maximum of 50 per cent of the foreign financial loans of private sector enterprises, provided that the funds had entered the country by June 19, 1981, where debt was outstanding on June 30, 1981, would mature on or before December 31, 1983, and were

rolled over for a period of at least 540 days and a maximum of three years; and (b) in addition to amortization payments, interest payments (current and future) could be covered by the guarantee as long as such payments were postponed until the final amortization payment was due, which would be thus coterminous with the liquidation of the guarantee (Communication A, No. 61 of the Central Bank).

- 4/5/82 Sales of foreign exchange were temporarily prohibited except to effect payments for imports and import-related costs (freight, insurance, commissions, and interest) or to pay principal and interest on financial loans. In addition, it was prohibited to effect payments earlier than two days before the due date (Telephone Communication No. 4614).
- 4/20/82 The right to transfer profits and to repatriate investments under Argentina's foreign investment regulations was suspended, and a provision was introduced that foreign obligations arising from profits, dividends, royalties, and technical assistance could only be settled by means of U.S. dollar denominated bonds issued by the Government of Argentina. The Central Bank was empowered to extend the use of the U.S. dollar-denominated Argentine Government bonds (BONEX) to other types of external payments. The Central bank could also approve the transfer of claims below the equivalent of US\$1,000 through the official exchange market on a case-by-case basis (Presidential Decrees No. 786 and No. 787).
- 7/5/82 The Central Bank introduced an exchange rate guarantee scheme for financial loans, the proceeds of which had been negotiated in the exchange market prior to July 6, 1982. To be eligible, for this guarantee, the debtor should secure an extension of one year in the maturity of the loan. The guarantee rate was the official exchange rate on the day before the introduction of the dual exchange market, that is, \$a 15,750 per US\$1, to be adjusted thereafter by the difference in the changes in the wholesale price indices in Argentina and the United States. Loans covered under previous guarantee schemes could, upon maturity, be covered under the new scheme provided that a minimum further extension of one year was obtained; the pesos received as the difference between the new and the old guaranteed rates would be applied to the cancellation of loans from the domestic banking system. Applications for exchange rate guarantees under this scheme were to be received by September 4, 1982 (Communication No. A 137)
- 11/17/82 The Central Bank announced that all external loans carrying an exchange rate guarantee issued by the Central Bank during 1981 should be rescheduled, with specified minimum terms. Under these provisions, the foreign creditor either could accept a U.S. dollar-denominated bond or promissory note of the Government of Argentine carrying a grace period of approximately 3½ and a total maturity of about 5 years or, renegotiate the loan directly with the Argentine borrower, provided that the repayment terms were no shorter than those attached to the bonds and promissory notes.
- 12/5/83 The Central Bank announced procedures for the registration of all Argentine private sector external obligations with an original value in excess of US\$15,000.
- 6/28/85 Increase in minimum maturity on inflows of foreign financial capital.
- 8/29/85 Foreign direct investment in computer, telecommunications, and electronic equipment sectors subject to prior approval.
- 6/1/87 Debt conversion scheme introduced under which capital repatriation allowed after ten years.
- 10/14/87 Debt conversion permitted through free exchange market, and requirement to bring in matching funds in domestic currency at least equal to face value of debt converted relaxed.

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- 1989 Emerging Stock Markets Factbook records an easing of dividend and capital repatriation restrictions
- 10/91 ESMF: deregulation of capital markets; also, eliminated income taxes on stock market gains for foreign investors

AUSTRALIA

- 6/10/79 It was announced that the Government had re-examined the guidelines on foreign participation in new projects in the uranium mining sector and had decided that the policy of 75 per cent Australian ownership and control was realistic. However, it considered that inflexible applications of the policy might result in the rejection of worthwhile projects and, therefore, provisions were introduced to provide some degree of flexibility, while retaining the basic objective of 75 per cent Australian equity and control.
- 12/24/79 Sanctions against Rhodesia were removed.
- 4/1/80 The amounts and categories of portfolio investment overseas that may be undertaken by Australian residents were modified. The annual limit for equity and real estate investments was set at \$A40,000 for individuals and \$A2.5 million for listed and substantial unlisted public companies and institutions, while substantial private companies, which meet certain financial standards are eligible for an annual maximum investment of \$A250,000. Investments in banks, money market, and similar short-term deposits, as well as loans to nonresidents, would continue to be not permitted.
- 7/20/81 The monetary limits on portfolio investment overseas in the form of equities and real estate by Australian residents were abolished.
- 10/29/85 Regulations for fdi in Australia liberalized
- 12/85 Inception of First Australia Fund
- 7/28/86 Suspension of 50% Australian participation requirement in fdi in manufacturing, rural properties; lifting of prohibition on foreign acquisition of developed commercial properties, subject to a 50% Australian equity guideline.
- 11/5/86 Relaxation of rules governing interest-bearing investments of foreign monetary authorities and international organizations in Australia.
- 9/29/87 Real estate investments in residential property by nonresidents made subject to approval.
- 1/22/88 Guidelines for local equity participation in new oil and gas projects exceeding \$A 10 million waived.

AUSTRIA

- 7/9/81 With effect from August, 1981, the acquisition of the following assets by nonresidents from residents ceased to be subject to case-by-case approval from the National Bank: (1) domestic securities, (2) shares or participation rights in domestic companies, and (3) domestic real estate,

including rights to such real estate (Foreign Exchange Announcement No. 2/81). The same regulation also introduced changes aimed at preventing abuses with regard to (1) external lending and borrowing transactions among relatives, and (2) the acquisition of foreign real estate by residents.

- 1/1/82 In a modification of the agreement concerning quantitative limits on the extension of foreign currency credits by domestic banks to nonresidents, the National Bank specified that such credits outstanding in 1982 could be not more than 15 percent above the level outstanding at the end of 1981.
- 11/1/86 Free purchase of quoted securities extended to cover all securities quoted on a recognized exchange.
- 11/1/86 Long-term borrowing by domestic enterprises from nonresidents liberalized.
- 11/1/86 Major banks permitted to borrow from nonresidents in foreign currency in medium and long term.
- 2/1/89 Virtually all restrictions on long-term capital transfers abolished; only remaining restrictions concerned (1) issuance of securities on foreign capital markets and of foreign securities on domestic capital markets; and (2) acquisition of real estate by nonresidents.

BELGIUM

- 3/13/79 The participation of Belgium and Luxembourg in the exchange rate mechanism of the EMS became effective.
- 11/25/81 The minimum period of foreign ownership of quoted bonds redeemable through the official market was increased from 6 to 18 months.

BRAZIL

- 1/24/79 The National Monetary Council announced, with immediate effect, the following measures as an incentive to inward direct investment, foreign-owned companies might convert foreign loans into nonvoting equity capital.
- 4/18/79 The restrictions on the domestic monetization of foreign loan funds were tightened, as follows: 50 per cent of the proceeds of the loan borrowed by a private sector enterprise was to remain frozen in the Central Bank until amortization payments were undertaken; from then on the deposit would be refunded in proportion to the payments. The other 50 per cent of the proceeds of the loan would be refundable in stages, i.e., per cent after 150 days, 20 per cent after an additional waiting period of 30 days, and the remaining 20 per cent after a further period of 30 days.
- 6/21/79 The National Monetary Council announced certain exemptions to the 50 per cent mandatory deposit on foreign borrowing; in addition to borrowings by official entities, the exemptions included loans from international organizations.
- 3/6/81 The tax on financial transactions was reduced from 25 per cent to 20 per cent for imports originating in member countries of LAIA.

- 6/16/82 Foreign currency deposits made after June 18, 1982 were exempt from the requirement that payments of principal, interest, and commission could not vary from the schedule specified in the registration certificate issued at the time of the original deposit (Central Bank Resolution No. 741).
- 12/28/82 Investment companies were exempt from the capital gains tax, and cash dividends and bonuses were made subject to a tax of 15 percent, irrespective of the time period for which the invested funds had been kept in Brazil. (Previously, the 15 percent tax had been applied to capital gains as well as cash dividends and bonuses but had been reduced to 12 percent, 10 percent, and 8 percent if the investment had been kept in Brazil for at least six to up to seven years, seven up to eight years, or more than eight years, respectively). In addition, the graduated supplementary income tax of 40-60 percent on remittances of dividends exceeding 12 percent a year of invested capital was abolished (Decree-Law No. 1,986).
- 12/29/82 A tax credit was introduced for nonresidents converting their loans into investment; the credit would amount to 10 per of converted amounts until June 30, 1983, 5 percent from July 1 to December 31, 1983, and 5 percent throughout 1983 for capital increases resulting from new capital inflows.
- 1/13/83 The maximum amount of exchange transactions on Brazilian securities exchanges that may be effected without the intervention of authorized brokerage houses was raised from the equivalent of US\$1000 to US\$20000.
- 11/17/87 A general framework for conversion of debt into equity announced.
- 3/88 Inception of Brazil country fund
- 7/28/88 Regulations on foreign capital participation in mutual funds introduced.
- 11/30/88 Investment abroad by Brazilian enterprises at official exchange rate allowed under certain conditions.
- 6/26/90 Repatriation of capital liberalized and capital investment inflows also liberalized

CANADA

- 6/28/82 The Government announced that, with a view to reducing the time required for reviewing applications, the administration procedures of the Foreign Investment Review Act (FIRA) would be streamlined in various ways as follows: first, the threshold for review under the abbreviated small business procedures was raised. Second, for applications subject to full review, administrative measures would be introduced to simplify the internal decision-making procedures and other steps would be taken to provide greater clarity about the interpretation of the Act. In addition, examination of investors' undertakings would be confined to the key elements of each investment proposal.

