



**EUROPEAN CENTRAL BANK**

**STRICTLY CONFIDENTIAL**

## **ANNEX I**

**to the report on legal aspects of euro area short-term securities**

**Certificates of deposit**

8 February 2002

First Draft

## ANNEX I

### Certificates of Deposit

1	Legal basis
<b>BELGIUM</b>	The Law of 22 July 1991 on Treasury bills and certificates of deposit (Loi relative aux billets de trésorerie et aux certificats de dépôt).
<b>GERMANY</b>	The general rules within the Civil Code (Bürgerliches Gesetzbuch), in particular sections 793 seq. of the Civil Code, and in supervisory law apply. Specific definitions are to be found in section 1(11)Nr.2(3) of the Banking Act (Kreditwesengesetz) of 1998, section 2 (1a) of the Securities Trading Act (Wertpapierhandelsgesetz), section 7a(2) of the UCITS-Act (Kapitalanlagegesellschaftsgesetz) ('money market instruments').
<b>GREECE</b>	
<b>SPAIN</b>	Law 24/1998 of 28 July on the Securities Market ( <i>Ley del Mercado de Valores</i> , "the Law"), and implementing legislation including Royal Decree 291/1992 of 27 March on Issue and Public Offerings of Securities ( <i>Real Decreto sobre Emisiones y Ofertas Publicas de Venta de Valores</i> , "the Decree"). There is no specific legislation on certificates of deposit, which are currently seldom used in Spain.
<b>FRANCE</b>	Article L 213-1 of the French Financial and Monetary Code defines negotiable debt securities ("Titres de Créances Négociables" -TCN-) as " <i>titres émis au gré de l'émetteur, négociables sur un marché réglementé ou de gré à gré, qui représentent chacun un droit de créance pour une durée déterminée</i> ". This definition covers in particular "certificats de dépôt" (certificates of deposit), "billets de trésorerie" (commercial paper) and "bons à moyen terme négociables" (Medium-Term Notes). Conditions of issuance are defined by Articles L.213-2 to Article L.213-4 of the Code and by Decrees and CRBF Regulations. (See Decree n°92-137 of 13 February 1992 regarding TCN and amended by Decree n°98-1316 of 31 December 1998, CRBF Regulation n°98-08 of 7 December 1998 and Arrêté of 31 December 1998). Decree n°98-1316 defines general principles applicable to all kinds of TCN. The CRBF Regulation n°98-08 defines the rules applicable to the issuance by credit institutions and investment firms, respectively of certificates of deposit and of commercial paper as well as the issuance of MTN by these two categories of issuers. Arrêté of 31 December 1998 defines the rules applicable to debt securities issued by non-financial entities (commercial paper and MTN of industrial and commercial undertakings).
<b>IRELAND</b>	Insofar as a certificate of deposit is evidence of a deposit, it falls within the legislative definition of 'banking business' under the Central Bank Act, 1971, the issuance of a certificate is the equivalent of taking a deposit, which is an activity that may only be undertaken by licensed credit institutions.
<b>ITALY</b>	Articles 2 and 5, Decree of the Treasury 22 June 1993, n. 242631 on the issue of bonds, certificates of deposits and other forms of fund-raising. "Istruzioni di vigilanza per le banche" issued by Banca d'Italia, Circular n. 229 of 21 April 1999, Title V, Chapter 3.

1	Legal basis
LUXEMBOURG	None as such (of course various legal provisions have an impact on CDs)
THE NETHERLANDS	The Act on the Supervision of Credit Institutions 1992 ( <i>Wet toezicht kredietwezen</i> ) and implementing rules and regulations, the Act on the Supervision of Securities Trade ( <i>Wet toezicht effectenverkeer</i> ) and implementing rules and regulations.
AUSTRIA	The general legal basis is the commercial certificate of obligation according to section 363 Commercial Code and the principle of freedom of contract.
PORTUGAL	Decree-Law No. 372/91 of 8 October 1991, amended by Decree-Law No. 387/93 of 20 November 1993.
FINLAND	Section 11 of the Law on Promissory Notes (622/1947) and Chapter 1, Section 2(2) of the Securities Markets Act (495/1989).

