COMMISSION DECISION

of 22 December 1977

authorizing the United Kingdom to take certain protective measures under Article 108 (3) of the EEC Treaty and repealing Decision 75/487/EEC

(Only the English text is authentic)

(78/154/EEC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 108 (3) thereof,

Whereas the United Kingdom's economic situation has entailed serious balance of payments difficulties and consequently marked fluctuations in the sterling exchange rate ;

Whereas by Decision 75/487/EEC of 23 July 1975 [1] the Commission authorized the United Kingdom, on a temporary basis, to maintain, within the limit of the measures actually in force on the date when the above Decision was notified, restrictions on certain capital movements because this Member State was not in a position to fulfil its obligations under Article 124 (1) (a) and (b) of the Act of Accession ;

Whereas by Decision 77/457/EEC of 28 June 1977 [2] the Commission amended Decision 75/487/EEC ;

Whereas the United Kingdom's external position is such that a complete relaxation as from 1 January 1978 of the controls on those capital movements covered by Article 124 of the Act of Accession would seriously threaten the United Kingdom with balance of payments difficulties ;

Whereas because of the possible threat to the balance of payments, the United Kingdom has informed the Commission that it is not in a position to fulfil the obligations arising from Article 124 (1) (c) of the Act of Accession, and in this connection has asked to be authorized to take certain protective measures ;

Whereas the Commission, after investigating the position of the United Kingdom's economy under Article 108 (1), and the measures taken by the United Kingdom, made a recommendation to it on 14 December 1977, under Article 108 (1) of the Treaty ;

Whereas, however, the measures recommended to the United Kingdom under Article 108 (1) of the Treaty are not sufficient, since they cannot by themselves make any immediate and sufficient contribution to strengthening the United Kingdom's external position ;

Whereas no mutual assistance has been granted under Article 108 (2) of the Treaty ;

Whereas the strengthening of its external financial position requires the temporary maintenance by the United Kingdom of the measures in force derogating from Community obligations in respect of the free movement of capital ;

Whereas, however, certain changes are now possible in respect of direct investments and in capital movements of a personal nature by United Kingdom residents in other Member States, and in respect of transactions in securities by residents of the United Kingdom ;

Whereas it is appropriate to combine together in one Decision any new derogations from Community obligations in respect of the free movement of capital with existing derogation from such obligations ;

Whereas the situation of the United Kingdom and the practical effects of the United Kingdom measures should be regularly reviewed, with the aim of eliminating, as soon as possible, restrictions maintained on a temporary basis,

HAS ADOPTED THIS DECISION :

Article 1

1. The United Kingdom is hereby authorized, subject to the conditions contained in paragraph 2, on a temporary basis, to maintain the restrictions on direct investments in Member States by United Kingdom residents and the liquidation of such investments.

2. (a) £ 500 000 or 50 % of the total cost of the investment, whichever is the greater, can be obtained at the official exchange rate, where the invest-

[1] OJ No L 211, 9. 8. 1975, p. 29.
[2] OJ No L 179, 19. 7. 1977, p. 30.

ment cost is to be recouped by benefits to the United Kingdom's balance of payments, within the period specified in paragraph 2 (b).

(b) The period referred to in paragraph 2 (a) shall not be less than three years.

Article 2

The United Kingdom is hereby authorized on a temporary basis to maintain the restrictions on the following capital movements of a personal nature :

(a) transfers of capital belonging to United Kingdom residents who are emigrating, other than transfers in connection with the free movement of persons under the provisions of Title III of Part two of the EEC Treaty. However for transfers by emigrants not covered by the provisions of Title III of Part two of the EEC Treaty, the initial amount transferable per family unit is increased to £ 80 000 from £ 40 000 ;

(b) gifts and endowments, dowries, succession duties, and real estate investments, other than those in connection with the freedom of movement of persons under the provisions of Title III of Part two of the EEC Treaty. Restrictions shall, however, be abolished on :

(i) cash gifts up to £ 1 500 per donor, per annum, plus £ 1 500 for EEC recipients ;

(ii) wedding gifts or dowries from parents (or those in *loco parentis)* up to £ 7 500 per annum in excess of cash gifts allowance.

Article 3

The United Kingdom is hereby authorized on a temporary basis to maintain the restrictions on the acquisition by residents of foreign securities dealt in on a stock exchange and on the use of the proceeds of liquidation thereof, provided that :

— the entire proceeds of liquidation of foreign securities can be sold on the investment currency market,

— the repayment of funds borrowed in foreign currency to buy securities issued by the Communities or by the European Investment Bank and quoted on a stock exchange, can be made :

from the proceeds of liquidation, or by purchasing funds on the investment currency market, or, where the repayment is made over a period of five years, by purchasing funds at the official exchange rate.

Article 4

1. The Commission shall keep under close review the development of the economic situation in the United Kingdom. It shall investigate the situation and the effects of the measures authorized herein not later than 31 December 1978.

2. The Commission reserves the right to amend or revoke this Decision if it finds that the conditions on which it was based have changed or that the effects of the Decision are more restrictive than is necessary to achieve its purpose.

Article 5

Decision 75/487/EEC is hereby repealed.

Article 6

This Decision is addressed to the United Kingdom.

Done at Brussels, 22 December 1977.

For the Commission

François-Xavier ORTOLI

Vice-President