CHILE

- 7/1/77 The minimum period required for re-exportation of capital, other than for foreign credits, was increased to 36 months. All foreign credits would require the authorization of the Central Bank.

- 1/10/79 Circular No. 1590 permitted all institutions authorized to engage in foreign exchange transactions to set their buying and selling prices freely. However, in transactions with the Central Bank, the latter may continue to apply an exchange differential of 0.5 per cent of the official exchange rate for either purchases or sales.
- 4/5/79 Circular No. 3013-8 increased the limit on total external indebtedness of banks from 215 per cent to 225 per cent of capital and reserves; the limit on borrowing under Article 14 was raised from 60 per cent to 70 per cent of capital and reserves.
- 5/17/79 Circular No. 3074 modified the reserve requirements imposed on foreign borrowing. While the rate of 25 per cent continued to apply to maturities of two years to under three years, a rate of 15 per cent would apply to maturities of three years to under four years and a rate of 10 per cent would apply to maturities of four years to under five and a half years. Maturities of five and a half years or longer were totally exempted. Renewals of existing loans would be subject to these requirements.
- 8/9/79 Circular No. 3013-17 eliminated the limit on the external indebtedness of commercial banks (see entry for April 5, above). With effect from August 1, the limit on the monthly rate of liquidation of foreign loans was lowered to US\$1 million or 5 per cent of capital and reserves, whichever was greater; previously, this limit had been US\$2 million or 5 per cent of capital and reserves, whichever was greater. Development banks were required to adhere to this liquidation limit.
- 3/25/81 Chilean banks were permitted to contract lines of credit of up to one-year maturity with foreign banks without central bank authorization.
- 4/29/81 Permission was granted for individuals to maintain demand deposits in foreign banks.
- 12/31/81 Commercial banks were permitted to contract short-term credits abroad for relending domestically, up to a limit determined mainly by a bank's capital and reserves.
- 5/5/82 The minimum average maturity of 24 months for capital originating from foreign borrowing was abolished, and a reserve deposit requirement of 20 percent was imposed on borrowing with average maturity below 24 months.
- 7/21/82 The reserve deposit requirement introduced on May 5, 1982 was reduced to 5 percent for loans with a maturity of less than 70 months.
- 9/29/82 The provision permitting purchases of foreign exchange up to US\$10,000 a person every 30 days for "extraordinary remittances" was abolished.
- 9/29/87 Simplified d-equity conversion for small investors through external investment funds introduced.
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- 1988 ESMF: easier dividend repatriation
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- 9/89 Inception of Chile country fund
- 6/25/90 Individuals and legal entities, domiciled and resident abroad, which meet specific conditions, granted access to official exchange market to remit abroad 1) proceeds from sales of stocks of registered corporations domiciled in Chile that were purchased with funds from abroad; and 2) dividends and profits accruing from such stocks.

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end/91 ESMF: permission for the remittance of capital and earnings after one year instead of 3, lower taxes on dividends (42% from 49.5%)

COLOMBIA

- 1/27/77 Provisions governing foreign investment in Colombia were relaxed. The maximum transfer of profits accruing to foreign investors was raised from 14 to 20%. The automatic reinvestment in foreign firms was raised from 5 to 7% of profits. Foreign firms were granted access to domestic credit up to 3 years' maturity. Foreign investors were also permitted to increase their participation in "national" or "mixed" enterprises provided that the latter remain at least mixed.
- 6/12/78 The Exchange Office published a comprehensive compilation of regulations affecting registration, extension, interest terms, and servicing conditions for direct foreign investment, private loans, and direct lines of credit (General Circular No. 26).
- 10/20/78 The National Council for Economic and Social Policy was required to endorse applications by Colombian residents for direct investment abroad in financial institutions and insurance companies exceeding US\$500,000 before such applications could be submitted to the National Planning Department was required to report to the National Council periodically on the approval of applications for investments up to US\$500,000 which did not require prior endorsement (National Council for Economic and Social Policy Resolution No. 28).
- 2/7/79 The Institute of Industrial Promotion was authorized to issue bonds that could be used for the reinvestment of profits on foreign capital, in excess of the maximum permissible limits on such profits established in accordance with the regulations of the Cartagena Agreement (MBR No. 7/79).
- 5/23/79 New regulations were issued for foreign investment within the context of the Cartagena Agreement. The National Planning Department was required to determine the maximum time limit for completion of any authorized investment, and new authorizations would be required if the investment did not take place during this period. For export-related projects, INCOMEX was to establish export agreements and supervise the fulfillment of the contracts. The new legislation also provided for classification by the Planning Department of certain foreign nationals as domestic investors if they relinquished their rights to re-export capital and transfer profits abroad. In addition, certain nationals of the other member countries of the Cartagena Agreement were to be considered as Colombian nationals for the purpose of the legislation. Any corporation with participation of foreign nationals would be subject to surveillance by the Superintendencia de Sociedades and would require prior authorization for its operations (National Planning Department, Decree No. 1161/79).
- 5/23/79 Banks were authorized to prepay external loan obligations that had been contracted to provide financing for the purchase of shares and bonds in foreign banks and similar foreign financial institutions or for the purpose of opening new branches or agencies abroad. Resources used for such repayments would be counted against the banks' minimum reserve requirements on net foreign liabilities (MBR No. 40/79).
- 10/29/81 Regulations were introduced prohibiting investors from purchasing 10 per cent or more of the shares of a Colombian financial institution without prior approval from the Superintendent of Banking.

- 2/10/82 It was announced that, subject to authorization, companies operating in the mining, textile, and hotel industries, and those producing capital goods or operating in the field of engineering and supplying public entities could contract foreign loans at specified conditions. Such loans could not exceed 80 percent of the total project cost, and the maturity of the loan could not be less than five years.
- 3/19/82 Under the Decision 169/982 of the Commission of the Andean Pact on regional multinational enterprises, eligible enterprises were defined, and free repatriation of profits of these enterprises was permitted, provided at least 80 percent of the capital of such enterprises was held by residents of the countries of the area.
- 4/28/82 The maximum amount of foreign assets which commercial banks could hold was fixed at 10 percent of foreign liabilities; amounts beyond this level were required to be sold to the central bank.
- 12/10/82 It was announced that the amount of foreign loans contracted by textile enterprises under the provision introduced on February 10, 1982 could not exceed US\$110 million.
- 3/9/83 Steel enterprises eligible to borrow abroad to finance investments.
- 4/13/83 Car assembly enterprises eligible to borrow abroad to finance investments.
- 9/27/83 Agricultural, mining, manufacturing and service sectors can contract foreign loans at certain maturity and rate.
- 6/14/84 Authorization was granted for profits beyond the 20% limit on outward remittances to be counted toward increasing the foreign investment capital base if invested in new enterprises satisfying the following criteria: 1) at least 80% of production should be exported and 2) at least 40% of financing should be in the form of direct foreign investment or medium- and long-term external borrowing.
- 12/2/89 Law allowing foreign participation of up to 49% in entities in financial sector, including commercial banks, financial corporations, insurance companies, and trade-financing companies.
- 12/22/89 New law permitting establishment of foreign investment funds promulgated; with approval of National Planning Board, shares of such funds may be placed in the stock exchange; invested funds can be repatriated five years after registration with the Exchange Office.
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- 1990 ESMF: easier capital inflows
- 12/23/91 ESMF: Resolution 52 removed the 10% ownership limit and allowed investor to purchase up to 100% of the shares of locally listed companies. Also, the resolution abolished the restriction requiring that investment funds remain in the country at least one year.

DENMARK

- 5/1/83 The limit beyond which individual transactions and remittances would be subject to exchange regulations was raised from DKr 10,000 to DKr25,000. And, residents were permitted to acquire not only bonds issued by international organizations but also bonds listed on a stock exchange. The limit on direct investments in Denmark by nonresidents was raised from KEr 2million to

DKr 4million a calendar year, and that on direct investments abroad by residents from DKr 500,000 to DKr 2 million.

- 1/1/84 Purchases by residents of foreign shares listed on the stock exchange were freed from restrictions as were foreign investments by residents in financial and commodity futures.
- 6/11/85 Liberalization in approval procedures for residents' purchases of unlisted foreign securities.
- 6/11/85 Minimum permissible maturity for finance loans contracted abroad by residents lowered.
- 6/11/85 Limit raised on inward and outward foreign investment.
- 10/1/88 All restrictions on inward and outward capital transfers abolished.

FINLAND

- 3/1/85 Currency option contracts permitted.
- 6/24/85 Sale abroad of bonds and debentures quoted on the Helsinki Stock Exchange prohibited.
- 9/1/85 Increased access for firms to engage in forward market operations.
- 5/13/86 Authorized banks permitted to use foreign to finance long-term export receivables.
- 1/1/86 Limit on loans by resident to nonresidents through nonresident market accounts increased.
- 1/1/86 Residents authorized to invest in foreign-listed securities.
- 1/1/86 Limit on purchases of real estate abroad by residents increased.
- 6/16/86 Prohibition on sales of Finnish bonds and debentures to resident lifted if sales proceeds from Finnish bonds and debentures used for purchases.
- 6/16/86 Authorized banks and securities agencies permitted to sell foreign securities from their own portfolios of residents within limits.
- 2/1/87 Companies or cooperative societies engaged in business activity exempted from regulations of foreign credits with a maturity of at least five years.
- 8/1/88 (1) Ceiling on direct investment, purchases of foreign securities, and real estate raised to Fmk 0.3 million; and (2) nonfinancial enterprises no longer required permission for direct investment abroad.
- 6/1/89 Regulations on direct investments in financial and insurance sector liberalized; only direct investments by private individuals and direct investments in countries with which Finland maintains payments agreements subject to the authorization of Suomen Pankki.
- 9/1/89 Regulations on outward and inward capital transfers liberalized, with immediate effect, except for outward capital transfers by private individuals for which regulation would enter into effect no later than July 1, 1990; with respect to inward capital transfers, nonfinancial institutions, except for housing and real estate companies, permitted to obtain foreign loans of more than one year's

maturity (previously, only loans of more than five years' maturity were permitted); suppliers' credits and prepayments in respect of imports were fully exempted from authorization by Suomen Pankki; and most direct investments in Finland would no longer require authorization by Suomen Pankki.