2	Legal definitions	
BELGIUM	<p>Article 4 of the Law of 22 July 1991 lays down an indirect definition of what constitutes a certificate of deposit: it is set out therein that the denomination “certificate of deposit” shall only be applied to instruments emitted in Belgium if they conform with the provisions of said law.</p> <p>It should be noted that Article 1(3) of the Law of 6 April 1995 (Loi relative aux marchés secondaires, au statut des entreprises d’investissement et à leur contrôle, aux intermédiaires et conseillers en placements) lays down a definition of money market instruments (instruments du marché monétaire) as consisting of such categories of financial instruments that are customarily used in the money market (instruments financiers habituellement négociés sur le marché monétaire): it is also stated that the provisions of the above-mentioned law shall <b>not</b> apply to money market instruments as so defined.</p> <p>TBT are defined as debt instruments created for a limited period of time by Art. 1 §1 of the Law on Commercial Paper and Certificates of Deposit of 22 July 1991, and when issued by credit institutions are called “<i>Depositobewijzen/Certificats de dépôt</i>” (CD or Certificates of Deposit).</p>	
GERMANY	<p>Section 1(11)Nr.2(3) of the Banking Act (Kreditwesengesetz) of 1998, section 2 (1a) of the Securities Trading Act (Wertpapierhandelsgesetz) contain a general definition of ‘money market instruments’ as (non-securitised) fungible debt, usually traded on the money markets, the UCITS act refers to a maturity up to 12 months. CDs, CPs and T-Bills are normally issued as securitised debt (sections 793 seq. Civil Code).</p>	
GREECE		
SPAIN	<p>Certificates of Deposit are called “Certificados de Depósito”.</p> <p>There is no legal definition.</p>	
FRANCE	<p>Article L 213-1 of the French Financial and Monetary Code defines “Titres de Créances Négociables” (TCN) (see 1). No specific definition of certificates of deposit (see however 3.).</p>	
IRELAND	<p>At common law a certificate of deposit has been defined as evidence of a prior agreement between a depositor and a depositee that the depositee will make payment to the holder of the certificate on the terms stated in the certificate. See Roy Goode, Commercial Law p. 629 (2<sup>nd</sup> ed. 1995). Section 814 of the Taxes Consolidation Act 1997 defines a certificate of deposit as a document relating to money in any currency which has been deposited with the issuer or some other person, being a document which recognises an obligation to pay a stated amount to bearer or to order with or without interest and being a document by the delivery of which with or without endorsement the right to receive that stated amount with or without interest is transferable.</p>	
ITALY	<p>A definition is contained in the “Istruzioni di vigilanza”: “titoli di credito emessi per la raccolta di risparmio a breve e medio termine”.</p>	

2	Legal definitions	
LUXEMBOURG	None. The ABL (Luxembourg Banker’s association) defines them as “Certificates of deposit (CDs) are negotiable bearer unsecured promissory notes with short to medium-term maturity issued by banks as receipt for deposits placed with them for a fixed period. These securities are mainly bought by institutional and professional investors. Usually issued at a discount by using a group of dealers, certificates of deposit are traded on the international secondary market.”	
THE NETHERLANDS	Defined in the Credit System Supervision Manual (implementing the Act on the Supervision of the Credit System 1992, the <i>Wet toezicht kredietwezen</i> ): short-term negotiable bearer debt instruments issued by banks.	
AUSTRIA	Under Austrian law a Certificate of Deposit is a security. There are no special legal definitions.	
PORTUGAL	Although a proper legal definition is not laid down in Decree-Law No. 372/91, Article 1 gives a broad notion of such a money market instrument: ‘The credit institutions legally authorised to receive deposits can issue certificates of deposit, according to the present legal act, representing the deposits in escudos or foreign currency held by them’. Moreover, pursuant to Article 2(1), certificates of deposit are non-dematerialised securities.	
FINLAND	The above-mentioned Section 11 of the Law on Promissory Notes does not define “certificate of deposit” but lays down a general definition of promissory notes. A more detailed definition of certificates of deposit is laid down in Chapter 1, Section 2(2) of the Securities Markets Act.	

