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MEMORANDUM 19/05

Ref.: **DIRECT INVESTMENT SURVEY SYSTEM IN THE COUNTRY AND ABROAD**

Buenos Aires, March 18, 2005

The Central Bank of the Republic of Argentina through Communication "A" 4237 dated November 10, 2004 and Communication "A" 4305 dated March 4, 2005, announced a new regime of semi-annual information about direct investments in the country and abroad, the first expiry of which, with the data as of the end of the second semi-annual period for 2004, takes place next March 31, 2005.

The same comprises both direct investments –in the country- from non residents, and direct investments –abroad- from residents, under the form of participations in the capital of corporations and in real estate. It further states that "direct investment" also means a participation in the capital of a company of no less than 10%. Moreover, the investments in real estate not forming part of a commercial company and assigned to personal use or the leases to third parties shall be deemed real estate investment.

The filings shall be deemed a sworn statement and must be made using the instructions specified by BCRA (the Central Bank of the Republic of Argentina). Such instructions may be obtained from financial entities, which are those in charge of answering inquiries (installation of instructions, loading of data, etc.) as well as the reception of the statements.

The individuals or corporations that must file the statement, as well as the limits that determine the obligation and frequency of the filing, are as follows:

I. Direct investments in the country from non-residents

This survey must be fulfilled by corporations with participation in their capital from direct non-resident investors and by administrators of real estate belonging to non-residents, who must declare the holdings of direct investments in the country by non-residents, and their changes during the period reported.

The statement must be filed with reference to the end of each calendar semi-annual period, and must be fulfilled even if the persons involved had that kind of investment at the beginning of the semi-annual period reported and had liquidated them during the course thereof.

The obligation of the filing shall depend on the equivalent value in United States dollars of the holdings from non-residents in the country, considering their participation in the book shareholders' equity value of the company and/or the ensemble of fiscal values of the real estate.



| Non-resident direct investment holdings | Type of filing |
|--|---------------------------------|
| Less than USD 500,000 | Optional statement |
| Higher than or equal to USD 500,000 | Mandatory Semi-annual Statement |

It should be noted that the data to be reported by the resident company must include:

- 1) Data from the deponent company and person to be contacted
- 2) Data from the balance sheet of the direct investment resident company: book shareholders' equity, contributions and withdrawals from the period, issue of shares, equity changes due to absorption or mergers, income/loss and allocation of recorded income/loss.
- 3) Data from the direct investors and their participations in the capital of the direct investment resident company: type of investor, name, country of residence, investors in a second withholding level, holding percentages, contributions, withdrawals and share subscriptions and transfers.

II. Direct investments abroad from Argentine residents

This survey comprises all individuals and corporations residing in the country, who have direct investments abroad, whether through participations in any kind of companies (either financial or not) and/or real estate who must declare their holdings of direct investments abroad, including real estate and their changes during the period reported.

The statement must be filed with reference to the end of each calendar semi-annual period or year, as the case may be, and must be fulfilled even if the persons involved had that kind of investment at the beginning of the period reported and had liquidated them during the course thereof.

The obligation and frequency of the filing shall depend on the equivalent value in United States dollars of the holdings from residents abroad, considering the aggregate of their participation in the book shareholders' equity value of the foreign companies and/or fiscal values of the real estate abroad:

| Resident direct investment holdings | Type of filing |
|---|---|
| Less than USD 1,000,000 | Optional statement |
| Higher than or equal to 1,000,000 and less than or equal to USD 5,000,000 | Mandatory Annual Statement (statement as of June, optional) |
| Higher than USD 5,000,000 | Mandatory semi-annual statement |

It should be noted that the data to be declared must include the following:

- 1) Investor data and person to be contacted



- 2) Data on the participations: company's name and country of residence, activity sector, holding percentage, capital contributions and withdrawals and subscriptions, allocation of income and dividends.
- 3) Data from the direct investment non-resident company: shareholders' equity and income/loss.
- 4) Company's share or capital transfers during the period reported.
- 5) In the event of declaring real estate investments abroad: per investment country: market and fiscal value of the real estate, estimate of the rental monthly average (if applicable) and monthly expenses, improvements and purchases (net of sales) of real estate made in the country during the period reported.