- 2/1/90 (1) Makka-denominated bonds with maturities exceeding one year permitted; (2) nonresidents authorized to issue market-denominated bonds in Finland; (3) share issues by Finnish companies abroad not subject to prior authorization; (4) quotation by the Helsinki Stock Exchange or the OTC market as a condition for the issue of foreign securities in Finland not required; and (5) nonresidents purchasing Finnish securities not required to effect their purchases through the Helsinki Stock Exchange or the OTC market.
- 3/1/90 Finance companies permitted to apply for the right to intermediate and raise foreign loans to the extent allowed by limits on their foreign currency position.
- 7/1/90 Scope of financial sector enterprises to engage in foreign operations expanded.

FRANCE

- 7/17/77 The ceiling on foreign investment in France carried out without authorization through loans and guarantees to French subsidiaries was raised from FF2 to 3 million. French agricultural investments abroad could no longer be undertaken up to a ceiling of FF3 million without prior authorization.
- 3/13/79 France's participation in the EMS became effective.
- 8/9/80 Foreign companies domiciled in an EC member country would be free to take over any participation in the equity capital of a French company.
- 3/25/82 A requirement was introduced that 75 percent of direct investment abroad should be financed by borrowing in foreign currency; such loans should have an initial maturity of at least two years and could not be repaid in advance without authorization.
- 2/25/85 Increase in the size of fdi in France which is exempt from prior authorization.
- 4/3/85 Issues of Eurobonds in French francs permitted.
- 9/1/85 Increase in the proportion of investment denominated in French francs which residents were allowed to make outside Common Market countries.
- 12/2/85 Regulations for outward portfolio and direct investment changed.
- 4/46/86 Requirement for prior authorization for foreign investment exceeding F 15 million per year per investor eliminated.
- 5/22/86 Devise-titre system abolished.
- 5/22/86 Restrictions on purchases of secondary residences abroad lifted.
- 7/23/86 Foreign participation in newly privatized companies restricted to a maximum of 20%.

- 11/8/86 French banks allowed to make loans in francs to nonresidents, up to the amounts of francs at their disposal from nonresident deposits and Euro-franc borrowings.
- 5/21/87 Residents allowed freely to contract foreign currency loans and borrow in francs up to F 50 million.
- 9/24/88 Prior authorization requirement for new direct investments in France by no-EC residents eliminated.
- 3/9/89 All exchange restrictions applicable to capital transactions by banks were eliminated under Decree 89-154.
- 1/90 Firms based in OECD countries permitted to issue securities on French capital market (previously-EC countries only).
- 1/15/90 Administrative procedures for acquisitions of existing French enterprises simplified and placed on a lapse-of-time basis so as to expedite authorization procedures when these are still required. Authorization procedures continue to apply to companies from outside the European Community for investments exceeding F10 million. Investment applications would be considered to be approved if the Ministry of Economy, Finance, and the Budget does not object within one month.
- 5/90 Inception of France Growth Fund

GERMANY

- 3/15/79 The Bundestag adopted an amendment to the law on tax benefits to stimulate private investment in developing countries. It provided for more favorable conditions, in particular for investment in the 30 least developed countries and in raw materials and energy production. The amendment was passed by the Bundesrat in May 1979 and took effect retroactively from January 1, 1979.
- 6/27/79 The Reconstruction Loan Corporation initiated a lending program to promote investment by German firms in developing countries. The loans would be for up to 15 years, including a grace period of up to 5 years, with interest rates of 2.5 per cent and 3.5 per cent for investments in developing countries of country group 1 and 2, respectively (according to the classification of the Developing Countries' Tax Law). (See also entry for March 15, above).
- 3/12/81 The Bundesbank announced that, with immediate effect, it would grant all applications for the sale by residents to nonresidents of certain money markets papers, bills and domestic fixed-interest securities with a maturity of up to two years; this implied a *de facto* abolition of the remaining restrictions on capital transactions.
- 8/27/81 By an amendment to the foreign trade and payments order, the authorization requirement for the sale by residents to nonresidents of money market papers and fixed interest securities was terminated, implying a *de jure* abolition of restrictions on capital transactions.
- 8/1/84 The withholding tax of 25 percent levied on interest payments to nonresidents holders of German fixed interest securities was abolished.
- 5/1/85 The access to lead-manage foreign deutsche mark bond issues extended to foreign banks, subject to certain conditions. Suspension of Central Capital Subcommittee which had formulated issue

calendars for foreign bond issues in deutsche mark.

- 7/86 Inception of Germany Fund
- 2/90 Inception of Future Germany Fund
- 3/90 Inception of Emerging Germany Fund

GREECE

- 11/21/79 Interest rates on nonresident accounts were increased.
- 1/1/81 Greece joined the European Community, but did not participate in the exchange rate and intervention mechanism of the EMS.
- 7/25/86 Direct investments by non-EC residents in Greece given same treatment as those by EC residents.
- 1/11/87 Repatriation of capital and profits in respect of borrowing from non-EC countries permitted under certain conditions.
- 4/22/87 Enterprises allowed to borrow in foreign currency without prior approval of Bank of Greece.
- 9/25/87 Use of foreign borrowed funds by certain types of enterprises liberalized.
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- 1987 ESMF: liberalized dividend and capital repatriation
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- 11/23/88 Residents allowed to purchase securities issued by EC or EIB within limit.
- 7/1/89 Direct investments by residents of Greece in EC countries fully liberalized.
- 1/14/90 Limit on purchases of securities issued by EC or EIB increased from ECU 50 to 75 million.

HONG KONG

- 2/25/82 Interest earnings on foreign currency deposits in Hong Kong were exempted from the withholding tax hitherto levied at 15 percent. (In addition, the withholding tax in respect of deposits in Hong Kong dollars was reduced from 15 percent to 10 percent).

ICELAND

- 5/25/87 Regulation on foreign borrowing liberalized.
- 7/10/87 A tax on foreign borrowing introduced.

- 9/24/87 Regulations on borrowing abroad tightened through an increase in required share of domestic financing.
- 3/10/88 Tax rates on foreign borrowing raised.
- 5/20/88 Basis of borrowing for capital goods imports changed from contract to f.o.b. import value.
- 1/1/89 Ratio (in terms of f.o.b. value) of investment goods allowed to be financed abroad by Icelandic businesses reduced to 50-60 percent.
- 12/29/89 Taxes on foreign borrowing eliminated.
- 11/1/89 Ratio (in terms of f.o.b. value) of investment goods allowed to be financed abroad by Icelandic businesses increased to 70-80 percent; importers also permitted to obtain suppliers' credits for individual shipments of goods with a maturity of up to one year as long as transaction not guaranteed and funds not released by a domestic financial institution; otherwise, the maximum maturity period restricted to six months.
- 9/1/90 Foreign Exchange controls on long-term capital transactions liberalized, permitting residents to freely obtain credits up to a specified limit.
- 12/15/90 Residents allowed to purchase real estate and foreign securities and to undertake foreign investment up to specified limits

INDIA

- 6/20/79 Authorized dealers were permitted, without prior approval, to allow remittances of dividends on equity shares to nonresidents where the equity shares would not exceed Rs 500,000 at face value or 25 per cent of the total issued equity capital, whichever was less.
- 9/3/80 Revised guidelines issued by the Ministry of Industry of foreign participation in industrial ventures liberalized existing restrictions on expansion of Indian and foreign companies, hitherto restricted by statute or licensing requirements; among the sectors affected were electronics, passenger automobiles, commercial vehicles, fertilizers, leather and leather products, air conditioners for automobiles, machines for textiles, rubber, printing, paper and pulp, food processing, and cement.
- 8/20/82 The Reserve Bank liberalized the facility for nonresident Indians to make direct and portfolio investment in debentures and preference shares issued by Indian companies, and simplified the procedures to effect such transactions. As a result, nonresident Indians were allowed to (a) invest in existing and new shares, provided that capital and earned income would not be repatriated; (b) make portfolio investment, with repatriation benefit, of up to 1 percent of the capital; and (c) invest in six-year National Savings Certificates. The limits under the Foreign Exchange Regulation Act (FERA) on foreign shareholdings were also liberalized to accommodate investment by nonresident Indians. In addition, facilities were extended to companies and partnership firms of which at least 60 percent was owned by nonresident Indians.
- 12/10/82 It was announced that remittance of the sale proceeds of investments in Indian companies held by nonresidents of Indian nationality or origin on repatriation basis would be allowed to the extent of the cost of acquisition of investment or the actual amount of sale proceeds, whichever was

lower, immediately on legalization of sale proceeds, without production of "no objection/tax clearance certificate" from the income tax authorities. Repatriation of the excess amount, if any, representing capital gain would b clearance certificate" from the income tax authorities.
 Repatriation of the excess amount, if any, representing capital gain would be allowed on the production of "no objection/tax clearance certificate" from the income tax authorities.