3	Issuance	
<b>BELGIUM</b>	Pursuant to Article 1 of the Law of 22 July 1991, certificates of deposit may be issued by credit institutions established in Belgium or credit institutions established in another EU Member State who have the right, under their respective national laws, to issue certificates of deposit. The minimum amount is set at 250 000 euro.	
<b>GERMANY</b>	CDs are issued by the banking sector, usually with a maturity of up to 1 year.	
<b>GREECE</b>		
<b>SPAIN</b>	Issued by credit institutions (as only credit institutions can hold deposits from the public under Law 26/1988 of 29 July). The Law and the Decree apply to securities issued in Spanish territory, meaning addressed to investors resident in Spain. (Decree, Art. 3).	
<b>FRANCE</b>	Article L 213-3 of the French Monetary and Financial enumerates the legal entities who may issue TCN, i.e. credit institutions, investment firms, Caisse des Dépôts et Consignations, companies making public offerings, EIG, Community institutions and international organisations to which France belongs. Since the law "NRE" of 15 May 2001, local public bodies are also authorised to issue commercial paper and MTNs. Certificates of deposit are only issued by credit institutions (resident or non-resident) and Caisse des Dépôts et Consignations (see Decree of 1992 above-mentioned). Dematerialisation is compulsory since 1993. According to CRBF Regulation 98-08 of 7 December 1998, certificates of deposit must have a fixed maturity date, an initial maturity of at least one day and a unit value equivalent to at least EUR 150,000.00. Their maximum maturity must not exceed one year.	
<b>IRELAND</b>	Since a certificates of deposit is evidence of a deposit, only persons authorised to accept deposits under Irish law may issue certificates of deposit. Under Section 2(1) of the Central Bank Act, 1971, 'banking business' is defined to mean the business of accepting, on own account, sums of money from the public in the form of deposits or other repayable funds whether or not involving the issue of securities or other obligations, howsoever described. Under Section 7(1) of the Central Bank Act, 1971, a person shall not, in or outside the State, carry on banking business or on behalf of any other person accept deposits or other repayable funds from the public unless he is the holder of a license. It follows from these provisions that only persons licensed and supervised as banks (i.e., as credit institutions) may issue certificates of deposit.	
<b>ITALY</b>	Certificates of deposit are issued exclusively by banks in Italy.	
<b>LUXEMBOURG</b>	There is no specific procedure dealing with the issuance. It is generally and in practice considered that certificates of deposit can be issued by banks on an individual and private basis whilst commercial paper (billets de trésorerie) and MTNs (bons à moyen terme négociables) will generally be issued in series and placed either privately or publicly.	

3	Issuance	
THE NETHERLANDS	Certificates of deposit are issued by credit institutions. The minimum amount is set at EUR 454,000.000. Issuance is generally regulated by the Act on the Supervision of Securities Trade 1995 ( <i>Wte 1995</i> ).	
AUSTRIA	Certificates of deposit are issued exclusively by banks in Austria. Certificates of deposit have been issued as registered securities but could also contain an order clause or could be issued as bearer securities.	
PORTUGAL	Pursuant to Article 1 of Decree-Law No. 372/91, certificates of deposit are issued exclusively by credit institutions.	
FINLAND	There are no specific rules or limitations on the issuance of certificates of deposit under Finnish law, however, in practice certificates of deposit are issued only by banks.	

4	Rating
BELGIUM	Rating (not compulsory).
GERMANY	Depends on the issuing institution, a rating of short term issues is unusual.
GREECE	
SPAIN	Rating is not used for certificates of deposit.
FRANCE	Rating is not compulsory. This rating is obtained from a rating agency which is mentioned in the list fixed by the French Ministry of Economy and Finance. There is a simplified information procedure for rated issuers.
IRELAND	No information to date regarding statutory or other provisions regarding required ratings for certificates of deposit.
ITALY	Rating is not used for certificates of deposit.
LUXEMBOURG	Rating is not compulsory.
THE NETHERLANDS	Rating (not compulsory).
AUSTRIA	No provisions on rating.
PORTUGAL	No rating.
FINLAND	Pursuant to Chapter 3, Section 11 of the Securities Markets Act, the Stock Exchange may list an instrument such as e.g. a certificate of deposit that has been issued to the public, if the issuer is a member of the Stock Exchange and applies for such listing.



