Caption: On 30 March 1979, the British newspaper Financial Times attributes the lack of a Euro-Belgian franc bond market to Belgium’s conservative monetary policy.

Source: COLCHESTER, Nicholas. Euromarkets role under curbs, Dans Financial Times, 30.3.1979, Londres: Pearson PLC.

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The remarks role under curbs

"The Financial Times" London 30.3.1979

POSS THE country which, in 1969, saved bond from the first Brussels bond market's importance to the international capital market is a shadow of what it was and what it should be. There is no such thing as a Euro-Belgian bond.

The domestic bond market is available for the flotation of foreign bonds only at a very limited extent. The banks have been advised to refrain themselves in the marketing of bonds denominated in other currencies to Belgian investors. The whole system is geared to directing the Belgian public's appetite towards bonds issued by the Belgian public sector.

The market preserves a role for the Belgian banks in the international bond market. First the Belgian investor remains bond-minded and tends to diversify his holdings beyond the Belgian franc. Second, there is Luxembourg. The Grand Duchy is a monetary extension of Belgium, sharing the same currency, a political entity which also is a foreign country. Belgian investors can derive a number of advantages from Luxembourg's fiscal personality which would be hard to ignore—and do it with the Belgian subsidiaries perfectly well when given the chance.

Category

Rarely does the constraint of the Belgian bond market prevent bonds from foreign countries or from those which do not have to pay withholding tax. If in certain cases the obligations of foreign banks in Belgium they are supposed to pay withholding tax, they take the bearer bonds to Luxembourg and argue with the banks there that they do not have to pay.

The result of such inconveniences is that any cooperation with a Belgian banker about the country's position in the international capital market will be coloured with white and vary smiles on his part. His attitude make us feel as at book would make it seem.

Nevertheless, there appears to be three basic constraints on Belgium's involvement in the international bond market: First, the Belgian Government wants to preserve the bulk of the foreign investment in the Belgian Government bond market. Secondly, it wants to preserve the inescapability of withholding tax, the foreign financial institution's income from foreign sources, investment from countries and earned income in a permanent and unrevocable basis in Luxembourg by means of Luxembourg branches of foreign banks. Thirdly, the Belgian authorities are anxious that the banks should not become too widely diversified internationally.

The dominance of the State bond over the international bond in Belgium has made clear the figures. Out of total bond holdings in 1977 in SF 75.5 billion (25.4 billion) State issues accounted for 48.3 billion, the Belgian private sector 9.3 billion and international banks 15.7 billion.

It is noticeable that while the declared Belgian purchases of international bonds by Belgian banks have dropped from SF 80 billion in 1975 to SF 11.1 billion in 1977, the sales of foreign currency to foreign capital for the Belgian banks have increased from SF 11.1 billion in 1975 to SF 15.4 billion in 1977. Some of this rise is due to the increase in Luxembourg's mainly international capital effort of the Belgian banks, which has led to the increased number of securities issued by the (Belgian) banks, which are equally profit, although some of these sales are to Belgian banks buying through Luxembourg.

All of these constraints provide part of the answer as to why there is a Euro-Belgian franc market for such securities, but would be free of withholding tax to the investor, as the foreign investor.s and investors of Luxembourg. They would be free of Luxembourg's income tax on any interest earned abroad.

The bond market appears to have developed as a source of fund for the Government which has been used to reduce the interest charges.

In addition, the Belgian banks can play the international capital market. He provides the banks with placed power to obtain quality of the highest level. The banks' message is that a Belgian investor is a safe place for international capital. The market is currently of the opinion that the bonds market, which has been active for a long time, has gained in its importance.

Power

Whether collectively or singly the Belgian banker remains the real estate in the international capital market. He provides the banks with placed power to obtain quality of the highest level. The banks' message is that a Belgian investor is a safe place for international capital. The market is currently of the opinion that the bonds market, which has been active for a long time, has gained in its importance.

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