- 7/31/86 Commercial banks allowed to remit dividends payable on equity dividends in cases in which nonresident interest in Indian companies paying dividends does not exceed 40%.
- 7/1/88 Foreign companies that transfer technology can receive royalty payments for an extended period without taking an equity position.
- 8/88 Inception of India Growth Fund
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- 1988 ESMF: TIGHTEN restrictions on dividend and capital repatriation
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- 9/22/89 NRIs and overseas corporate bodies permitted to invest in India, with full repatriation benefits, up to 100% of new issues of shares issued by high quality hotels.
- 5/1/90 Foreign investment policy liberalized, allowing automatic approval of foreign investment proposals of foreign companies with equity shares of up to 40%.
- 1992 liberalization of dividend and capital repatriation

INDONESIA

- 11/15/78 With effect from November 16 the rupiah was devalued against the U.S. dollar by 33.6 per cent from Rp 415 per US\$1 to Rp 625 per US\$1. At the same time, the link to the U.S. dollar was severed and the rupiah was linked to a basket of currencies of Indonesia's major trading partners. It was announced, however, that the basket would be only one of the variables used in establishing the exchange rate.
- 1/1/84 New incentives for foreign capital investment were introduced by a newly issued income tax law.
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- 1988 ESMF: liberalization of capital and dividend repatriation and capital inflow
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- 3/90 Inception of Indonesia Fund
- 4/90 Inception of Jakarta Growth Fund

IRELAND

- 1/22/79 The Central Bank issued a notice elaborating on the measures introduced on December 18, 1978 in connection with Ireland's participation in the European Monetary System, and also introducing the following relaxations in control provisions: Irish residents could buy from nonresidents Irish securities (denominated in Irish pounds) quoted on a U.K. stock exchange.
- 4/4/86 Removal of certain offsets against limits on banks' forward transactions.

- 11/13/87 Resident persons allowed to invest up to Ir £5,000 in foreign securities during 1988.
- 11/13/87 Announcement made that limit on property purchase outside the EC per family will be increased, effective January 1, 1988
- 1/1/89 (1) All restrictions on purchases of foreign securities with maturities exceeding two years eliminated; and (2) exchange controls applicable to sales of existing holdings of securities issued by EC, European Investment Bank, European Coal and Steel Community, and European Atomic Energy Community abolished.
- 4/1/90 Irish financial institutions permitted to accept deposits in Irish pounds, without limit at fixed terms of at least three months, from both bank and nonbank nonresidents without prior reference to Central Bank.
- 4/1/90 Period for which sale proceeds from medium- and long-term foreign securities may be held in foreign currency extended to six months from three months.

ISRAEL

- 2/9/79 The Bank of Israel issued an order preventing Israel companies and individuals from taking short-term or medium-term credits of less than two and a half years in foreign currencies. The order was valid for 60 days. It did not apply to suppliers' credits for the financing of imports.
- 2/19/79 The Bank of Israel imposed a total ban on foreign currency loans to Israel companies and individuals.
- 2/24/81 Except with official permission, it was prohibited for a resident to purchase 5 per cent or more of any securities issued by a foreign company or to acquire voting rights in such a company.
- 5/13/82 The interest surcharge on foreign currency loans from local banks was reduced from 7 percent to 5 percent. In addition, the compulsory deposit requirement with respect to direct foreign currency borrowing from abroad by nonbank residents was reduced from 30 percent to 23 percent of the value of each loan.
- 6/15/82 A 2 percent surcharge was introduced on proceeds from the sale of domestically traded securities by residents and nonresidents as well as to proceeds from the sale of foreign-traded securities by residents. The Bank of Israel and investment trust funds (other than sales of trust fund certificates) are exempted from the surcharge.
- 6/26/82 The deposit requirement on direct foreign currency borrowing from abroad was reduced from 23 percent to 15 percent.
- 6/29/82 The interest surcharge on foreign currency loans from local banks was reduced from 5 percent to 3 percent.
- 7/22/82 The compulsory deposit requirement on foreign currency loans from abroad was reduced from 15 percent to 5 percent; and the interest rate surcharge on foreign currency loan from local banks was reduced from 3 percent to 1 percent, respectively.
- 8/2/82 The freeze on direct foreign currency borrowing from abroad by nonbank residents was lifted in

respect of loans with maturities of 30 months or more; in respect of loans with maturities of 30 months or more; such loans were also exempted from the compulsory deposit requirement. In addition, suppliers' credits guaranteed by foreign financial entities were exempted from the regulations applying to direct foreign currency borrowing abroad by nonbank residents.

ITALY

- 12/3/84 the nointerest-bearing deposit in respect of investments abroad was reduced to 40 percent for investments in OECD countries, and to 30 percent for investments in securities of EC institutions to be held for at least one year (previously 50 percent for all transactions). Also, such a deposit was abolished in respect of investments in foreign securities by mutual funds, within a limit of 10 percent of their total assets.

- 6/11/85 Increase in limits on financial borrowing abroad by residents without authorization.

- 6/11/85 Nonresidents permitted to acquire shares in Italian mutual funds.

- 10/16/85 Compulsory deposit requirement in lira for direct investment abroad abolished.

- 10/23/85 Ban on transfer of foreign securities and loans between residents lifted.

- 10/23/85 Deposit requirement in lira for portfolio investment abroad reduced.

- 4/11/86 The "spot against forward" ceiling on sales and purchases of foreign exchange, applying to resident banks, increased from Lit. 1.8 trillion to Lit. 2.2 trillion. The maximum maturity for forward transactions extended from 12 to 18 months.

- 4/14/86 For the settlement of Italian exports, resident banks allowed to grant credits denominated in lira to foreign banks for a maximum period of ten days.

- 4/14/86 Residents permitted to buy currency options from authorized banks for all transactions concerning goods and services.

- 4/14/86 With effect from 6/30/86, the amount domestic trust funds are allowed to invest abroad in exemption from compulsory non-interest-bearing deposit to be calculated with reference to their subscribed capital of the preceding three months, instead of the preceding six months.

- 8/8/86 Easing of constraints on borrowing by Italian residents from abroad.

- 8/8/86 The non-interest-bearing deposits that Italian residents are required to hold as a counterpart for the acquisition of foreign securities reduced from 25 to 15 percent.

- 5/13/87 The 15 percent compulsory non-interest bearing deposit for investment in foreign securities and real estate abolished.

- 10/1/88 Commercial banks' activity in foreign exchange liberalized as follows: (1) banks no longer required to balance their foreign exchange position daily against the lira, and allowed to keep unbalanced position no exceeding 5 percent of their total foreign currency assets as of December 1987; (2) the ceiling on forward operations against lire with spot cover increased by 50 percent for each authorized bank; (3) banks allowed to provide forward cover to residents also in respect to financial transactions; (4) banks allowed to write currency options, subject to certain prudential requirements; (5) banks free to extend loans in foreign currency to residents; and (6) banks

allowed to lend lire to nonresidents to extend lira loans abroad up to the amount of lira deposits received from nonresidents.

- 2/17/89 Marginal reserve ration on authorized banks' net foreign currency deposit liabilities (which had been equal to zero since September 13, 1987) raised to 25 percent.
- 1/19/90 Decree issued allowing residents to purchase bonds and money market instruments issued or payable abroad with remaining maturity terms of less than 180 days. Upon maturity, reimbursed funds can be deposited in Foreign Exchange Accounts without obligation to convert into lire.
- 5/2/90 Remaining restrictions on authorized banks' foreign exchange management abolished whereby authorized banks no longer required to balance foreign exchange position and net external position, and "spot against forward" operations in foreign exchange no longer subject to ceilings.

JAPAN

- 1/1/79 The Ministry of Finance required Japanese banks to match 60 per cent of their outstanding medium-term and long-term loans denominated in foreign currency with foreign currency financing having maturities greater than one year.
- 5/11/79 The Ministry of Finance announced a seven-point program for relaxing restrictions on capital inflows, as follows (the dates of eventual implementation are given in parentheses: (1) Curbs on the use of impact loans with a repayment period exceeding one year were eased (May 28). Formerly, such loans were required to be used for equipment or long-term manufacturing working capital, but traders were now also permitted to use them for long-term working capital, or for hedging exchange risks. (2) The ban on short-term impact loans of less than one year by foreign or Japanese banks was lifted (June 1). (3) The 25 per cent limit on the share of nonresidents in subscriptions to foreign yen bonds was lifted (May 11). (4) Nonresidents were given access to the *gensaki* market (May 21).
- 11/27/79 Measures aimed at encouraging capital inflows and improving surveillance of foreign exchange transactions were announced. There was to be a further liberalization of impact loans. Securities companies and foreign exchange banks were to report the amount of acquisitions of short-term respectively (three times monthly).
- 9/28/82 In a modification of the procedure for issuance of yen-denominated foreign bonds, it was decided that the annual queuing system would be eliminated, and that the issuance program by Japanese main securities firms would be prepared on a quarterly basis beginning January 1983.
- 4/1/85 Elimination of the withholding tax on interest on nonresident-owned Euro-yen bonds.
- 4/1/85 Qualification standards for the issues of Euro-yen bonds and yen-denominated bonds by nonresidents were relaxed.
- 4/1/85 Dismantling of the restrictions on Euro-yen loans to nonresidents.
- 6/1/85 A yen-dominated banker's acceptances market was established.
- 6/17/85 Floating rate notes, dual currency bonds, currency conversion bonds, deep discount bonds and zero-coupon bonds issued by nonresidents to be allowed on the Euro-yen market.