5	Investors and prospectuses	
BELGIUM	Article 5 of the Law of 22 July 1991 and part 2 of the Royal Decree on Commercial Paper and Certificates of Deposit of 14 October 1991 lays down the requirement for prospectuses to be released in connection with issuance of certificates of deposit. The contents of the prospectus is elaborated upon in Articles 5(1)-5(3).	
GERMANY	Prospectus is required under section 7 of the Prospectus Act (Verkaufprospektgesetz) of 1998. In practice, exemptions apply in case of restricted subscribers, minimum tradable lots beyond 80.000 DM or maturities below 1 year. Prospectuses have to be deposited with the Federal Securities Office (BAWe).	
GREECE		
SPAIN	<p>Under the Law, Art. 26(d)), before issue, a prospectus must be presented to and registered (with some exceptions) with the CNMV (<i>Comisión Nacional del Mercado de Valores</i>: Spanish securities supervision agency). The prospectus must contain enough information for investor to make a judgment on the proposed investment. It must reproduce the conclusion of the mandatory audits as per Art. 27 of the Law, the obligations derived from the securities, and the procedure for placing the security on the market. The prospectus must follow the models approved by the CNMV (see CNMV Circular 2/1999) and fulfil a series of minimum formal requirements. Correction of mistakes or relevant ex-post information must be included in a supplement. (Decree, Art. 15-23).</p> <p>The public offer must take place within a month of the registry of the prospectus with the CNMV (Decree, Art. 25).</p> <p>In the case of international offers (i.e., including non-Spanish residents) the prospectus must include all information provided to foreign investors, even if not required by Spanish legislation. All information must be translated into Spanish (Decree, Art. 26).</p> <p>In the case of issuers not resident in Spain, the required audit must comply with the legislation of the place of residence of the issuer. If this is outside the EU, the CNMV may require additional clarification re. the applicable norms.</p>	
FRANCE	Pursuant to Article L.213-4 of the French Financial and Monetary Code, the issuers of TCN are under an obligation to fulfil certain information obligations concerning their economic and financial situation and their issuing programme. A Decree specifies the content of these obligations and the conditions of publicity. The COB is in charge of the control of the fulfillment of these obligations (especially when issuers do not provide any rating). The information document to be submitted by issuers to Banque de France is called "Dossier de présentation financière".	
IRELAND	Insofar as a certificate of deposit is a negotiable instrument, it may be argued that it is a debt security whose issuance is also subject to the general regulatory regime applicable to the issuance of securities under Irish law. However, in practice, insofar as (a) certificates of deposit are never admitted to official listing on a stock exchange and (b) only transferable debt securities having a maturity of at least one year are subject to public offer prospectus requirements under the Irish Regulations implementing the Prospectus Directive, it is unlikely that a certificate of deposit is subject to any securities law requirements. However, this matter requires confirmation.	
ITALY	There is no obligation to issue a prospectus. The "Istruzioni di Vigilanza" of Banca d'Italia lays down the main features that are mandatory for the certificates. The issuance of certificates with features different from those laid down by the 'Istruzioni' is forbidden.	

5	Investors and prospectuses	
LUXEMBOURG	A prospectus is only required if the instruments are either offered to the public in Luxembourg or listed on the Luxembourg Stock Exchange. To the extent that the instruments are issued under a public programme, then an annual update of the prospectus is required. An update is also required if major events occur that could affect the creditworthiness of the issuer.	
THE NETHERLANDS	The Act on the Supervision of Securities Trade 1995 (and further rules and regulations) stipulates the requirements to the prospectus, which must be published unless securities are offered only to professionals, to a select group or only outside the Netherlands.	
AUSTRIA	Article 2 of the Austrian Capital Market Act provides for the requirement of a prospectus when securities are offered to the public. No prospectus has to be drawn up when securities are only offered to limited number of professional investors.	
PORTUGAL	Article 7 of Decree-Law No. 372/91 entrusts the Banco de Portugal with the power to impose on the credit institutions specific duties of information either previously to the emission of certificates of deposit or following its emission.	
FINLAND	Chapter 2, Section 2 of the Securities Markets Act lays down a requirement that anyone who issues securities (e.g. certificates of deposit) to the public must provide sufficient information on any circumstances that may substantially affect the value of the securities in question. This is a requirement that is somewhat less extensive than the duty to issue a formal prospectus as laid down in Chapter 2, Sections 3 and 4 of the Securities Markets Act.	

