

**MEMO# 3214**

October 23, 1991

# **GATT NEGOTIATIONS - EC DRAFT LIST OF THIRD COUNTRY RESTRICTIONS IDENTIFIES SECTION 7(D) OF THE INVESTMENT COMPANY ACT**

October 23, 1991 TO: BOARD OF GOVERNORS NO. 79-91 INTERNATIONAL COMMITTEE NO. 25-91 RE: GATT NEGOTIATIONS - EC DRAFT LIST OF THIRD COUNTRY RESTRICTIONS IDENTIFIES SECTION 7(d) OF THE INVESTMENT COMPANY ACT

Attached is a copy of a confidential European Community document relating to the financial services portion of the ongoing General Agreement on Tariffs and Trade ("GATT") negotiations. The attached "Draft List of Third Country Restrictions" describes what the EC views as restrictions on the securities activities of non-U.S. firms in the U.S. Significantly, the list specifically refers to Section 7 of the Investment Company Act of 1940 as one of several "cross-border restrictions." It appears that the EC is prepared to characterize Section 7(d) as a discriminatory provision of U.S. law that is not consistent with "national treatment." Thus, it seems likely that the EC will seek some liberalization of Section 7(d) through the GATT negotiations by including Section 7(d) on its "request list" regarding financial services barriers. We will keep you informed of developments. Frances M. Stadler Assistant General Counsel Attachment