- 6/22/85 Some foreign banks allowed to participate in the management of corporate pension funds in Japan.
- 7/1/85 & 10/1/85 The qualification standards for the issues of Euro-yen bonds by residents were further relaxed.
- 12/24/85 The TSE decided to grant membership to ten securities companies, including six foreign securities companies.
- 4/1/86 Qualification standards for issuance of Euro-yen bonds relaxed.
- 4/1/86 Residents allowed to issue currency conversion and floating rate Euro-yen bonds.
- 4/1/86 Maximum maturity of Euro-yen CDs increased.
- 4/1/86 "Seasoning period" for sale of Euro-yen bonds to residents reduced.
- 5/22/87 Certain Japanese banks and securities companies allowed to transact financial futures abroad for their own accounts.
- 3/22/88 Spot option trading abroad by certain financial institutions allowed.
- 1/4/89 New portfolio investment guidelines for foreign exchange banks were announced; guidelines included: (1) the abolishment of risk assets ratio requirement and introduction of Bank for International Settlements portfolio investment guidelines; (2) introduction of ceilings on lending to specified countries of 40 percent of equity capital; and (3) requirement that liquidity ratio in foreign currency deposits be reported to competent authorities.
- 1/31/89 Investments in form of foreign currency deposits by investment trusts permitted.
- 2/1/89 Ceiling on investments in foreign bonds in foreign bonds by loan trust and money trust raised from 3 percent to 5 percent of total assets.
- 4/1/89 Ceiling on monthly transactions between Japanese offshore market and the domestic markets raised from 5 percent to 10 percent of total average investment balance of participants in previous month.
- 5/1/89 Voluntary restraints on medium- and long-term yen-denominated lending by foreign exchange banks located outside Japan abolished.
- 6/16/89 Issuance of yen-denominated bonds in foreign markets by nonresidents fully liberalized with abolishment of restrictions on maturities and issuance-eligibility standards.
- 6/24/89 Limit on sale of bonds issued in foreign markets to domestic investors of up to 50 percent of total issuance abolished.
- 7/1/90 Private persons permitted to undertake foreign investments and grant loans of over one year's maturity to nonresidents without limit.

JORDAN

2/7/78 Jordanian residents were permitted to open accounts in foreign currencies with Jordanian banks up to an aggregate amount equivalent to JD 5.000. Depositors were permitted to draw on such accounts without prior permission. The accounts could be replenished only by transfers from abroad. Jordanians who had worked abroad for more than three years and had decided to return to Jordan were permitted to open accounts in foreign currencies with local banks for any amount. Such accounts could be operated freely but they might be replenished only by transfers from abroad. Three years after the date of opening the account, deposits in excess of the equivalent of JD 5,000 must be converted into Jordan dinars.

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1987 ESMF: liberalized capital repatriation

KOREA

2/15/78 The foreign exchange control regulations were changed to allow Korean business corporations to issue bonds denominated in foreign exchange in the international capital markets to raise funds for the import of capital goods and overseas investment. Eligibility would be limited to firms with a paid-up capital of more than W 10 billion that have paid a dividend of over 10 per cent during each of the past three years.

3/8/78 The Ministry of Finance raised the ceiling for automatic approval of overseas investment by Korean enterprises from US\$300,000 to US\$500,000.

1/1/79 Under a modification of the foreign exchange regulations, Korean banks were permitted to handle all foreign exchange transactions not specifically prohibited; restrictions on foreign currency lending to and from Korea were lifted (although authorization would continue to be required for borrowing abroad of more than US\$200,000 with maturities in excess of three years); all residents were permitted to hold foreign currency deposit accounts up to a ceiling of US\$3,000; offshore banking activities and forward exchange transactions in currencies other than won were permitted; restrictions on the holding of foreign stocks or securities by foreign exchange banks were removed. There was also a simplification in procedures.

1/4/79 The maximum permissible interest rate spreads above the London Interbank Offered Rate (LIBOR) for foreign loans were lowered from 1.25 per cent to 1 per cent for loans with maturities of over seven years, from 1-1.25 per cent to 0.875 per cent for loans with maturities of over three years, and from 0.875 per cent to 0.75 per cent for loans with shorter maturities. The maximum service charge was reduced from 1 per cent to 0.75 per cent.

9/5/80 The following measures were introduced to encourage foreign direct investment: (1) the range of projects acceptable for foreign investment was expanded; (2) the minimum permitted investment amount was lowered from US\$500,000 to US\$100,000; (3) the permissible ratio of foreign investment to total investment was raised to 100 per cent for certain projects; and (4) the regulation requiring a minimum of two years before the repatriation of capital was abolished.

7/29/81 A new set of guidelines was announced to promote inward foreign direct investment, including (a) expansion of the list of eligible projects; (b) extension of the list of projects for which 100 per cent and 50 per cent foreign participation is permissible; and (c) abolition of the regulation requiring a minimum of two years before the repatriation of capital.

8/1/81 The following changes were introduced to activate outward direct investment: (a) simplification of

the procedure, including abolition of the requirement of prior approval of the Bank of Korea; and
 (b) termination of approval requirements for retained profits of up to US\$10,000.

- 10/1/82 The Enforcement Decree of the Foreign Capital Inducement Act was revised, so as to simplify the procedures for bringing foreign capital (in amounts of US\$1 million or less a project) into the country. The revised law also raised the maximum amount of foreign borrowing beyond which prior authorization and reporting was required.
- 12/31/83 Announcement of act coming into force on 7/1/84 which will simplify approval procedures for foreign investment. There will also be improvements in the operating rules and incentive period for capital inflows.
- 7/1/84 Act mentioned in 12/31/83 entry put into effect. Automatic approval for foreign ownership under 50%, and participation up to 100% allowed under consultation.
- 8/84 Inception of Korea Fund
- 12/28/84 Guidelines announced for approval in 19 additional manufacturing industries.
- 7/1/85 Access liberalized for foreign participation in industrial areas and sectors.
- 3/29/85,4/19/85,4/30/85 Access for nonresidents' purchases of Korean bonds and equity increased.
- 11/11/85 Certain domestic companies were authorized to issue convertible bonds and DR's abroad.
- 4/6/87 26 manufacturing sectors opened to fdi.
- 5/1/87 Upper limit on overseas investment exempted from prior government screening raised.
- 7/1/87 Post-investment controls relaxed.
- 12/28/87 Overseas investment of less than US\$1 million automatically approved.
- 1/7/88 Foreign investment in advertising, movie distribution and insurance industries liberalized.
- 3/19/88 Limit on FX holdings for investment in foreign securities by Korean securities firms raised; insurance and investment trust firms authorized to hold up to \$10 million.
- 11/1/88 Limit raised for overseas investments subject to automatic approval.
- 2/13/89 Requirement concerning credit standing of residents investing abroad abolished; minimum equity investment ratio lowered to 20%; and minimum interest rate for long term loans removed.
- 7/1/89 Nonresidents were permitted to invest freely in six manufacturing sectors, regardless of their equity ratio; amount of new f.i.s permitted without reference to the capital review committee was increased from 3 to 5 million.
- 1/1/90 Ceiling on value of f.i.s subject to automatic approval raised from \$3 to \$100 million; share limit on foreign equity investment in advertising firms increased to 99%.
- 7/1/90 Foreign investment permitted in wholesale activities of toiletries and cosmetics.

3/2/90 Limits on foreign exchange holdings for investment in foreign securities by domestic securities firms authorized to handle international business increased from US\$30 to 50 million, and by insurance and investment firms, from 10 to 30 million.

1992 ESMF: liberalized capital inflows

MALAYSIA

3/6/82 Authorization was granted for commercial banks and merchant banks to lend in foreign currency to residents and accept deposits in foreign currency from nonresidents.

4/14/83 Relaxation on restrictions for access to domestic credit by companies in Malaysia controlled by nonresidents.

8/3/84 Majority equity shares could be held by large foreign firms engaged in capital-intensive and resource-oriented enterprises. Possibility of 100% ownership extended to other sectors.

2/2/85 Approval procedures expedited for fdi.

4/12/85 The limit on foreign investment participation in resident companies relaxed.

10/1/86 New guidelines on foreign equity ownership announced (liberalized)

10/24/86 Promotion of Investments Act, 1986, amended.

5/87 Inception of Malaysia Fund

7/19/88 Foreign stock brokerage firms allowed to increase their equity share in local brokerage firms from 20 to 49%.

12/5/89 Limit on new foreign capital equity participation in firms manufacturing impressed/imprinted products was reduced from 100 to 60%.

MEXICO

12/27/78 The Banking Law was amended to authorize the establishment in Mexico of branches of international private banks. Such branches were restricted to offshore operations with nonresidents.

10/11/82 The National Foreign Investment Commission issued the regulations governing the payment of obligations arising from foreign direct investments in Mexico. The decree authorized payment of royalty and profit remittances up to 15 percent of equity, subject to foreign exchange availability. Mexican enterprises with obligations abroad were also authorized to open accounts in the name of their creditors abroad; such accounts could be liquidated for the payment of their obligations, whenever the availability of foreign exchange would allow it. Authorization was also granted for foreign creditors to use the proceeds of these accounts as foreign investment in the debtor enterprises.