6	Trading	
BELGIUM	The issuer may restrict trading of CD. Buy-back possible by issuer but unusual.	
GERMANY	OTC. Due to the short-term nature, an exchange admission is seldom sought, small trading activities ('buy and hold' paper).	
GREECE		
SPAIN	The admission of securities to trading in official markets requires prior verification (but no authorisation) by the CNMV (Law, Art. 32.1) and the agreement of the authority of the secondary market concerned. In Spain, there is an official secondary market for fixed return securities. However, this market does not include CDs among its negotiated instruments.	
FRANCE	TCN can be traded on a regulated market or a "gré à gré" (OTC) market (Article L213-1 of the Financial and Monetary Code). Disposal and trading of TCN is open to any credit institution (including the Caisse des Dépôts et Consignations) and authorised investment firm. Buy-back possible for issuers: reporting obligation to the Banque de France.	
IRELAND	The negotiability of certificates of deposit would be recognised by the courts as established by mercantile usage. Provided certificates of deposit are recognized in the market as negotiable, it is unlikely that a court would take a different view, particularly if proper expert evidence were adduced as to market practice and understanding. See Roy Goode, Commercial Law pp. 629-30 (2 <sup>nd</sup> ed. 1995).	
ITALY	No obligation to trade certificates on regulated markets.	
LUXEMBOURG	There are no specific rules dealing with the trading of such instruments which basically trade like any other securities.	
THE NETHERLANDS	Buy-back possible by issuer but unusual.	
AUSTRIA	OTC.	
PORTUGAL	According to Article 2(5) of Decree-Law No. 372/91, credit institutions may acquire the certificates of deposit issued by them.	
FINLAND	Proprietary rights in a certificate of deposit rest with the bearer of the instrument, pursuant to a general rule set out in Section 13 of the Law on Promissory Notes.	

7	Nature of rights
<b>BELGIUM</b>	The rules on transfer of proprietary rights to certificates of deposit are set out in Article 6 of the Law of 22 July 1991. It is stipulated that proprietary rights are established by inscription in a register held by the issuer. Issuers have to meet financial criteria or be guaranteed by a corporate meeting the criteria or a public authority, ex Art 13 of the Royal Decree on Commercial Paper and Certificates of Deposit of 14 October 1991.
<b>GERMANY</b>	Normally issued as securitised debt instruments (Schuldverschreibung, sections 793 seq. Civil Code), whereby the general securities and safe custody laws apply. Exceptionally, CDs could be issued as unsecuritised debt (Schuldschein), in which case the investor holds an unsecuritised claim.
<b>GREECE</b>	
<b>SPAIN</b>	Proprietary rights of dematerialised titles are established by their inscription in the relevant registry (Law, Art. 8). For securities not admitted to negotiation in official secondary markets, the register is chosen by the issuer among those authorised for this activity (i.e., credit institutions). For securities admitted to negotiation in secondary markets, the registry is that of the relevant market, in this case the registry of the SCLV (Servicio de Compensacion y Liquidacion de Valores: settlement and clearing system of the Spanish stock exchange). Registered securities are fungible. The transfer of rights takes place by account transfer, whereby the inscription of the transfer has the same effects that a transfer of title, and has force vis-à-vis third parties from the moment of the inscription. A third party acquiring the title from the person identify by the registry as able to transfer the title, cannot be re-vindicated (Law, Art. 9). The system of the representation of securities in accounts is further regulated by Royal-Decree 116/1992, of 14 February.
<b>FRANCE</b>	Title to TCN rests with the bearer ("TCN sont stipulés au porteur") of the instrument in question, pursuant to Article L.213-2 of the Financial and Monetary Code. Proprietary rights are established by inscription in an account held by an authorised intermediary.
<b>IRELAND</b>	Insofar as the negotiability of certificates of deposit would be recognised by the courts as established by mercantile usage, see Roy Goode, Commercial Law pp. 629-30 (2 <sup>nd</sup> ed. 1995), it should follow logically that proprietary rights attach to the holder of such a negotiable instrument
<b>ITALY</b>	The certificates of deposit are negotiable instruments.
<b>LUXEMBOURG</b>	The holder of the instrument has a contractual claim against the issuer of the instrument and a right in rem against the depository of such instruments.
<b>THE NETHERLANDS</b>	There are no specific rules or regulations in this regard. General Dutch civil/commercial law applies.

