

Appendix Table 3

Summary of Capital Control Measures

Argentina

On December 2, 2001, controls on capital outflows were introduced as one of the measures of the "corralito". All investors, both foreign and domestic, were prohibited from transferring funds abroad, wire transfers required central bank approval and foreign currency futures transactions were prohibited. Exactly one year later, the corralito was lifted and capital was allowed to leave the country, albeit some restrictions on capital outflows remained. From June 2003 onwards, virtually all controls were eliminated. However, in 2005 the Argentine government instated controls on inflows of foreign capital, in the form of two restrictions: the amount entering the country must remain within Argentina for 365 days, and 30 percent of the total amount must be deposited in a local bank in the form of usable funds for the bank's minimum reserve requirement. These restrictions are imposed on inflows if a local business obtains a loan that does not fall within the exceptions of the decree (such as financing of foreign trade and direct investment), or if a foreign investor chooses to buy public or private stocks or bonds in the secondary market.

Chile

In July 1995, secondary DRs became subject to the Unremunerated Reserve Requirement (URR) that had covered several types of capital inflows since its introduction in June 1991. A 30 percent reserve deposit that earned no interest needed to be paid, with the holding equal to the loan maturity with a minimum of three months and a maximum of one year. Primary DRs were considered capital additions and were therefore never subject to the URR. With markets in turmoil and the Chilean peso under attack, the reserve requirement was lowered to ten percent in June 1998. In August of that year, the URR was eliminated for secondary DRs (and in September reserve requirements on all inflows were eliminated).

Indonesia

When the first Indonesian company introduced a publicly traded DR, the Indonesian capital market was largely liberalized. However, foreigners were only allowed to purchase up to 49 percent of all companies' listed shares. In September 1997, this restriction was lifted and foreign investors could purchase unlimited domestic shares (except banking shares).

Korea

When the first publicly traded DR was introduced, there existed restrictions on foreign investment in the stock markets. These ceilings were gradually increased over time. In May 1998, the government lifted the foreign investment restrictions on Korean securities, except on Kepco, Posco, mining and airtransportation companies, and information and telecommunication companies. For some companies, foreign investment ceilings are still in place. For firms cross-listed using Depositary Receipts, an additional restriction was in place. Although there was no restriction on the conversion of DRs into underlying shares, until January 1999 the conversion of underlying shares into DRs was restricted (e.g. approval was needed by the issuing company's board). From January 1999, Korean companies that issued DRs, starting with Kookmin Bank, began to allow free conversion. As of November 2000, Korea changed its regulations so that underlying shares can be converted into DRs without board approval as long as "the number of underlying shares that can be converted into DRs" is less than "the number of underlying shares that have been converted from DRs."

South Africa

In the early 1990s, there existed a dual exchange rate system in South Africa (introduced in 1979 and temporarily abandoned in 1983), with a commercial rate subject to intervention by the monetary authorities and a free floating financial rate (usually at a discount from the commercial rate). The financial rate operated with respect to the local sale and redemption proceeds of South African securities and other investments in South Africa owned by nonresidents, capital remittances by emigrants and immigrants, and approved outward capital transfers by residents. Exchange control restrictions applied to financial rand accounts of nonresidents of the Common Monetary Area (CMA). Local sales and redemption proceeds of South African securities and other investments owned by nonresidents had to be credited to these accounts. Funds in these financial rand accounts could be used freely for reinvestment in locally quoted securities (which could be exported and sold abroad) or for acquiring quoted central government, municipal, or public utility stocks. On application and approval, financial rand could be used by nonresidents for the purchase of other assets. Outward transfers of capital by residents to destinations outside the CMA required approval of the central bank. Transfers of residents for the purchase of South African or other shares on foreign stock exchanges were generally not permitted except in amounts not exceeding R5,000. In March 1995, the financial rand and the currency exchange system were abolished. The 15 percent tax on remittances by non-resident shareholders was also eliminated.

Venezuela

In June 1994, the foreign exchange market was closed and controls on capital outflows were introduced to stop the severe speculative attacks against the Bolivar. The controls implied an outright prohibition of capital outflows, including the repatriation of nonresident investment, but excluding flows related to the repayment of external debt. Furthermore, the measures restricted the availability of foreign exchange for import payments. By May 1996, these controls were abolished. In January 2003, exchange rate trading was suspended, limits to dollar purchases were introduced. Originally the measure was introduced as a temporary measure, but it is still in place accompanied by stringent capital controls introduced in February 2003.