- 2/17/84 Announcement of a list of priority sectors where majority foreign ownership would be authorized. It included electrical and non electrical machinery, metal-mechanics, electronics, transportation material, chemicals, biotechnology, and hotels.
- 6/81 Inception of Mexico fund
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- 1988 ESMF: easier dividend and capital repatriation
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- 5/1/89 Restrictions on foreign capital participation in new direct foreign investments (and portfolio inflows) were liberalized substantially
- 8/90 Inception of Mexico Equity/Income Fund
- 10/90 Inception of Emerging Mexico Fund

NETHERLANDS

- 6/1/79 The "five million regulation" relating to the permitted net foreign indebtedness of authorized banks was liberalized. In future, commercial banks would be permitted to incur a net external liability position to an extent that was related to the total of their gross foreign assets the end of 1978: 10 per cent of the first f.500 million gross foreign assets, 5 per cent of the next f.500 million, and 1 per cent of any additional gross foreign assets. The minimum net external liability margin allowed to any bank would be f.20 million.
- 7/14/81 In connection with the provisional suspension of domestic credit restriction, the curtailment of capital import in the form of foreign borrowing was further relaxed. Henceforth, borrowing from nonresidents by domestic enterprises for domestic use would generally be licensed if the average maturity were to be at least two years, instead of the previous 5½ years.
- 1/1/82 It was announced that permission would henceforth be granted, upon application, for institutions involved in placing with nonresidents, unlisted foreign debentures denominated in guilders (such as foreign Euroguilder notes) to extend such placements to acquisition by residents.
- 1/1/82 As domestic credit restriction has been suspended, it was announced that financial guarantees by residents for borrowings by nonresidents would henceforth be licensed without the restrictive conditions that had hitherto been applied.
- 1/1/86 Deregulation of capital markets, including removal of prior approval requirement for resident and nonresident bond transactions.

NEW ZEALAND

- 7/27/79 Changes were announced in the guidelines on foreign investment in New Zealand: henceforth, approval would be given automatically to a foreign firm wishing to acquire control of a New Zealand company with assets of up to \$NZ 50,000, unless the Overseas Investment Commission decided to examine the proposal in the light of the general criteria; the ceiling on domestic borrowing by foreign-owned companies was raised; official approval would not be required for

the issuance to a foreign resident of new shares amounting to not more than 25 per cent of the share issue of a New Zealand company.

- 1/1/90 Any financial institution permitted to deal in foreign exchange without authorization.
- 8/24/89 Minimum value of direct investments requiring consent from Overseas Investment Commission raised to \$NZ 10 million except in certain specified sectors.

NIGERIA

- 5/10/78 Orders were issued regarding the transfer of ownership of direct foreign investment under the Indigenization Decree of 1974 (as amended in 1976 and 1977): (1) firms which were required to be 100 percent Nigerian-owned must complete the transfer of ownership through the sale of the enterprise; (2) firms requiring either 60 per cent or 40 per cent Nigerian ownership might effect the change of ownership either by increasing the ownership capital in favor of Nigerian participation or by selling the foreign-owned capital to Nigerian nationals. The terminal date for completion of the indigenization program remained the end of 1978.
- 4/1/79 Remittances by foreign firms operating under management and technical services agreements were limited to a maximum of 3 per cent of net profit, instead of 3 per cent of gross profit.
- 4/1/79 The proportion of fees which foreign consultants performing professional services in Nigeria might remit to their associates abroad was reduced from 50 per cent to 30 per cent of the amount contracted.
- 4/1/79 The following guidelines with respect to repatriation of sales proceeds of shares by foreign companies covered under the Nigerian Enterprises Promotion Decree of 1977 were introduced: (1) repatriation would be permitted on an installment basis, with amounts not exceeding Naira 300,000 to be transferred upon approval and the excess over Naira 300,000 to be transferred at the rate of Naira 300,000 every six months; (2) in order to qualify for repatriation, applications must be supported by documentary evidence of approved status or evidence of capital importation; (3) when reinvesting in Nigeria, enterprises already enjoying approved status would also have approved status conferred on their new investment; and (4) all enterprises unable to produce evidence of approved status would, when reinvesting not less than 50 per cent of the sales proceeds of their shares in new enterprises in Nigeria, be permitted to transfer dividends with respect to both their old and new investment.
- 1/1/85 Dividends to nonresidents allowed to be reinvested in new companies, subject to certain conditions.
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- 1988 ESMF: liberalized capital and dividend repatriation (entry still very restricted)
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NORWAY

- 10/23/79 New regulations facilitating foreign investment in Norwegian capital markets came into effect. Nonresidents would be allowed to buy shares and bearer bonds in domestic companies up to a limit of NKr 1 million and would be permitted to hold unlimited amounts in Norwegian bank accounts.

- 12/17/81 It was announced that, on special application, Norwegian firms having long-term foreign currency debt could time deposits abroad in foreign currency and purchase foreign bonds quoted on recognized stock exchanges, without limits on the maturity of such assets.
- 2/1/82 The limit of NKr 1 million on nonresident purchases of Norwegian shares was abolished.
- 2/24/82 The Bank of Norway, in cooperation with the Norwegian Ministry of Finance, set up an upper limit of US\$566 million for short-term loans taken abroad by Norwegian commercial enterprises in 1982. Short-term loans to the petroleum sector, shipping, and shipyards were exempted.
- 6/15/84 Permission granted for residents to purchase quoted and nonquoted foreign shares; nonresidents were allowed to purchase nonquoted as well as quoted shares; permission granted for residents to purchase Euro-krone bonds in the secondary market, but purchases of foreign bonds in general continued to be prohibited.
- 1/1/85 Purchase by residents of foreign bonds.
- 9/25/85 Foreign currency loans to be provided only to borrowers licensed to raise such loans.
- 3/20/87 Granting of loans, credits, or guarantees to and investments in South Africa and Namibia prohibited.
- 12/1/87 Foreign firms and individuals permitted to purchase up to NKr 1 million in Norwegian bonds.
- 12/5/88 Restrictions on long-term foreign borrowing by commercial enterprises liberalized.
- 5/9/89 Nonresidents allowed to purchase bonds denominated in Norwegian kroner quoted and registered in Norway and carrying a maturity of at least one year, provided that such purchases are made through authorized Norwegian brokers; new rules also apply to shares in Norwegian bond funds.
- 6/14/89 Residents allowed to incur or provide commercial and financial guarantee obligations abroad without permission from Bank of Norway, provided that such guarantees cover licensed transactions or transactions for which no license is required.
- 6/30/89 Residents allowed to acquire quoted and nonquoted shares of foreign collective investment funds without permission from Bank of Norway, provided that such transactions conducted through authorized Norwegian brokers.
- 12/7/89 Nonresidents allowed to issue bonds denominated in Norwegian kroner in Norway subject to license; bonds issued by nonresidents have to be conducted through authorized Norwegian brokers; resident allowed to purchase and sell bonds issued by licensed nonresidents.
- 12/8/89 (1) Resident allowed to acquire foreign nonquoted shares in low-taxation countries subject to license; nonresidents allowed to acquire fixed property in Norway without license.
- (2) All companies except commercial banks, savings banks, municipal companies, and companies guaranteed by the local or central governments allowed to raise foreign currency loans to finance their own operations or operations of affiliated companies; loans from lenders that do not have special permission from Bank of Norway still subject to license.
- (3) Individuals allowed to obtain foreign currency loans abroad for purpose of financing business activities subject to license.

(4) Contracts of loans in Norwegian kroner between nonresidents and residents made possible subject to license; applications for such loans are treated in the same way as applications for foreign currency loans.

(5) Norwegian insurance companies allowed to engage in endowment insurance contracts with nonresidents without license.

(6) Legal entities allowed to engage in financial leasing contracts in foreign currencies with Norwegian financial institutions without permission from Bank of Norway; leasing contracts with foreign financial institutions are subject to license, but applications treated liberally.

PAKISTAN

During 1981 the interest rates on large foreign currency deposits (of at least US\$100,000) were changed on ten occasions.

1/22/86 Permission granted to public limited companies whose shares are quoted on stock exchange in Pakistan, to transfer shares to nonresident Pakistanis.

5/7/86 Foreign banks operating in Pakistan permitted to underwrite share issues of companies incorporated in Pakistan.

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1990 ESMF: liberalized capital and dividend repatriation and capital inflows

PHILIPPINES

2/2/79 General guidelines were issued on the approval and registration of Philippine investments abroad. These specified that all new and additional outward investments by resident corporations, entities, or individuals would require prior approval of the Central Bank through the Management of External Debt and Investment Accounts Department (MEDIAD), and that their existing investments abroad should be registered with the Central Bank through the MEDIAD (Circular No. 652).

2/1/82 It was announced that in granting approvals for foreign borrowing, the Central Bank would attach high priority to projects in food, energy, exports, infrastructure, transportation, and communication. In addition, any prospective borrowing of US\$3 million or more should be submitted for inclusion in the Central Bank's programming of external credit resources (CB circular 848).

7/24/86 Program for conversion of external debt into equity investments introduced.

10/20/87 Program for conversion of external debt into equity investments amended.

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1988 ESMF: liberalized capital and dividend repatriation

6/9/89 Sales proceeds of central-bank-registered foreign investments in a domestic company whose stocks were not listed permitted to be traded in local stock exchanges; company shares that were

subsequently listed/traded in them at time of their sale permitted to be repatriated in full, net of taxes and fees, subject to prior approval by Central Bank.

11/89 Inception of First Philippine Fund

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1/92: ESMF: Central Bank approval of repatriation of capital and profits is no longer required

PORTUGAL

5/12/82 The transfer abroad of the proceeds from the liquidation of foreign investment, which hitherto was authorized after five years of the initial investment, would henceforth be freely permitted, on condition of compliance with the conditions established under the investment authorization (Decree-Law No. 174/82).

9/6/83 The maximum amount of individual private capital transactions that could be effected without the approval of the Minister of Finance was raised from Esc 200 to 500 million.

1/1/86 Subscription of securities issued by EIB or EC up to ECU 15 million not subject to restriction.

1/1/86 Automatic approval of new fdi by EC residents up to ECU 1.5 million.