7	Nature of rights	
AUSTRIA	General civil law rules apply. CDs that are issued as registered securities can only be transferred by assignment.	
PORTUGAL	Pursuant to Article 2(1), the rights associated to certificates of deposit rest with the bearer of them and those rights can be transferred. According to paragraph 4 of this legal provision, the transferred rights only become effective after the transfer has been communicated to the issuing credit institutions by the transferee. Furthermore, as flows from paragraph 3 of the legal provision at stake, the issuing credit institutions shall keep updated records on the issues of certificates of deposits and the transfers of right associated to them.	
FINLAND	The right of the holder of the certificate of deposit arises from Section 1 of the Law on Promissory Notes, wherein the obligation to repay debts under promissory notes is explicitly stated.	

8	Procedures for clearing and settlement (terms and conditions of securities clearing and settlement systems)
<b>BELGIUM</b>	There are no specific rules or regulations in this regard.
<b>GERMANY</b>	Usually, the settlement takes place on accounts of Clearstream Frankfurt (and/or on the books of the intermediary). Normally, CDs are held in immobilised with a global note in Clearstream Frankfurt.
<b>GREECE</b>	
<b>SPAIN</b>	If traded in an official secondary market, issued certificates of deposit must be registered with the SCLV with the exception of singular titles. The SCLV has exclusive rights for the registry, clearing and settlement of securities traded in the stock exchanges and other official secondary markets.
<b>FRANCE</b>	Compulsory domiciliation in a credit institution or an investment firm established in France or Caisse des Dépôts. Possibility, on request of the issuer, to be managed in Euroclear France.
<b>IRELAND</b>	No information available to date.
<b>ITALY</b>	According to CONSOB Resolution n. 12479 and the Decree of the Ministry of Treasury of 23 August 2000, all securities normally traded on the money market are eligible for deposit at Monte Titoli and can be transferred through it.
<b>LUXEMBOURG</b>	There are no specific procedures for clearing and settlement of these instruments which are cleared and settled like any other types of securities.
<b>THE NETHERLANDS</b>	There are no specific rules or regulations in this regard. General Dutch civil/commercial law applies.
<b>AUSTRIA</b>	Settlement through the national CSD as well as an international CSD is possible.
<b>PORTUGAL</b>	There are no specific rules or regulations in this regard.
<b>FINLAND</b>	Domestic settlement through the Central Securities Depository (APK). Both parties would be bound by the Rules of the APK.

9	Taxation and stamp duty	
<b>BELGIUM</b>	Article 10 of the Law of 22 July 1991 introduces an amendment to the Code on Stamp Duty ( <i>Code des taxes assimilées au timbre</i> ) that provides for the rules laid down in article 126(1) of the Code to be applicable to certificates of deposit.	
<b>GERMANY</b>	No stamp duty. The capital gains tax (Kapitalertragssteuer) is levied by banks (usually 30%) having safe custody accounts for investors.	
<b>GREECE</b>		
<b>SPAIN</b>	Securities with a maturity of more than one year are subject to special controls by the Tax Authority (Agencia Tributaria). The applicable legislation is the Ley de Activos Financieros y de Control de Cambios.	
<b>FRANCE</b>	Principles applicable to the fiscal treatment of TCN are defined in the administrative instruction of 24 February 1987 CBOI 4 A-4-87 concerning taxation of TCN held by companies.	
<b>IRELAND</b>	Under Section 19 of the Finance Bill 2002 currently pending before the Oireachtas (Irish Parliament), interest paid by financial institutions on certificates of deposit is subject to deposit interest retention tax (DIRT) because the amount received by the institution for the certificate of deposit is treated in the same way as any other deposit made with a financial institution for purposes of applying DIRT.	
<b>ITALY</b>	Interests and other benefits are taxed in the measure of 27% directly by the bank (withholding agent) (see Article 26 of the Presidential Decree 29 September 1973 No. 600 as amended by Article 12 of the Legislative Decree 21 November 1997 No. 461).	

