



Recommendation of the Council
concerning the Review of any
Restrictions which Member
Countries Impose on Portfolio
Investment in Unlisted or
Unquoted Securities

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Please cite this document as:

OECD, *Recommendation of the Council concerning the Review of any Restrictions which Member Countries Impose on Portfolio Investment in Unlisted or Unquoted Securities*, OECD/LEGAL/0123

Series: OECD Legal Instruments

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Background Information

The Recommendation concerning the Review of any Restrictions which Member Countries Impose on Portfolio Investment in Unlisted or Unquoted Securities was adopted by the OECD Council on 18 July 1974 on proposal of the Committee on Financial Markets (CMF). The Recommendation aimed to widen the scope of domestic and international portfolio investment and for investors in securities to have the greatest freedom of choice compatible with the protection of such investors, in the interest of a sound development of capital markets. The Recommendation was abrogated on 12 July 2017 because, while some jurisdictions do impose restrictions on the types of portfolio investments covered by the Recommendation, there are specific monitoring exercises in place by regulatory/supervisory authorities with responsibility for the relevant categories of institutional investors, which rendered continued monitoring by the CMF no longer necessary.

THE COUNCIL¹,

HAVING REGARD to Article 5 b) of the Convention on the Organisation for Economic Co-operation and Development of 14 December 1960;

HAVING REGARD to the Resolution of the Council of 26 January 1965 concerning the Improvement of Capital Markets of Member States [C/M(65)2(Final), Item 19];

HAVING REGARD to the terms of reference of the Committee on Financial Markets and, in particular, paragraph 4 of the Resolution of the Council of 17 November 1969, as amended [C(69)131(Final), C(71)28(Final)], which invites the Committee to report to the Council on its work and propose to it, as necessary, recommendations on questions concerning financial markets;

HAVING REGARD to the Report by the Committee on Financial Markets of 3 April 1974 concerning the Admission of Securities to Public Sale and to Stock Exchanges [C(74)61] and in particular its paragraphs 9 to 28, 67 and 68;

CONSIDERING that in the interest of a sound development of capital markets it is desirable to widen the scope of domestic and international portfolio investment and for investors in securities to have the greatest freedom of choice compatible with the protection of such investors;

I. RECOMMENDS that Member countries should:

- i) Not impose any restrictions on the purchase of securities which are not listed or quoted on an officially recognised organised security market² in cases where such securities are bought for the investor's own account and on his own responsibility (private investors, business enterprises, etc.);
- ii) Base upon the standard of the securities as well as on the efficiency of the market any restrictions in the choice of security investment which they feel obliged to impose on institutional investors³ but limit such restrictions to those that are necessary for technical reasons and for reasons of investor protection;
- iii) Avoid giving the impression to the public, through legislation, regulations or other means that only listed or quoted securities carry with them any endorsement of standard; and
- iv) Motivate exchange control restrictions, which apply exclusively to the purchase of foreign unlisted or unquoted securities, only by the need for verification of the value of the securities or by the need to distinguish portfolio investment from direct investment.

II. INSTRUCTS the Committee on Financial Markets to review the implementation of this Recommendation and report thereon to the Council by the end of 1976.

¹ This Recommendation does not apply to Italy and Turkey.

² Article 21 (viii) and (x) of the OECD Code of Liberalisation of Capital Movements contains the following definitions:

(viii) "Recognised security market" shall mean a stock exchange or security market in a Member country (including an over-the-counter market organised by a recognised association of security dealers),

- which is officially recognised in the country where it operates,
- on which the public can buy and sell securities, and
- on which dealings take place in accordance with fixed rules;

(x) "Securities quoted on a recognised security market" shall mean securities which have been granted an official quotation or are officially listed on such market or for which dealing prices on such a market are published not less frequently than once a week.

³ Credit institutions, institutions for collective investment, insurance companies, pension funds, savings banks, social insurance institutions and trustees.

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