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1988 ESMF: liberalized dividend repatriation

11/89 Inception of Portugal Fund

3/20/89 Foreign exchange swap operations ceased to enjoy special treatment under the regulations on banking credit ceiling.

4/29/89 Limits applicable to investments in EC and OECD countries that are allowed freely increased to Esc 50 million.

9/20/89 Limits on investment in foreign securities by institutional and individual investors increased to Esc 4 million.

3/28/90 Limits up to which residents can invest in foreign securities listed in stock exchanges in OECD member countries raised as follows: legal entities, 20 percent of their total portfolio (or technical reserves in the case of insurance companies); and individuals, Esc 10 million.

7/1/90 Portfolio investments by residents in foreign currency securities officially listed in recognized stock exchanges abroad fully liberalized.

7/1/90 Enterprises drawing financial credits from abroad required to deposit equivalent of 40 percent of credits in an unremunerated account with Bank of Portugal.

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7/91 ESMF: New legal framework for the country's stock markets, known as the Sapateiro Law, became effective. The Law is designed to bring Portuguese system in line with European Community rules. It established an independent SEC and provided rules for insider trading,

disclosure and takeovers and mergers. New trading system introduced in September.

SINGAPORE

- 6/1/78 Exchange control was abolished and no formalities or approvals were required henceforth for all forms of payment. The main consequences were (1) all companies and individuals could freely deal in foreign currencies, spot and forward; (2) banks could deal freely in foreign exchange market, being required only to submit monthly returns of their operations; (3) merchant banks and offshore banks also could deal freely in the foreign exchange market and could deal with nonbank customers; (4) proceeds from exports were no longer subject to repatriation requirements; (5) investment could be made freely without limit in any currency; (6) foreign currencies could be retained in any amount; (7) Singapore institutions and individuals would no longer require approval to borrow or to lend in foreign currencies; (8) finance companies, however, would not be permitted to deal in foreign exchange because of the provisions of the Finance Companies Act; and (9) restrictions were lifted from resident transactions in Asian Currency Units except that Asian Currency Units might not accept deposits in Singapore dollars.
- 6/14/78 It was announced that with effect from July 1 offshore banks would be allowed to offer credit and other facilities, such as current accounts, overdrafts, trust receipts, and letters of credit to Singapore residents without the need to extend a qualifying term loan. A limit of S\$30 million was set for each offshore bank on the total of credit facilities extended to Singapore residents. Offshore banks were precluded from accepting fixed and other interest-bearing deposits denominated in Singapore dollars from Singapore residents.
- 4/20/79 New arrangements for stimulating investment were announced. Companies investing in Singapore could apply for an investment allowance in the form of a tax exemption up to a certain level of profit to be determined separately for each company within an upper limit of 50 per cent of the new fixed capital expenditure incurred on approved projects.

SOUTH AFRICA

- 6/21/79 The following changes in exchange control procedures were announced: Outward capital transfers by residents would normally take place at the financial rand rate instead of the commercial rand rate, and permission for such transfers would be granted more freely than before.
- 12/10/79 Restrictions on local borrowing by partly or wholly foreign-owned companies were eased. Bills and promissory notes directly related to current trade transactions between South African companies and foreign concerns would be discounted in local financial markets, and the amounts involved would be exempted from exchange control regulations.
- 2/16/81 The ceiling applied to borrowing by nonresident-owned or nonresident-controlled companies was raised, by increasing the proportion of nonresident shareholding against loans could be extended from 25 per cent to 50 per cent. (This measure was actually introduced on February 17, 1981).

SPAIN

- 9/14/79 Royal Decree No. 2236/79 (published in the *Bolétin Oficial del Estado* of September 26, 1979) liberalized direct and portfolio investments abroad by physical persons, Spanish or foreign,

residing in Spain, and by Spanish juridical persons. Henceforth, Spanish residents could make direct investments abroad provided one of the following conditions was met: (1) the share of the Spanish invest would amount to at least 20 per cent of the capital of the foreign company; (2) the Spanish investor would participate in the management of the foreign company or otherwise exercise an important influence over it; or (3) the foreign company made use, exclusively or predominantly, of technology provided by the Spanish investor. Banks, savings institutions, and insurance companies could purchase foreign securities up to 10 per cent of the increase in their own resources. Spanish residents could purchase freely fixed-income securities denominated in foreign exchange and issued by Spanish private and public institutions and by international organizations in which Spain was a member.

- 1/23/81 In a modification of the regulations on the acquisition and disposal of securities, purchases by nonresidents of certificates of deposit issued by banks in Spain was made subject to authorization by the Bank of Spain. The purchase by nonresidents of bonds issued by banks with a maturity of five years or more was permitted freely.
- 3/27/81 Royal Decree No. 622/81 lifted restrictions on investments in pesetas by foreign residents in Spain. In addition, the Royal Decree liberalized foreign investments by nonresidents or by Spanish firms with foreign participation, for the establishment of new firms or the acquisition of branches of real estate. The Decree also, inter alia, granted general authorization for Spanish companies to effect capital increases debited to free disposable reserves, provided that there would be no increase in the percentage of foreign participation.
- 4/14/81 A governmental order was issued authorizing Spanish firms with foreign participation in excess of 25 per cent to avail themselves of local bank credit up to five times their capital stock; domestic credit beyond this limit would require prior authorization from the General Directorate of Financial Policy, unless the excess would only involve a ratio between foreign and local equal to or greater than the existing ratio of foreign to local participation in the company's capital.
- 8/14/82 A 1979 decree liberalizing portfolio investments was temporarily suspended; for a period of six months, prior authorization from the Ministry of Economy and Commerce would be required to transfer funds abroad for investments in foreign bonds and other financial instruments.
- 5/29/85 Liberalization of authorization procedure for foreign direct and portfolio investments.
- 4/1/86 Negotiations of financial loans by resident borrowers liberalized up to Ptas 750 million
- 6/13/86 Scope substantially expanded, and procedures simplified.
- 9/1/86 Direct investment restrictions substantially eased; prior authorization in most sectors of the economy no longer required.
- 1/7/87 Restrictions on specific spot and forward position lifted, and banks allowed to take short foreign currency positions.
- 2/2/87 International organizations of which Spain is member authorized to borrow in the domestic peseta capital market.
- 3/13/87 Limit on each foreign loan not related to merchandise trade raised.
- 5/20/87 Investment abroad by residents, including real estate investments, liberalized.

- 7/2/87 Limitations on foreign direct investments authorized before 1985 liberalization measures abolished.
- 7/22/87 Investment by nonresidents in domestic Treasury bonds and Treasury bills in book entry form regulated, and short-term "Repurchase Agreements" by nonresidents on domestic financial assets prohibited.
- 6/14/88 Minimum maturity period of foreign currency borrowing not subject to authorization raised from one to three years.
- 12/1/88 Direct investments abroad in companies engaged in portfolio and real estate investment activities permitted.
- 12/19/88 Ceilings on real estate investment abroad abolished.
- 1/3/89 Thirty percent nonremunerated deposit requirement imposed on all new net foreign borrowings by Spanish residents.
- 4/4/90 Restrictions on purchases of marketable foreign monetary instruments by Spanish residents removed.
- 4/4/90 Purchases (outright or repurchase agreements) of public bonds by non-residents fully liberalized.
- 5/14/90 Banks allowed to extend loans in foreign currencies to residents for financing real estate purchases abroad.
- 6/19/90 Restrictions on guaranteeing of loans extended by or received by residents eliminated. However, prior verification required before payments against such guarantees may begin.
- 6/22/90 Restrictions on purchases by residents of securities denominated in pesetas issued by nonresidents on Spanish stock exchanges removed.
- 6/22/90 Purchases by residents of shares issued by foreigners on Spanish stock market classified as foreign investments but not subject to declaration.
- 7/8/90 Nonresidents allowed to purchase freely foreign securities in Spanish stock exchanges. Purchases must, however, be reported to authorities by authorized banks. Nonresidents allowed to sell these securities without restriction, provided they were purchased initially with proceeds from sales of foreign currencies.
- 12/27/90 To comply with EC provisions, most remaining regulations limiting portfolio investments by residents and non residents in Spain abolished. Foreigners exempted from income tax on dividends and capital gains, provided they do not have permanent residency in Spain.
- 12/27/90 Residents of EC countries allowed to invest freely in all sectors of the economy, except i defense-related industries.

SWEDEN

- 10/20/81 The Exchange Control Board announced changes in existing regulations as follows: (a) it would no longer be necessary for applicants for direct investment abroad to prove a

beneficial effect therefrom on Sweden's balance of current payments.

2/18/86 Swedish parent companies freely permitted to guarantee borrowing by foreign subsidiaries.

3/25/86 Residents permitted to switch existing portfolio investments into put and call options.

3/25/86 Residents permitted to repay certain foreign loans ahead of schedule, on a voluntary basis.

3/25/86 Restrictions on foreign currency lending by Swedish banks to nonresidents and residents liberalized.

4/14/86 Swedish parent companies permitted to establish holding companies for their foreign direct investment.

6/24/86 Requirement that certain Swedish direct investments abroad be financed by foreign loans abolished.

6/24/86 Amount residents allowed to transfer abroad to purchase recreational dwelling raised.

2/1/87 All foreign exchange transactions permitted through an authorized bank.

3/1/87 Limit on foreign borrowing by enterprises abolished.

3/1/87 Limit on real estate purchases abroad by residents liberalized.

2/12/88 Restrictions on sales of shares to foreigners lifted.

2/12/88 Restrictions on financing of direct investment lifted.

6/1/88 Banks authorized to grant permits for direct investment in certain areas.