9	Taxation and stamp duty	
<b>LUXEMBOURG</b>	<p>A. Corporate tax aspects                      A Luxembourg bank acquiring a CD will record a security or a loan portfolio in its accounts depending on the case (see accounting treatment). Income realised connected to the CD (capital gains or interest) is taxable according to the accounting treatment (if the income is recorded on an accrued basis, it is taxable on an accrued basis). If a foreign tax is levied on the interest earned on the CD, this tax should be creditable against the corporate income tax of the Luxembourg bank under domestic or treaty tax credit system. The foreign tax not creditable being deductible. The CD increases the net worth tax basis of the Luxembourg bank. Debts Incurred to acquire the CD are, however, deductible from the net worth tax basis so that in such a case, the acquisition of a CD is neutral from a net worth tax point of view.                      If a foreign company acquired a CD from a Luxembourg bank, the taxation of the income in its hands depends on the foreign tax law. Income derived from the CD with source in Luxembourg will not be subject to Luxembourg tax.</p> <p>B. Individual tax aspects                      B.1 Resident investors  <i>Income tax</i>                      Resident investors are subject to taxation on interest income to the extent that they meet the conditions to file an income tax return. A tax deduction of LUF 60,000 (doubled for spouses who are taxed jointly) is available for all taxable investment income. Income tax rates are progressive and vary from 0 to 47.15%. In addition, the 1% dependency contribution is due.  <i>Wealth tax</i>                      Residents in Luxembourg are subject to Luxembourg wealth tax at a flat rate of 0.5% on the value of their certificates of deposit, under reserve of exemptions provided by Luxembourg law.</p> <p>B.2 Non-resident taxpayers                      Non-residents in Luxembourg are neither taxed in Luxembourg on interests from certificates of Deposits, nor subject to Luxembourg wealth tax on their certificates of deposit.</p> <p>C. VAT tax aspects                      Supplies of services related to transaction in shares should be considered as transactions related to debentures and securities and therefore exempt from VAT. Thus, they do not entitle to deduct input VAT except if they are rendered to persons established outside the EU. However, management and safekeeping of such certificate will not be exempted and will open the right to deduct input VAT. They will be liable to the Luxembourg VAT at the rate of 12% if the recipient of the service is established in Luxembourg or is a non-taxable person established in another EU Member State. They are not liable to Luxembourg VAT when the recipient is a taxable person located in another EU Member State or a person established outside of the European Union. In this case, these transactions might however be liable to VAT in the country of the recipient of the service.</p>	
<b>THE NETHERLANDS</b>	<p>No stamp duty, as regards income tax: proceeds cumulate with normal revenues of the company, no withholding tax is applied.</p>	
<b>AUSTRIA</b>	<p>There is no securities transaction tax. Austrian residents are subject to a withholding tax on interests.</p>	



9	<b>Taxation and stamp duty</b>	
PORTUGAL	Pursuant to Article 74(3)(a) of the IRS Code, applicable to the certificates of deposits <i>ex vi</i> Article 37 of the Statute on Fiscal Benefices, the interests of certificates of deposit are taxed in the measure of 20% directly by the issuing credit institution (tax deduction at source).	
FINLAND		

10	Supervisory and regulatory aspects
<b>BELGIUM</b>	The National Bank of Belgium has several tasks in the administration of the trading in this area under the Royal Decree on Commercial Paper and Certificates of Deposit of 14 October 1991.
<b>GERMANY</b>	The Federal Securities Supervisory Office (BAWe) is entrusted with ensuring the proper functioning of the financial markets. The solvency of financial intermediaries issuing or purchasing CDs is subject to supervision by the Federal banking Supervisory Office (BAKred). Furthermore, the BAWe is the statutory depository for prospectuses.
<b>GREECE</b>	
<b>SPAIN</b>	<p>The CNMV, Spanish securities supervision agency is in charge of supervision of the issue and trading of certificates of deposit, as with other securities. There are no specific supervisory provisions applicable to CDs. The CNMV may suspend issue or trading of any securities under its supervision.</p> <p>Generally, there is no prior authorisation required for issue, with the exception of securities with an interest linked to price indexes (Ministerial Order of 28 May 1999). Nevertheless, the issue must be communicated to the CNMV, together with the submission and registry of documentation regarding the characteristics of the emission, issuer's audit reports and annual accounts, and prospectus. These requirements do not apply to issues of securities with a maturity of less than 12 months that are addressed exclusively to clients, or to public institutions. The requirements to register audit reports, annual accounts and the prospectus do not apply to issues addressed to public institutions, to less than 50 investors, to the staff of the institution, or to those whose total value is less than ESP 1,000.00.</p>
<b>FRANCE</b>	Banque de France (BdF) is the competent authority supervising the TCN market. BdF must control the respect by issuers of conditions for the issuance of TCN. It is vested with the power to suspend or prohibit issuance of TCN if the issuer fails to comply with the conditions laid down for such issuance. BdF is informed of any new entrant on the TCN market and receives communication of " Dossier de présentation financière" (See point 5 above). However, this competence is shared with COB for the control of the information to be provided, when the issuer does not provide any rating.
<b>IRELAND</b>	The Central Bank of Ireland is responsible for the licensing and supervision of banks in the conduct of banking business, including the issuance of certificates of deposit.
<b>ITALY</b>	The issuance of certificates of deposit with non standard characteristics is subject to prior notification to Banca d'Italia following the procedure laid down by article 129 of the Consolidated Banking law.