1/19/89 Riksbank abolished all restrictions on acquisition of foreign equity; shares must, however, be in safekeeping of authorized bank or broker; general exemption announced for sale to nonresidents of Swedish unlisted shares; as from March 1, direct investments, both outward and inward, as well as disinvestments could be made through authorized banks without prior approval of Riksbank.

7/1/90 Exchange Control Act and Exchange Control Ordinance abolished, and Emergency Contingency Act passed by Parliament, under which it included provision that residents generally not be allowed to deposit capital in foreign bank accounts or to effect or receive payments through such an account.

SWITZERLAND

1/24/79 The requirement that foreign investors' subscriptions could not exceed 50 per cent of any issue of foreign bonds denominated in Swiss francs was abolished.

2/1/79 In connection with the lifting of the ban on sales of Swiss securities to nonresidents, the National Bank announced that deposits of proceeds from the sale of such securities would be subject to 40 per cent annual negative interest with effect from March 1, 1979.

12/1/79 The negative interest rates on Swiss franc deposits of foreigners were suspended. However,

deposits by foreigners would still not be permitted to earn interest.

- 4/19/82 On an experimental basis, the National Bank granted permission for a US\$100 million bond issue by the World Bank, thereby permitting a departure from existing regulations of capital exports by (i) having a maturity of seven years, against the officially required minimum of nine years; (ii) permitting foreign banks as underwriters; and (iii) being listed on the London Stock Exchange in addition to Swiss exchanges. (See also entry for July 1 below).
- 7/1/82 The National Bank further relaxed the remaining restrictions on capital exports as follows: (a) trade and publicity restrictions in respect of placement of notes were lifted; (b) the minimum maturity for foreign Swiss franc bond issues that could be approved by the National Bank was lowered from 9 years to 8 years, while the permissible maturity range for Swiss franc notes was extended from 3-8 years to 18 months to 8 years; and (c) advance repayment of notes could be made as early as 18 months after placement (as compared with 2 years previously), but not before one half of the overall maturity had elapsed.
- 5/15/85 The maximum limit of each individual foreign bond issue was abolished.
- 5/29/86 Regulations on early redemption of foreign bonds and notes abolished.
- 5/29/86 Minimum limit on issue of foreign bonds and notes abolished.
- 10/1/86 Stamp tax on new Eurobonds issued by foreigners reduced.
- 10/1/86 Sales of foreign currency-denominated bonds floated by Swiss corporation subsidiaries exempted from withholding tax; quotations of such issues in Switzerland permitted.
- 10/1/86 Withholding tax on interest earned on interbank deposits with maturity exceeding 12 months abolished.

TAIWAN

- 12/86 Inception of Taiwan Fund
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- 1988 ESMF: liberalized dividend repatriation
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- 5/89 Inception of ROC Taiwan Fund
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- 1/91 ESMF: stock market officially opened to fdi

THAILAND

- 6/30/84 The exemption from the withholding tax granted to interest payments on foreign loans with maturities of more than 24 months was terminated.
- 2/88 Inception of Thai Fund

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1988 ESMF: liberalized capital and dividend repatriation

5/90 Inception of Thai capital Fund

TURKEY

7/20/88 Restrictions on foreign participation in domestic securities market eased.

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1988 ESMF: liberalized dividend and capital repatriation and capital inflows

6/19/89 Amendments to Corporation Tax Law and Income Tax Law, exempting "investment funds subject to limited tax liability,; adopted; foreign investment funds approved by Treasury allowed to set up securities portfolios, income from which would be tax free.

8/11/89 Foreign residents allowed to purchase or sell any type of Turkish securities registered on stock exchange. through intermediary institutions operating on the market, and to transfer income from sales of these abroad through banks and authorized financial institutions. If securities had not been purchased with funds transferred from abroad, proceeds from sales of securities allowed to be utilized freely in Turkey.

Tightening: Applications by residents of Turkey to make direct investments abroad of up to \$24 million are now subject to approval.

12/89 Inception of Turkish Investment Fund

2/25/90 1) nonresidents allowed to purchase securities and mutual funds, issued with permission of the Capital Market Board and listed at the stock exchange.
2) residents allowed to invest abroad in cash up to \$5 million. Above this needs approval.

UNITED KINGDOM

1/19/79 All restrictions on the lending of sterling by U.K. residents to nonresidents-controlled U.K. companies were removed except in cases where the borrower was primarily a vehicle for portfolio investment in securities or property.

7/18/79 The Government announced that the remaining restrictions on outward direct investment would be removed with effect July 19; steps were also taken to liberalize outward portfolio investment. The principal measures were as follows: (1) Official exchange would be available without limit for all outward direct investments; foreign currency borrowing effected at any time to finance such investments would be eligible for repayment with official exchange. (2) Official exchange would be available for investment by U.K. residents in most securities denominated and payable in the currencies of other EC countries, and in foreign currency securities issued by international organizations of which the United Kingdom was a member, including those issued by EC institutions and the International bank for Reconstruction and Development. (3) Foreign currency borrowing by U.K. residents to finance outward portfolio investment, which had been outstanding for at least one year on July 19, would be repayable with official exchange. (4) U.K. residents holding foreign currency securities that were classified as "restricted securities" would be

permitted to reinvest the sale proceeds of such securities in any other foreign currency securities.

- 4/3/82 The use and transferability of Argentine financial assets in the United Kingdom was temporarily suspended, for security reasons.
- 9/15/82 The financial restrictions imposed on April 3, 1982 against Argentina was abolished.
- 8/87 Inception of United Kingdom Fund
- 2/21/90 Ban on foreign direct investments in South Africa lifted.

UNITED STATES

- 6/14/79 New Federal Reserve Board regulations governing banks operating outside their own state in areas clearly related to international or foreign business ("Edge Act Corporations"), issued in conformity with the International Banking Act of 1978, permitted foreign investment in such corporations.
- 2/25/81 Federal Reserve Board Circular No. 9024 allowed banks and bank holding companies to invest in foreign companies, including banks that transact business in the United States.
- 7/11/84 Tax Reform Act of 1984 repealed the 30 percent withholding tax on interest paid to foreign investors in U.S. securities.
- 9/9/85 Bank loans to the South African government prohibited, with certain exceptions.
- 1/7/86 Restrictions on investments in Libya
- 10/2/86 Prohibition of investments by U.S. national in South Africa.
- 10/27/86 Prohibition on making credits to or taking deposits from certain South African agencies.
- 12/31/89 U.S. banks allowed to accept foreign currency deposits.

VENEZUELA

- 9/26/78 It was announced that withholding tax rules on foreign loans would be temporarily and selectively liberalized. Under a new tax law of June 23, 1978, foreign stockholders would pay a 20 per cent tax on stock dividends received in 1978, plus 5 per cent on cash dividends. Holding companies must either pay out 50 per cent of profits as dividends or pay tax of 15 per cent for account of their shareholders. The new tax would not apply to listed securities, insurance companies, or financiers (Decree No. 2872).
- 7/10/79 The Central Bank restricted borrowing by companies that were more than 50 per cent foreign or domestically owned. Foreign firms would be permitted to borrow only up to 40 per cent of their capital resources (paid-up capital and reserves) from banks domiciled in Venezuela.
- 4/4/80 The Central Bank imposed a 25 per cent marginal reserve requirement on loans by banks and

financial institutions to firms with more than 50 per cent of their capital owned by foreigners.

- 10/2/80 The Central Bank stipulated the conditions under which banks could lend to firms with more than 50 per cent of their capital owned by foreigners. The maximum amount that banks could lend to these companies was maintained at 40 per cent of their capital and retained earnings. The marginal reserve requirement on these loans was maintained at 25 per cent, the rate in effect since April 4.
- 7/14/83 Interest earnings on loans extended by foreign financial institutions were exempted from Venezuelan income tax.
- 9/29/86 Foreign investment code amended resulting in a substantial liberalization of the regime.
- 4/24/87 Debt-equity conversion scheme introduced.
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- 1988 ESMF: liberalization of capital and dividend repatriation and liberalization of capital inflows
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- 3/15/89 A new framework for debt-equity conversion established.
- 9/6/89 Regulations governing an auction-based system for conversion of public external debt into equity issued.
- 1/15/90 FDI liberalized: 1) elimination of need for prior authorization for investment and of restrictions on f.i. in certain sectors and 2) foreign firms permitted to open subsidiaries in Venezuela to contract technology without restriction, to invest in Venezuelan securities and stocks, and to obtain financing through shares or debt notes in Venezuelan capital market.
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- 1992 ESMF: liberalization of capital and dividend repatriation

ZIMBABWE

- 9/19/80 It was announced that outward remittances of reasonable amounts of dividends in excess of the limit of 50 per cent on after-tax dividends of non-resident company shareholders of mining companies operating in Zimbabwe would be considered on merit.
- 1/5/81 The procedures under which blocked dividends, interest, and other incomes that had accrued during the period 1965-73 to companies domiciled in previously designated countries (Canada, the United Kingdom, and the United States) would be released over a six-year period by means of six-year special government bonds at an annual interest rate of 4 per cent, tax-free, came into operation.
- 4/18/89 Regulations governing foreign investment were modified, whereby remittances of after-tax of its of up to 100% would be approved depending on the priority status of investment.

Accounting Standard: Changes

Indonesia	1988	worsened 1 to 0
philippines	1991	worsened 2 to 1
taiwan	1992	better 0 to 1
greece	1988	worse 1 to 0
	1992	better 0 to 1
jordan	1992	better 0 to 1
portugal	1988	worse 2 to 1
turkey	1988	better 0 to 1

Investor protection: changes

indonesia	1988	better 0 to 1
turkey	1992	better 0 to 1