10	Supervisory and regulatory aspects
LUXEMBOURG	<p>For the purpose of calculating capital requirements to cover foreign exchange risk, credit institutions shall include the certificates of deposit denominated in foreign currencies in the net open positions by currency. The net global positions (defined as the sum of all long positions by currency on one hand and the sum of all short positions by currency on the other hand) are computed, the higher of which is submitted to a 8% capital requirement in excess of 2% of the eligible own funds.</p> <p>An alternative method based on statistics may be used by the credit institutions.</p> <p>Issued certificates of deposit are not subject to any capital requirement to cover credit risk. Purchased certificates of deposits, if they are part of the banking book, are subject to capital requirements to cover credit risk by applying a weighting depending on the quality of the counterpart.</p> <p>If those certificates are part of the trading book, transactions unsettled after their due delivery dates (spot or forward sale or purchase of securities) and free deliveries (undelivered but purchased and paid securities or unpaid but sold and delivered securities) are subject to capital requirements to cover settlement/delivery risk and counterpart risk. Those requirements are calculated as a percentage applied either on the difference between the market value and the settlement value or directly on the settlement value. Those percentages are increasing with the quality of the counterpart and the aging of the unsettled transaction.</p> <p>Certificates of deposit from the trading book are subject to a specific capital requirement to cover the interest rate risk. Capital requirements must be sufficient to cover the specific risk (risk of a price change in the certificate of deposit due to factors related to the issuer of the certificate) and the general risk (risk of a price change in the certificate due to a change in the level of the interest rates).</p> <p>Finally, the certificates included in the trading book are subject to an additional capital requirement due to excesses over the limits of large exposures. This requirement equals 200% minimum weighting on the capital requirement to cover the specific risk mentioned above and is subject to multiplication factors as from the 11th day following the excess.</p> <p>The public offering of securities requires the issuance of a prospectus and a number of publications in Luxembourg which are subject to the approval of the Commission de Surveillance du Secteur Financier. Luxembourg entities that issue on regular basis these types of instruments may be considered, depending on the circumstances, as carrying out an activity of taking of deposits from the public and may thus need a banking license. Issuers of securities do not need to report these issues to the supervisory authority.</p>
THE NETHERLANDS	<p>The Securities Commission as per the Act on the Supervision of the Securities Trade 1995 and De Nederlandsche Bank as per the Act on the Supervision of Credit Institutions 1992 are in charge of supervision.</p>
AUSTRIA	<p>The Austrian Securities Authority is responsible for investigations and the oversight of market participants' activities (credit institutions, issuers, investment services providers, securities exchange).</p>
PORTUGAL	<p>Banco de Portugal, as the competent authority to supervise credit institutions, is also the competent authority to supervise the issuance of certificates of deposit. Article 8 of Decree-Law No. 372/91 remits, further to the information duties that the Banco de Portugal can impose on issuing credit institutions, to the supervisory and regulatory powers vested to it by its organic law.</p>
FINLAND	<p>The Finnish Financial Supervisory Authority (FSA) operates in connection with the Bank of Finland but is a functionally independent body. It supervises the financial markets and the participants therein. The Capital Markets Department of the FSA, in particular, monitors securities markets practices and issuers' compliance with disclosure requirements.</p>